NCC 2007

ANNUAL REPORT

FLIK

CONTENTS

THIS IS NCC

FUTURE ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATION

NCC is one of the leading construction and property development companies in the Nordic region. The Group had sales of SEK 58 billion in 2007, with approximately 21,000 employees.

NORDIC REGION AS THE DOMESTIC MARKET

NCC is active throughout the value chain in its efforts to create environments for work, living and communication. NCC develops and builds residential and commercial properties, industrial facilities and public buildings, roads, civil-engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and conducts paving and road services.

NCC primarily conducts operations in the Nordic region. In the Baltic region, NCC mainly builds housing on a proprietary basis and in Germany single-family housing.

NCC's vision is to be the leading company in the development of future environments for working, living and communication.

CUSTOMERS +

Read more on pp. 14–15.

COSTS +

Read more on pp. 24–25.

CONSTRUCTION

HOUSING, BUILDING AND CIVIL ENGINEERING

NCC's Construction units construct residential and office properties, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure. The core business is conducted in the Nordic region, the Baltic countries and Germany. In several Nordic markets, NCC is a leading player in the development of housing projects.

Seatons allé, Lerum, Sweden.

Company House 1, Copenhagen, Denmark.

PROPERTY DEVELOPMENT

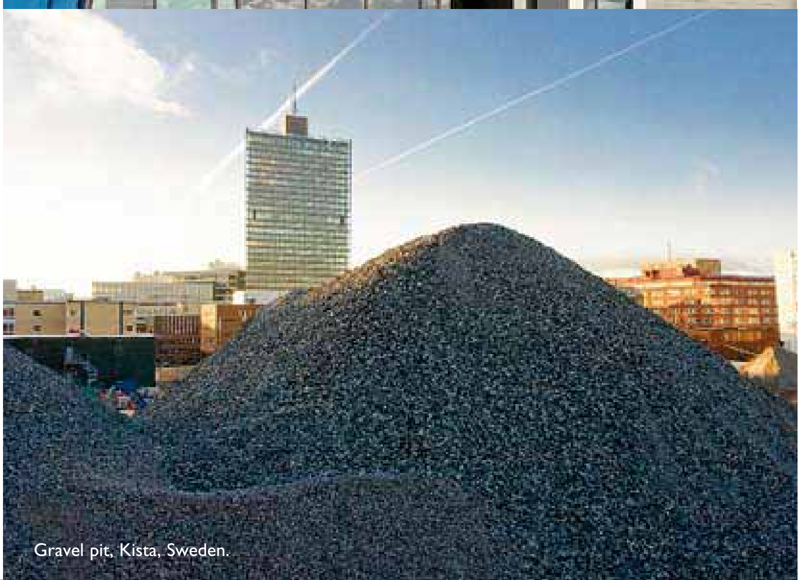
DEVELOPMENT OF COMMERCIAL PROPERTIES

NCC Property Development develops and sells commercial properties in defined Nordic growth markets.

ROADS

AGGREGATES, ASPHALT, PAVING AND ROAD SERVICES

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is the leading company in the Nordic market.



Gravel pit, Kista, Sweden.

+ COMPETENCE

Read more on pp. 18–19.

= NCC FOCUS

Customers, costs and competence are NCC's strategic focus areas.

FINANCIAL OVERVIEW OF 2007

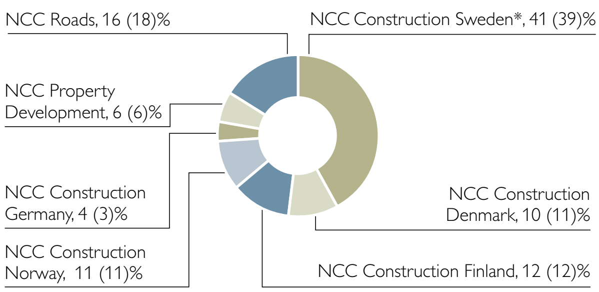
Sysav waste-handling plant, Malmö, Sweden.

Key figures

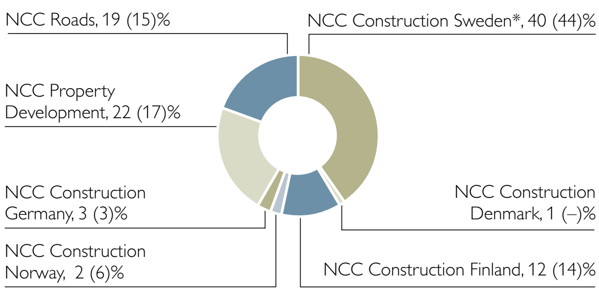
SEK M	2007	2006
Orders received	63,344	57,213
Net sales	58,397	55,876
Operating profit	2,790	2,392
Profit after financial items	2,608	2,263
Net profit for the year	2,252	1,708
Earnings per share after dilution, SEK	20.73	15.74
Ordinary dividend per share, SEK	11.00[1)]	8.00
Extraordinary dividend per share, SEK	10.00[1)]	10.00
Cash flow before financing	1,165	1,657
Cash flow per share after dilution, SEK	10.75	15.29
Return on shareholders' equity, %	34	27
Equity/assets ratio, %	21	22
Net indebtedness	744	430
Average number of employees during the year	21,047	21,784

1) Proposed dividend.

Net sales by business area, share of Group total



Operating profit by business area, share of Group total

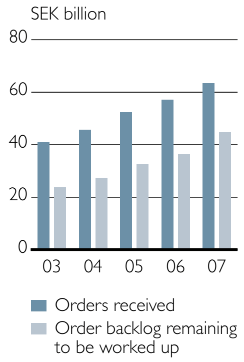


* Excluding NCC Complete.

Cover:
Site Manager Börje Pettersson on the roof of the Beridarebanan office and retail project in central Stockholm, Sweden.

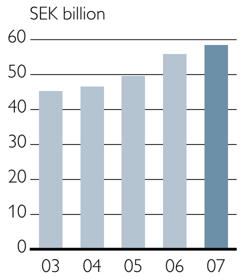
- In terms of earnings, 2007 was a successful year for NCC. All of the financial objectives were surpassed: the return on equity after tax was 34 percent, cash flow was positive and year-end net indebtedness corresponded to 10 percent of shareholders' equity.
- Profit after financial items increased to SEK 2,608 M (2,263), the highest level in NCC's history.
- NCC's Construction units in Sweden and Finland reported record earnings in 2007, due to a continued healthy housing market and to improved margins in construction operations.
- NCC Property Development skillfully utilized the healthy real estate market and keen investor interest during the year to generate strong earnings.
- NCC Roads improved its profitability while generating increased volumes and sharper efficiency. NCC Roads' Polish asphalt and aggregates operations were sold during spring 2007 to Strabag of Austria.
- In November 2007, a decision was made concerning the discontinuation of NCC Complete, a project for the industrialized production of apartment blocks.
- NCC's Board of Directors proposes that the Annual General Meeting approve an ordinary dividend of SEK 11.00 (8.00) per share, plus an extraordinary dividend of SEK 10.00 (10.00) per share, making a total of SEK 21.00 (18.00) per share.

Orders received and order backlog



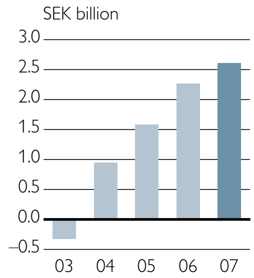
Orders received rose 11 percent in 2007 to SEK 63.3 billion (57.2). The year-end order backlog amounted to SEK 44.7 billion (36.3).

Net sales



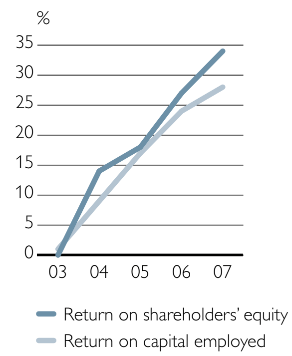
Sales have increased steadily during recent years, primarily because of the strong construction climate in the Nordic region. During 2007, sales rose 5 percent to SEK 58.4 billion (55.9).

Profit/loss after financial items



Profit for 2007 was the highest in NCC's history, amounting to SEK 2,608 M (2,263). Most of these earnings were attributable to NCC Construction Sweden. NCC Property Development accounted for the second-largest contribution to earnings.

Profitability



The return has risen steadily as a result of an increasingly efficient use of capital. In 2007, the return on shareholders' equity after tax advanced to 34 percent (27), the highest level in NCC's history and far above the financial target, which in December 2007 was raised from 15 to 20 percent.

Figures for 2003 are not adapted to IFRS.

REVIEW BY THE PRESIDENT

FOCUS, SIMPLICITY AND PERSONAL RESPONSIBILITY

The greatest challenge I have faced since becoming Chief Executive Officer in February 2007 has been to show that NCC can become even better in every respect, and particularly in terms of profitability. In the past year, we generated a favorable return on equity but have still not reached the best in our class. NCC's long-term and overall goal is to be the best construction and property development company.

As I summarize 2007, I am able to note that NCC has become better. Profit after financial items amounted to SEK 2.6 billion (2.3), return on equity after tax rose to 34 percent (27), we had a positive cash flow and net indebtedness amounted to 10 percent of shareholders' equity. The improvements were achieved despite costs totaling SEK 645 M for discontinuing the NCC Complete development project, provisions for competition-impeding fees totaling SEK 175 M and continued weak profitability in NCC Construction Denmark and NCC Construction Norway. The extraordinary costs during the year were offset by a capital gain of about SEK 400 M from the sale of our asphalt and aggregates business in Poland, but mainly by the strong earnings of NCC Construction Sweden and continued healthy profitability in NCC Construction Finland. NCC Property Development skillfully capitalized on market opportunities during the year and NCC Roads further increased its operating efficiency.

NCC has a long-term strategy designed to reduce total construction costs and to employ the best personnel. During 2007, we pursued strategic Group efforts to further sharpen our operations and, primarily, to identify areas in which we should concentrate the benefits of scale in a large company without any loss of local strengths. A simplified summary of this can be structured as customers, costs and competence. With this strategy as our point of departure, the Board of Directors in December raised the target level for our return on equity from 15 to 20 percent. At the same time, the goal for cash flow was adjusted to allow greater scope for investments in project development work, even in a weaker market.

SHARPER CUSTOMER OFFERING

NCC still has more work to do in terms of our customer relations, regardless of whether the customer is a municipality, road administration, home buyer or property investor. In this area, our development activities are at the leading edge – and for us, it's a matter of integrating all parts of our offering to customers. We strive to have the most attractive customer offering on the market. We must offer the best products, the best service and the highest quality. We must be easy to do business with and also deliver a bit more than the customer expects. NCC is a builder of communities that accepts its responsibility at different levels, such as by focusing our

Recruitment is one of NCC's principal issues for the future. NCC's President and CEO Olle Ehrlén is seen here meeting students at the Armada Days at the Royal Institute of Technology in Stockholm, Sweden.

sustainability work on the field of energy. It is here that we – as a construction and property development company – can make our greatest contributions to society.

CONTINUED FOCUS ON COSTS

Since we offer good products, new methods and a better mode of operations, and the customers expect an attractive price, costs are a special area of focus. Our goal is to have the industry's lowest production costs. We can achieve this goal through continued improvements in purchasing, increased industrialization of the construction process, new methods and an efficient mode of operations. Orderliness and organization at construction sites, combined with procedures and control of the projects, are fundamental requirements for maintaining high quality and minimizing the number of loss-making projects.

THE BEST PERSONNEL

Strategies are necessary for knowing how we shall achieve our goals – but, in order to succeed, we also need the very best personnel. I know from experience and through our internal ranking systems that money can be made on all types of projects and in all geographical markets. It's a matter of good leadership and the right expertise, as well as personal responsibility and commitment.

Regardless of economic trends, finding skilled personnel is one of our greatest challenges, and we foresee major recruitment needs in the next few years. I'm very pleased to say that NCC is an attractive employer today. This is due primarily to our being a successful company, but is also a tribute to our corporate culture – the cornerstones of which are honesty, respect and reliability, combined with focus, simplicity and responsibility. These are values that we work on continuously within the company.

I am proud today but we must never sit back and lose the focus on our goals and our values. Market conditions will be tougher in 2008, with continued intense competition both for contracts and personnel. We are ready to meet this challenge.

Solna, February 2008

Olle Ehrlén

Personal responsibility can be decisive in determining how successful a project is.
Olle Ehrlén makes a visit to the Beridarebanan office and retail project in Stockholm, Sweden.

GROUP OVERVIEW

OPERATIONS IN 2007

CONSTRUCTION

Housing, building and civil engineering

NCC's Construction units construct residential and office properties, other buildings, industrial facilities, roads, civil-engineering structures and other types of infrastructure. The core business is conducted in the Nordic region, the Baltic countries and Germany. In several Nordic markets, NCC is a leading player in the development of housing projects.

Main markets, share of net sales

Sweden	Denmark	Finland, including Baltic region	Norway	Germany
53%	13%	16%	13%	5%


The Swedish Environmental Protection Agency, Stockholm, Sweden.

PROPERTY DEVELOPMENT

Development of commercial properties

NCC Property Development develops and sells commercial properties in defined Nordic growth markets.

Main markets, share of investment value and land holdings

Sweden	Denmark	Finland	Norway	Baltic region
40%	18%	25%	16%	1%


Kaggen, Malmö, Sweden.

ROADS

Aggregates, asphalt, paving and road services

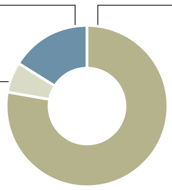
NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is the leading company in the Nordic market.

Main markets, share of net sales

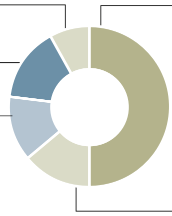
Sweden	Denmark	Finland	Norway	St. Petersburg
47%	24%	9%	17%	2%


Highway 40, Jönköping, Sweden.

Business areas, share of net sales



Net sales per geographic market



Products and customers

Product mix,
share of net sales

Proprietary and contract-based residential construction is the largest operation, although its share declined during the year. The strong economic development in the Nordic countries is detectable in the increased volume of offices and shopping centers.

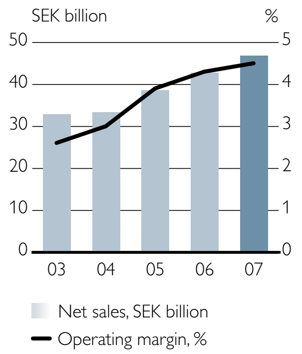
- Housing, 34 (38)%
- Infrastructure, 14 (14)%
- Industrial and processing plants, 9 (10)%
- Landscaping, 9 (8)%
- Offices, 9 (7)%
- Shopping centers, etc., 8 (7)%
- Other, 17 (16)%

Customer mix,
share of net sales

Private customers, primarily from private enterprise, are the predominant customer category for NCC's construction operations. In 2007, a larger number of commercial building projects were conducted on a proprietary basis, thus increasing the share accounted for by the Internal within NCC category.

- Private customers, 64 (66)%
- Municipalities/county councils, 13 (13)%
- Central government, 11 (12)%
- Public-utility housing companies, 7 (7)%
- Internal within NCC, 5 (2)%

Earnings trend



Share of Group total 2007

Net sales
SEK 46,859 M — 78%

Operating profit
SEK 2,087 M — 59%

Cash flow before financing
SEK 660 M — 27%

Capital employed
SEK 7,772 M — 65%

Average number of employees
15,851 — 75%

Product mix,
share of investment value

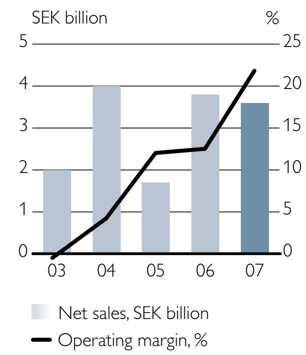
NCC Property Development's core operation involves offices. Within its project volume, retail rose most during 2007 in relation to the preceding year.

- Offices, 76 (82)%
- Retail, 22 (17)%
- Logistics, 2 (1)%

Customer mix,
share of total leasing, sq.m.

In total, 150,000 square meters of space was leased in 2007, of which slightly more than half pertained to office space and 38 percent to retail-related space.

- Offices, 52%
- Retail, 38%
- Logistics, 4%
- Other, 6%



Net sales
SEK 3,583 M — 6%

Operating profit
SEK 780 M — 22%

Cash flow before financing
SEK 678 M — 28%

Capital employed
SEK 2,160 M — 18%

Average number of employees
124 — 1%

Product mix,
share of net sales

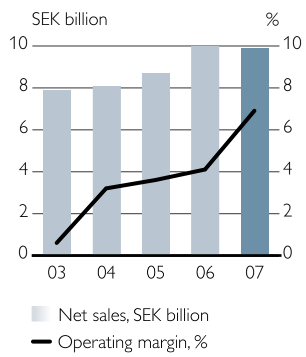
Asphalt and paving is the largest product group for NCC Roads. During 2007, however, the share of aggregates operations increased.

- Asphalt and paving, 67 (69)%
- Aggregates, 24 (22)%
- Road services, 9 (9)%

Customer mix,
share of net sales

The customer mix varies among products and countries. Central government, municipalities and county councils are major asphalt customers. For aggregates, the percentage of private customers is larger.

- Private customers, 56 (53)%
- Municipalities/county councils, 17 (22)%
- Central government, 19 (17)%
- Internal within NCC, 8 (8)%



Net sales
SEK 9,893 M — 16%

Operating profit
SEK 679 M — 19%

Cash flow before financing
SEK 1,080 M — 45%

Capital employed
SEK 2,027 M — 17%

Average number of employees
3,970 — 19%

STRATEGIC ORIENTATION

CUSTOMERS, COSTS AND COMPETENCE

NCC's vision is to be the leading company in the development of future environments for working, living and communication. NCC's overriding goal is to have the industry's highest production efficiency and the best employees and thereby be able to develop the most attractive customer offerings. Strategic focus areas are customers, costs and competence.

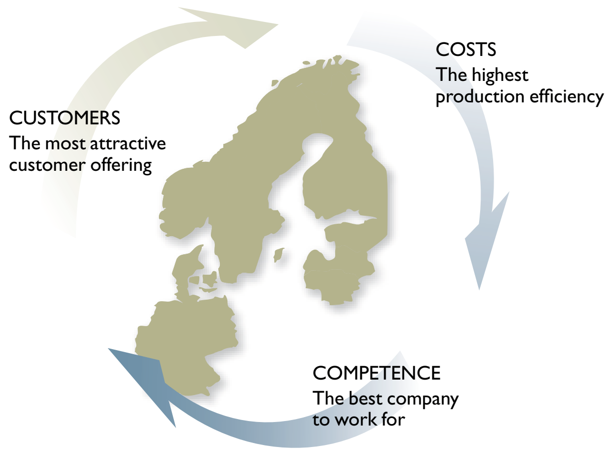
BUSINESS CONCEPT – RESPONSIBLE ENTERPRISE

NCC develops and builds future environments for work, living and communication. Supported by its values – focus, simplicity and responsibility – NCC and its customers jointly identify needs-based, cost-effective and high-quality solutions that create added value for all of NCC's stakeholders and contribute to sustainable social development.

STRATEGIC ORIENTATION

NCC's strategic orientation is to focus on products and services in which the Group has a competitive edge and to develop these in well-known and adjacent markets. Examples of such products and services include the construction of proprietary housing, proprietary property development, aggregates, asphalt, paving and road services, as well as contracts in which NCC can be active at an early stage of the process.

NCC's geographical focus is on the Nordic region and neighboring areas around the Baltic Sea, such as the Baltic countries and St. Petersburg. Cautious growth is pursued in existing markets, in part through investments in sites for future development and in part through acquisitions of small companies active in such areas as aggregates and asphalt production. NCC has for some time had operations in selected regions of Germany, where it primarily builds single-family homes.



The core of NCC's strategic orientation is tying together the focus areas of customers, costs and competence across national and business area boundaries. By thinking globally, but acting locally, NCC strengthens its offering, thus creating the conditions for continued profitable growth.

STRATEGIC FOCUS AREAS

NCC's competitive edge derives from its size combined with local presence, expertise and the financial strength to develop production, processes, forms of cooperation and customer offerings. NCC's strategic focus areas are customers, costs and competence.

Customers

A strategic success factor in the face of increasingly intense competition is understanding the needs of customers. NCC's goal is to have the most attractive customer offerings in the market. In recent years, growing demand has been noted for energy-efficient solutions, both in the actual production process and in the energy consumption of the end product. This is primarily true of housing, office premises and other commercial properties, as well as asphalt products. Consequently, NCC attaches great importance to offering solutions that reduce energy consumption.

In recent years, a successful area has been new forms of cooperation. In contract operations, this is mainly pursued through NCC Partnering. In aggregates, asphalt, paving and road service operations, this is pursued primarily through function contracts, which are long-term maintenance contracts for municipal road networks, for example.

Citytunnel, Malmö, Sweden.

Costs

Price is vital for success, particularly in NCC's construction operations. Having the highest production efficiency in the industry and thus being able to offer competitive prices is a success factor. The keys to enhancing productivity are efficient purchasing, an increase in industrial construction and effective project control.

Purchasing

Approximately 65 percent of the Group's costs are related to purchasing. NCC's goal is to have the industry's lowest purchasing costs. This will be achieved by continuing the work on coordinating purchasing volumes, increasing international purchases and developing purchasing together with the most cost-effective suppliers. High quality, environmental commitment and social responsibility are self-evident parameters in purchasing efforts.

In 2007, slightly more than one third of the purchases were coordinated through various purchasing agreements on a Group, national or regional basis. International purchases increased to approximately SEK 2 billion. The combined purchasing savings were significant. Purchasing efforts are closely tied to technical design, while production in construction projects is harmonized through special competence centers.

Industrial construction

For several years, NCC has worked on industrializing the construction process in various ways. The first step is to think more industrially as early as the projection phase through design, planning and logistics – what we call technical platforms. Through design, economies of scale can be achieved, as can volumes in the purchasing process. Planning is a prerequisite for an industrialized process and, in major projects, logistical solutions are critical for the project to be able to be implemented at all. The most tangible example of industrialized construction is the NCC Complete development project, the aim of which is to build apartment blocks in an industrial environment. During autumn 2007, the decision was taken to discontinue this project after it had become clear that it would not be possible to achieve the expected cost reductions. The experiences gained from this project will be utilized in other initiatives involving industrialized construction. In 2007, technical platforms were launched for apartment blocks, single-family homes, offices and logistics buildings in the Swedish operations. In addition, a strategic initiative was taken to increase the use of three-dimensional, virtual building models and link them to the technical platforms.

Project control

NCC's greatest opportunities and risks lie in its project control. The success of both major and minor projects largely derives from planning, management, control and follow-up. Since experience indicates that project losses often result from insufficient project control, improving systems and procedures in project control is a strategic success factor. Human skills, such as leadership, are absolutely vital. Efficient purchasing, technical platforms and competence centers strengthen project control by creating greater control of all elements in the construction process.

Competence

Achieving the highest production efficiency in the industry and the most attractive customer offerings requires the best employees and having the right employees in the right place. Accordingly, NCC aims to be the best company to work for. The largest need for recruitment is in Sweden, in part due to the upcoming generation shift. Critical functions are project managers and site foremen, as well as specialists in such areas as purchasing.

To strengthen NCC's competitiveness as an employer, Human Resources efforts focus on attracting and recruiting employees and strengthening and developing management, continued work on the Group's values, career planning and remuneration issues. The overriding goals are to reduce employee turnover, strengthen human capital (as measured in the Human Capital Index, see also pp. 20–21) and reduce the number of workplace accidents.

NCC's strategic purchasing process


Hansta Strand, Södertälje, Sweden.

FINANCIAL OBJECTIVES AND DIVIDEND POLICY

The aim of the NCC Group's strategy is to generate a healthy return to shareholders under financial stability. This is reflected in the financial objectives of a return on equity of 20 percent after taxes, a positive cash flow before investments in properties classed as current assets and other investment activities and net indebtedness that is less than shareholders' equity.

FINANCIAL OBJECTIVES

The level for the profitability objective is based on the margins that the various parts of the Group may be expected to generate on a sustainable basis, and on capital requirements in relation to the prevailing business focus.

To ensure that the return target is not reached by taking financial risks, net indebtedness – defined as interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables – must be less than shareholders' equity. As a complement to the return requirement, cash flow before investments in properties classed as current assets and other investment activities must be positive, to ensure that there is an underlying real earnings capacity in the Group, so that the return is not based upon what, from a valuation viewpoint, are profit or capital adjustments in the accounts.

Proprietary housing and property-development projects, and investment-heavy NCC Roads, account for most of the capital requirement, and thus also the financing requirement. The contracting operations have limited capital requirements but are subject to major seasonal and, to some extent, cyclical changes in working capital. In order to take these fluctuations within large parts of the Group operations into account, the return requirement has to be reached on a calendar-year basis, as must the target of a positive cash flow. The goal that net indebtedness should not exceed shareholders' equity also applies to the close of each quarterly period, based on accounting rules applying in 2007.

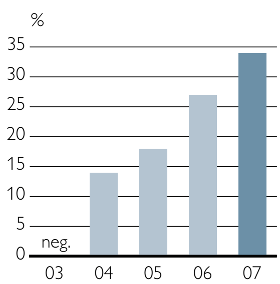
The internally focused analysis that forms the foundation for the above financial objectives is checked regularly against other companies active in NCC's markets and against the return required from NCC placed by the capital market. This comparison ensures that the objectives are reasonable when viewed from a shareholder perspective.

Within the various business areas, business operations are followed up on a local basis with the aim of steering them towards the Group's financial objectives. Accordingly, the main financial key figures from an operational viewpoint are the operating margin, return on capital employed and cash flow. In addition, other important operation-related objectives are set to support NCC's strategy, in such areas as the work environment, customer satisfaction, product quality, environmental impact and cost reductions in the purchasing area.

FULFILLMENT OF OBJECTIVES

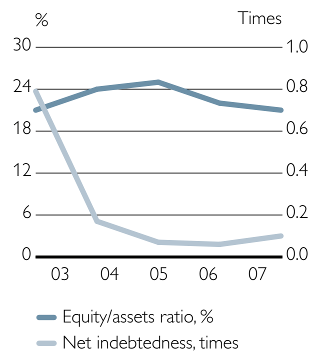
During 2001–2004, NCC did not fulfill the 15-percent return on equity objective, because the margins from contracting operations were insufficient and the contribution from both commercial development and the NCC Roads

Return on shareholders' equity



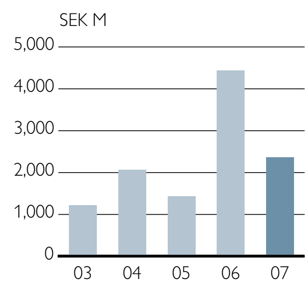
NCC's return on shareholders' equity has improved steadily as a result of increased earnings combined with a number of measures designed to optimize the capital structure.

Net indebtedness and equity/assets ratio



In recent years, the equity/assets ratio has been affected by dividends paid to the shareholders and by increased activity in the property and construction market, which, among other consequences, led to greater investments in property and housing projects. At year-end, net indebtedness remained low because parts of the financing to build up the balance sheet were based on interest-free liabilities.

Cash flow

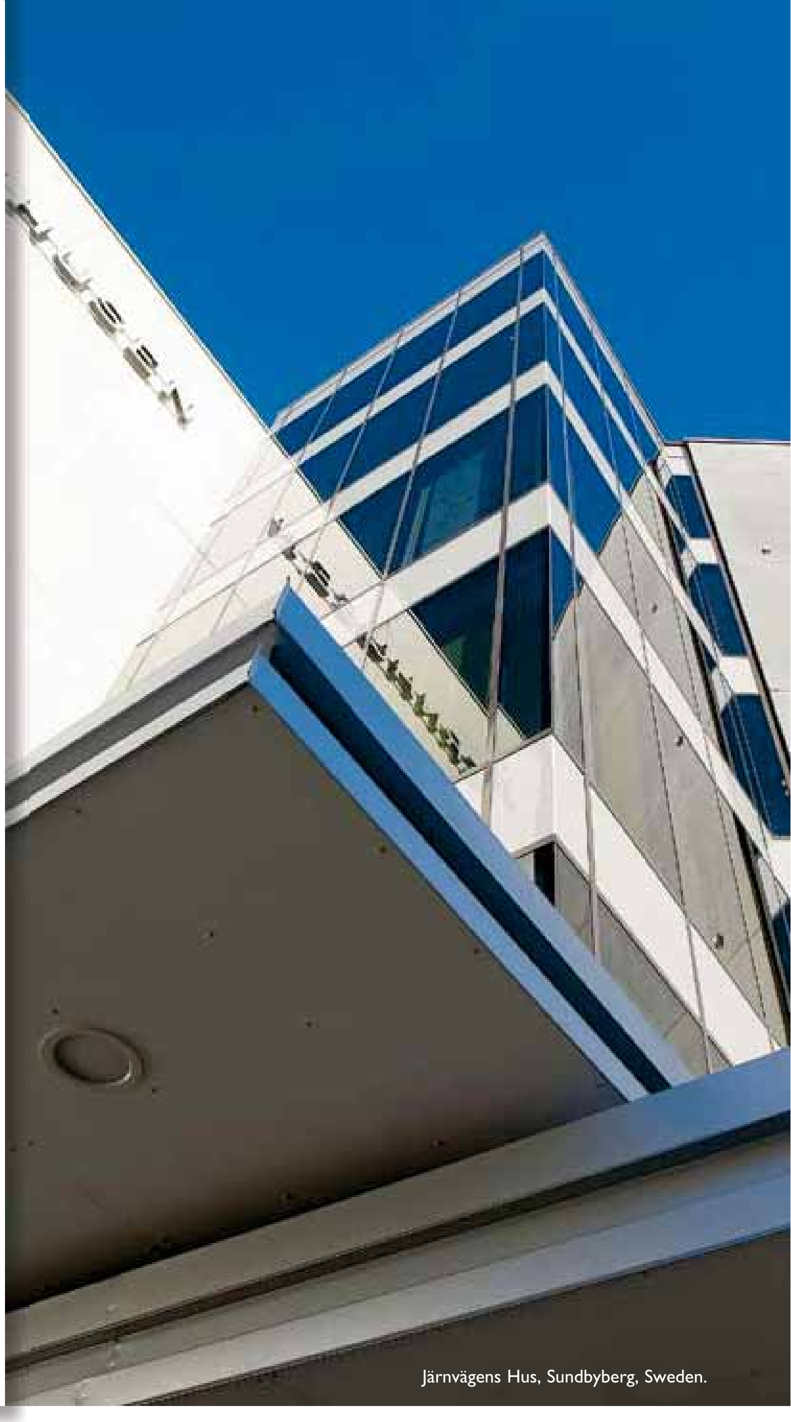


Cash flow before investments in properties classed as current assets and other investments has been positive in recent years. Following the strong cash flow generated in 2006, capital tied up in NCC's Construction units increased during 2007, due to a rise in housing operations. Capital tied up in NCC Property Development also increased.

business area was too low. The continuous improvements achieved during recent years have led to substantially higher margins and lower tied-up capital, as a result of which the return on equity objective was achieved for the first time in 2005. The objective was comfortably exceeded in 2006 and, thanks to the stability and financial strength that had been attained, the return objective was increased in December 2007 to a 20-percent return on equity after tax. At the same time, the objective for cash flow was adjusted from one applying before financing to one applying before investments in properties classed as current assets and other investment activities. This cash flow objective provides NCC with greater flexibility in its efforts to implement investments even in periods of weak business conditions.

DIVIDEND POLICY

NCC's policy with respect to the ordinary dividend is to distribute at least half of profit after taxes to the shareholders. The reason for establishing this level is to generate a healthy return for NCC's shareholders and to provide NCC with the potential to invest in core business and thus to ensure that future growth can be created while maintaining financial stability. For 2007, the Board of Directors proposes an ordinary dividend of SEK 11.00 per share which corresponds to 53 percent of profit after taxes. In addition, an extraordinary dividend of SEK 10.00 per share is proposed.



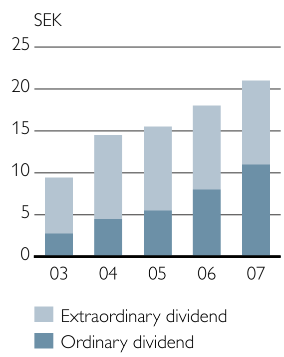
Järnvägens Hus, Sundbyberg, Sweden.

Financial objectives and dividend

		Result					Average
	Target	2003	2004	2005	2006	2007	5 year
Return on shareholders' equity after tax, % [1]	20%	neg	14	18	27	34	16
Debt/equity ratio, times [2]	<1	0.8	0.2	0.1	0.1	0.1	0.2
Cash flow before investments in properties classed as current assets and other investment activities, SEK M [3]	positive	1,218	2,063	1,442	4,442	2,361	2,305
Ordinary dividend, SEK [4]	>50%	2.75	4.50	5.50	8.00	11.00 [5]	6.35
Extraordinary dividend, SEK		6.70 [6]	10.00	10.00	10.00	10.00 [5]	9.34

[1] New objective, as of 2007: 20 percent; previous objective: 15 percent.
[2] New objective, as of 2005: Net indebtedness/Shareholders' equity.
[3] New objective, as of 2007: cash flow shall be positive before investments in properties classed as current assets and other investment activities. Previous objective: positive before financing.
[4] Policy as of 2005: at least 50% of profit after tax.
[5] Proposed dividend.
[6] Pertains to Altima, which was spun off in 2003.

Dividend



NCC's dividend policy, pertaining to the ordinary dividend, is that at least 50 percent of after-tax profit should be distributed to shareholders. Since 2004, NCC has paid an extraordinary dividend of SEK 10 annually. In 2003, the subsidiary Altima was spun off.

MARKET AND COMPETITORS

BOOM AMID TOUGH COMPETITION

The Nordic construction and property market was characterized by strong conditions in 2007, primarily through continued healthy demand for housing and commercial premises. Interest in leasing commercial premises continued to grow. In 2008, somewhat weaker growth is expected in the Nordic region, although conditions are expected to remain favorable for the development of property projects.

As a rule, the construction market tracks the general economic trend but with a time lag of at least one year. Interest in leasing commercial premises is also determined by economic trends and employment. The housing market reacts the fastest to economic cycles, since sales are made directly to consumers. The housing market is also particularly sensitive to changes in interest rates.

Demand for investments in property projects is controlled to a large extent by the leasing rate, market transparency and access to funds in the financial system. In recent years, the Nordic real estate market has been attractive to institutional investors seeking alternatives to investment in bonds and shares.

Other building construction (offices, industrial and public premises) and the civil engineering market are subject to a greater time lag since such projects depend on the investment plans of other industries. This also results in construction projects frequently being procured during one economic cycle and produced during another. As a rule, larger projects also extend over a longer period of time.

MARKET DEVELOPMENT

During 2007, construction investment in the Nordic region grew by slightly more than 4 percent. NCC's assessment is that growth will slow in 2008. In the Baltic countries, economic growth increased primarily in Latvia and Lithuania, while growth in Estonia was weak at year-end. For 2008, it is uncertain how market growth in the Baltic countries will develop.

Housing

Demand for housing remained robust during a large part of 2007, particularly in Sweden. In Finland, the Baltic countries and Norway, demand weakened towards year-end, while the Danish housing market remained weak, particularly in the Copenhagen area.

NCC believes that the Nordic housing market peaked in 2007. Uncertainty exists regarding the trend in 2008.

NCC builds housing on assignment and on a proprietary basis (from concept and purchase of land to development and sale). In total, NCC began proprietary production of 4,428 (4,706) housing units and sold 3,708 (4,035) in 2007. In recent years, NCC's position as a residential builder has been strengthened in all Nordic markets. Expansion occurred in the Baltic countries and new operations were established in St. Petersburg.

NCC also builds housing in Germany and production took place in 12 metropolitan regions during 2007. Despite a generally weak German housing market for several years, demand for NCC's products has been high.

NCC's development rights, housing starts and sales of proprietary housing, December 31, 2007

	Sweden		Denmark		Finland[1]		Norway		Germany		Group total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Development rights	11,300	11,000	1,115	1,034	9,892	8,787	2,235	2,117	2,416	1,152	26,958	24,090
Housing starts during the year	1,586	1,456	234	478	1,423	1,661	78	167	1,107	944	4,428	4,706
Housing units sold	1,131	1,347	170	332	1,321	1,464	84	178	1,002	714	3,708	4,035
Housing units under construction	2,636	2,685	325	479	1,786	1,911	223	205	1,300	886	6,270	6,166
Unsold housing units	13	17	61	6	265	155	1	3	31	23	371	204

1) Including the Baltic region and St. Petersburg.

Nordic construction market 2008

Segment	Sweden	Denmark	Finland	Norway
Housing	→	↘	→	↘
Buildings	↗	↗	→	→
Civil engineering	→	→	–1)	→
Total	↗	→	→	→

1) NCC is not active in this market.
(Source: NCC)

Office markets in the Nordic region 2007–2008

	Vacancy rate, %1)	Rent, m² per year2)	Yield, %2)
Stockholm	10 ↘	4,200 (SEK) ↗	4.38 ↗
Copenhagen	4 →	1,800 (DKK) ↗	4.75 ↗
Helsinki	8 →	325 (EUR) ↗	4.80 ↗
Oslo	5 →	2,550 (NOK) ↗	5.35 ↗

1) Refers to the metropolitan region.
2) Refers to Central Business District.
(Source: NCC)

Nydala, Norway.

Civil engineering

The Nordic market for civil engineering was favorable in 2007 and is expected to remain healthy in 2008. However, the market is expected to slow in Norway, as a result of fewer projects being planned in the oil and gas sector.

An expansive civil engineering market is positive for NCC's Construction units and for NCC Roads' sales of asphalt and aggregate products.

Other buildings

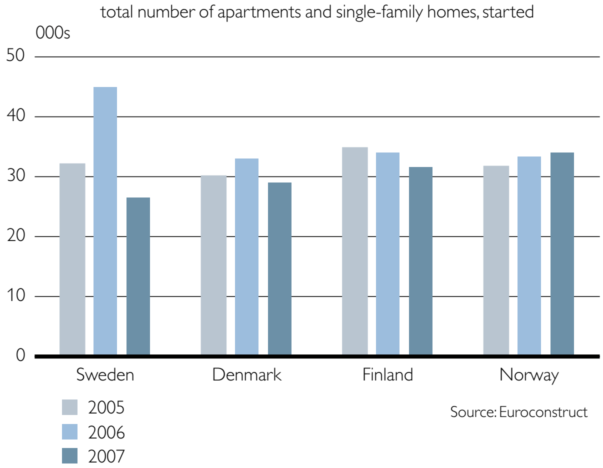
Demand for office, industrial and retail premises and public buildings improved during 2007 and is expected to remain strong in 2008.

Commercial development

Market conditions for starting commercial property projects were favorable during 2007, as a result of increased demand for leasing commercial premises. Vacancy rates in the Nordic capitals decreased during the year, primarily in Stockholm and Oslo.

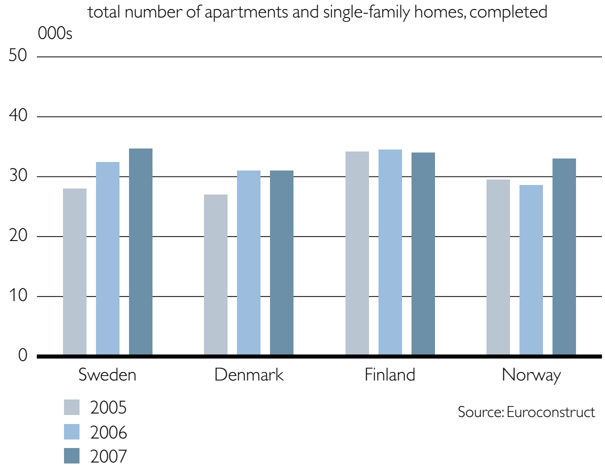
Interest from investors in property projects was considerable during 2007, which was primarily attributable to the increased leasing rate. However, some weakening occurred in the autumn of 2007. Opportunities for selling attractive property projects are expected to remain favorable in 2008, primarily due to continued demand for commercial premises. Another driving force was the high degree of transpar-

Residential construction in the Nordic region,
total number of apartments and single-family homes, started



In the Swedish figures, the temporary effect of changes in the rules for tenancy rights (known as "the Odell slabs") resulted in housing starts being brought forward from 2007 to 2006. This led to a sharp increase in the number of starts in 2006 and the decline in 2007 is not matched by an actual reduction in demand. The number of housing starts in Denmark declined, due to falling demand. The downturn in market conditions began at the end of 2006 and continued throughout 2007. In Finland, a market decline became noticeable towards the end of 2007, resulting in a reduced number of housing starts. In Norway, the number of housing starts increased but demand stagnated under towards year-end.

Residential construction in the Nordic region,
total number of apartments and single-family homes, completed



The number of completed housing units continued to increase in Sweden and Norway. In Denmark, the number of completed housing units remained unchanged and in Finland virtually unchanged compared with 2006.

ency in the market, particularly in Sweden, which attracted foreign investors, such as managers of pension capital, seeking low-risk, alternative investments.

Outside the Nordic region

Outside the Nordic region, NCC primarily engages in operations in Germany and the Baltic countries.

In Germany, where NCC mainly develops housing, the construction market was generally weak, although a limited recovery was noted in certain segments. In the Baltic countries, where NCC has increased its presence as a residential builder in recent years, housing investments rose sharply, although some stagnation occurred at the end of 2007. NCC also established property development operations in Riga, although on a small scale. The outlook for 2008 is uncertain with regard to the Baltic countries. In the St. Petersburg region of Russia, NCC invested in land areas for residential construction and limited operations were already in place within asphalt and paving.

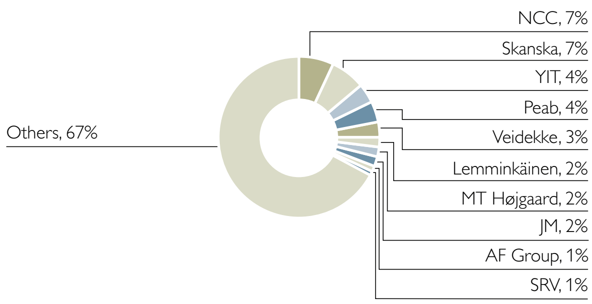
COMPETITORS

The Nordic construction market is national, highly fragmented and characterized by intense local competition. In local markets, NCC competes with thousands of small building contractors. Major civil engineering projects in the Nordic region are often procured in the face of international competition from Europe's major construction companies, with the largest projects frequently conducted in consortia.

At the Nordic level, NCC's main 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 in residential construction. Within civil-engineering projects and road construction as well as asphalt and paving in the Nordic region, central government and municipal production units, such as the Swedish Road Administration's Production Division in Sweden, Mesta in Norway and Destia in Finland, are other significant competitors. In Denmark and Finland, Colas and CRH are competitors in asphalt and aggregates.

From a Nordic perspective, the property development market comprises a few major players and NCC is one of the larger ones. Other major players include Skanska of Sweden, YIT, Hartela and SRV of Finland as well as TK Development and the Själsögruppen (which acquired IBI in 2007) both of Denmark. In local markets, other players may also be significant competitors, such as Wihlborgs in southern Sweden and ROM Utveckling in Oslo.

Market shares in 2007, percent



The Nordic construction market is highly fragmented. NCC is one of the two largest companies in the Nordic region, with a market share of 7 percent. The construction market in the Nordic region generated sales of nearly SEK 800 billion (excluding residential renovation) in 2007.
(Source: Euroconstruct.)

Quadraturen, Oslo, Norway.

Major competitors in the Nordic region 2007

Key ratios and products	NCC	Skanska[1]	Peab	MT Højgaard[2]	Veidekke	YIT	Lemminkäinen	JM	Colas[2]	CRH[3]
Sales (SEK billion)	58	139	32	15	22	34	20	13	105	31
Number of employees (thousands)	21	60	12	6	6	24	9	2	62	12
Housing	●	●	●	●	●	●	●	●		
Building	●	●	●	●	●	●	●	●		
Civil engineering	●	●	●	●	●	●	●		●	
Asphalt, aggregates, concrete	●	●			●		●		●	●
Property development	●	●	●	●	●	●	●	●		
Machinery operations		●		●						
Market share, Nordic region, total (%)	**7**	**7**	**4**	**2**	**3**	**4**	**2**	**2**	–[4]	–[4]

[1] NCC estimates that approximately SEK 60 billion of Skanska's sales derives from Nordic construction operations.
[2] Pertains to the period October 2006–September 2007.
[3] Pertains to the period July 2006 to June 2007.
[4] No figures available.

NCC'S MAIN GEOGRAPHICAL MARKETS

NCC IN SWEDEN

Sweden is NCC's largest market by far and NCC is the market leader in most sectors such as civil engineering, building construction, housing development, property development and aggregates, asphalt, paving and road services. Large customer groups are central governments, municipalities and large corporations within, for example, the mining industry, as well as a growing number of private customers who buy housing.

Net sales: SEK 28,947 M
Number of employees: 10,697

NCC IN NORWAY

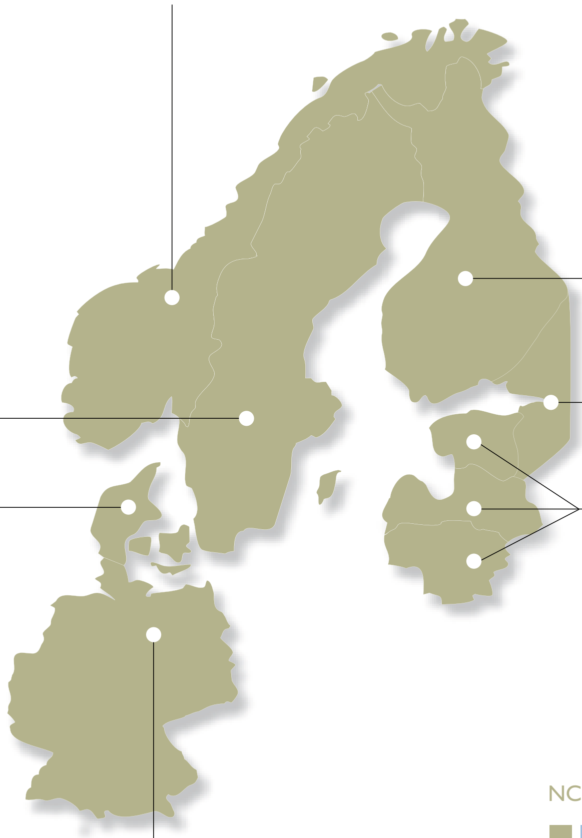
In Norway, NCC is a major player in civil engineering and a leading builder of large sports arenas. NCC has developed several large property projects and has significant operations within aggregates, asphalt, paving and road services. The Norwegian central and local governments are major customers, as are the oil and gas industry (which is largely government owned).

Net sales: SEK 8,538 M
Number of employees: 2,074

NCC IN FINLAND

Residential and building construction is the focus of NCC in Finland. NCC is a leading developer of business parks, with several projects under way in the Helsinki region. NCC is expanding its presence in aggregates, asphalt, paving and road services.

Net sales: SEK 7,713 M
Number of employees: 2,736



OPERATIONS

- Housing
- Buildings
- Civil engineering
- Property development
- Aggregates, asphalt, paving and road services

NCC IN DENMARK

In Denmark, NCC is a major player within residential and building construction as well as aggregates, asphalt, paving and road services. NCC has also developed several property projects. Major customers include the central government, municipalities, various investors and private customers.

Net sales: SEK 8,375 M
Number of employees: 3,299

NCC IN GERMANY

In Germany, NCC primarily builds single-family homes for private customers. NCC is active in a number of selected growth regions in Germany. The final property project in Germany was sold in 2007.

Net sales: SEK 2,804 M
Number of employees: 744

NCC IN THE BALTIC COUNTRIES

In the Baltic countries, NCC builds proprietary housing and has established property development operations. Construction has been concentrated to the capital cities of Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania).

NCC IN ST. PETERSBURG

NCC has invested in sites for future development of housing in St. Petersburg. NCC has minor asphalt and paving operations.

Net sales: SEK 1,055 M
Number of employees: 535

CUSTOMERS


Järnvägens Hus, a creative office building in Sundbyberg, Sweden, is a partnering project with a joint budget. Catia Johansen Sangberg is leasing manager at Jernhusen, which owns this property.

CUSTOMER UNDERSTANDING, ENERGY-EFFICIENT SOLUTIONS AND NEW FORMS OF COOPERATION

NCC's strategy focuses on continuous improvements in product development and closer relations with customers. The main considerations lie in understanding market needs and developing the most attractive offering. This applies to everything from understanding the private person who buys a home to the creation of future workplaces or finding solutions for public infrastructure projects.

NCC meets customer demands in the local market through its distinctive customer offerings. Through commitment to the climate issus in recent years, interest in energy-efficient solutions has risen sharply. Since 2007, NCC has offered climate declarations on residential properties that illuminate energy consumption, passive buildings – structures without traditional heating systems – and office buildings in accordance with the EU program Green Building, which consume at least 25 percent less energy than the norm for new buildings. Several years ago, NCC was also the first company to offer a building with no external sources of energy, known as the Concept House. NCC also offers various methods of calculating lifecycle costs within residential construction and asphalt paving products. Surveys have shown that home owners are interested in making a larger initial investment in order to reduce energy use over time.

Efforts focused on energy-efficient solutions for customers are in line with NCC's role as a responsible builder of communities, which is one of the company's central values. Construction and maintenance of buildings account for about 40 percent of total energy consumption in Europe and, in turn, 85 percent is consumed in the actual operation of buildings – mainly heating and cooling. As a result, NCC's most clearly discernible assumption of responsibility for sustainable development lies in the concentration of initiatives to reduce carbon dioxide emissions.

PARTNERING – A PROVEN SUCCESS

NCC has been working for several years to renew and improve forms of cooperation in various types of construction projects. In the NCC Partnering structure, the Group works in cooperation with customers, users, architects and suppliers to manage projects at high quality standards, at the right price and within the specified deadline. This is achieved with full transparency and shared incentives among the partners and with special focus on the best interest of each project. The customer is able to draw upon NCC's collective experience and skills. NCC is the Nordic leader in partnering, and ongoing projects during 2007 were valued at approximately SEK 10 billion (7).

An independent survey conducted in Sweden during autumn 2007 showed that NCC Construction Sweden's partnering customers were highly satisfied with this partnership format. Approximately 90 percent of the customers who responded said that partnering in general was a better way to conduct construction projects, and that it creates positive and constructive cooperation.

If problems arise during a project, it is often because cooperation between the different partners has not functioned. Accordingly, during 2007, NCC started a process-management training program with participants from all of the Nordic countries; the program is intended to create dynamics in the work groups that are an element of partnering. The program will continue during spring 2008.

Among other forms of cooperation, function contracts within aggregates, asphalt and paving activities are one of the most prominent. They often involve long-term maintenance contracts for municipal roadways, a form of total package undertaking that is becoming more prominent in parallel with the increased needs of public sector customers for long-term solutions.

NCC Property Development benefits through its ability to recognize emerging trends and changes in preferences in advance. During recent years, NCC has been successful in efforts to study and develop the office structures of tomorrow, which has resulted in the concept known as Future Office by NCC.

THE ENVIRONMENT AND SOCIETY

SUSTAINABLE DEVELOPMENT – FOCUS ON ENERGY

Buildings, infrastructure and civil engineering works are important elements of the construction of communities. At the same time, all construction affects the environment over an extended period. It is the construction industry's responsibility to build with as little climate impact as possible and to create environments that provide people with sound conditions for living a healthy life. Another NCC objective is to be the leading construction company in terms of responsible enterprise.

The construction and operation of buildings accounts for about 40 percent of total energy consumption in Europe. Of this energy consumption, approximately 15 percent is spent on the construction process and the remaining 85 percent on operating the building.

Limiting energy consumption is necessary, as are the use of products that do not harm the environment and the handling of waste with the smallest possible environmental impact.

Demand for energy-efficient buildings and solutions is growing.

INTEGRATED RESPONSIBILITY

Within NCC, responsibility for environmental and energy issues is integrated into the entire organization. Every manager, at all levels, is responsible for the operations being carried out with the smallest possible environmental impact and with the greatest possible energy efficiency within the confines of current laws and conventions.

Technical platforms and environmental analyses are tools for the environmental efforts and NCC's own technical consulting units have environmental specialists who assist in the tendering phase and during production.

The NCC Group has defined four overriding goals for its environmental work:

- Create healthy developed environments
- Reduce climate impact
- Reduce the use of harmful substances
- Contribute to recycling

HEALTHY DEVELOPED ENVIRONMENTS

A healthy environment means the absence of harmful substances, limited noise levels, good quality air and water, the absence of pollutants in the soil and limited impact on biodiversity and the ecosystem.

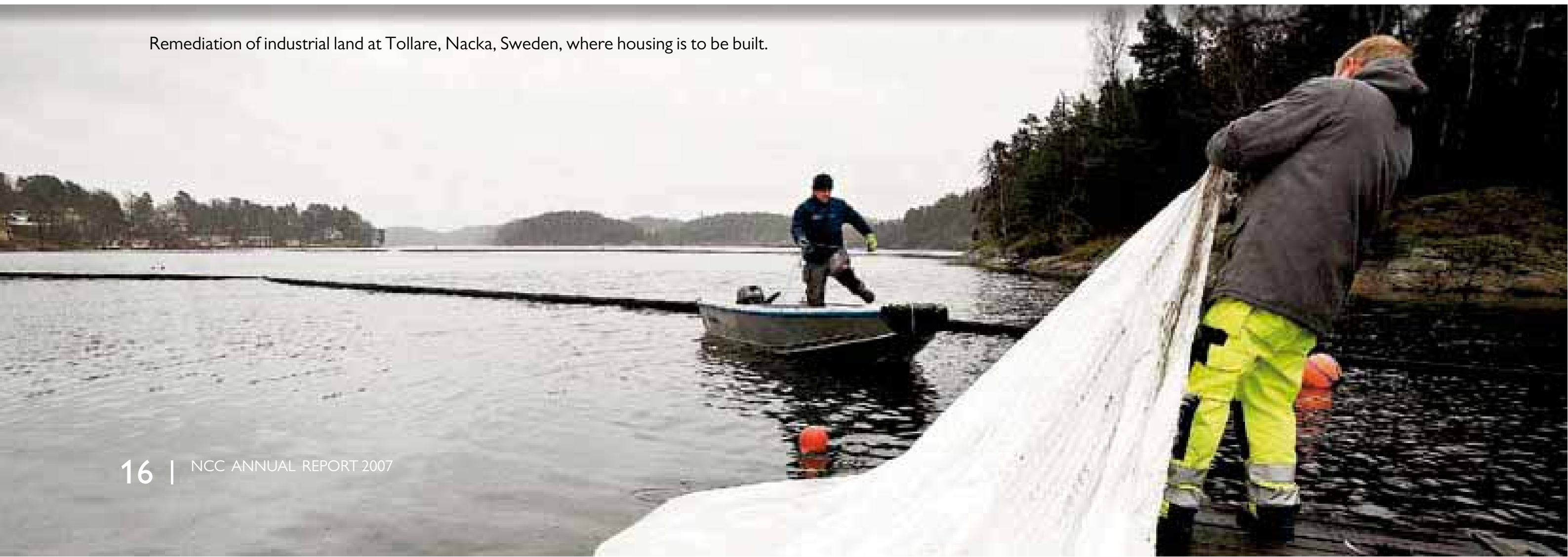
Within road paving, low-noise paving contributes to a better environment for people to be in. This type of paving is in increasing demand and comprises a growing product segment in NCC Roads.

REDUCED CLIMATE IMPACT

Growing insight into global warming contributes to accelerating the construction of energy-efficient buildings. Investors and corporate customers, in particular, are demanding energy-efficient office properties. NCC Property Development was the first property developer in Sweden to become a Green Building Partner. To date, there are two Green Building labeled office buildings – Kaggen in Malmö and Västerport in Stockholm (scheduled for completion in 2008). These properties have at least 25 percent lower energy consumption than the norm for new buildings.

Customer demand for energy-efficient buildings is also growing in the housing market. A study conducted by NCC in western Sweden shows that a majority of customers are willing to accept a larger initial investment to obtain lower energy costs in the long term.

In residential construction in Sweden, NCC is focusing on both energy-efficient buildings and passive homes, which



Remediation of industrial land at Tollare, Nacka, Sweden, where housing is to be built.

are buildings with low external input flows of energy. The Hamnhuset building on the northern shore of the Göta River in Gothenburg, which was constructed on behalf of the City of Gothenburg, is Sweden's first apartment block constructed as a passive building.

In Denmark, NCC began production in 2007 of energy-efficient single-family homes with a Swan eco-label and, in Finland, NCC began an energy-efficiency program with the objective of reducing energy consumption in buildings by 30 percent by 2011.

NCC Construction Sweden is the first Swedish construction company to create a template for climate self-declarations, in addition to the energy declarations included in the Swedish National Board of Housing, Building and Planning's Construction Regulations. The climate declaration goes further than the energy declaration since it takes the building's entire lifecycle into account.

The construction industry also impacts the environment through transports, the majority of which are local transports. Increased efficiency is therefore the foremost way of reducing environmental impact. The growing amount of international purchasing has also made long-distance transports a current issue. In Sweden, NCC is conducting a study in cooperation with the IVL Swedish Environmental Research Institute to establish the carbon dioxide emissions of various transport alternatives.

In 2007, NCC Roads acquired the cold asphalt technique from Danish RGS 90 (DSV Miljø A/S). This technique strengthens NCC's ability to pave in a more environmentally friendly and energy-efficient manner.

HARMFUL SUBSTANCES

The REACH chemicals legislation in the EU is an aid in work to avoid the use of harmful substances in the construction industry. In Sweden, NCC uses the BASTA system for product selection. BASTA, which is a cooperative project between the major players in the construction industry, goes further than REACH and aims at phasing out all particularly hazardous substances.

In Denmark, NCC uses the national chemicals database. In Norway and Finland, there are phase-out lists and NCC Construction Germany complies with national legislation.

RECYCLING

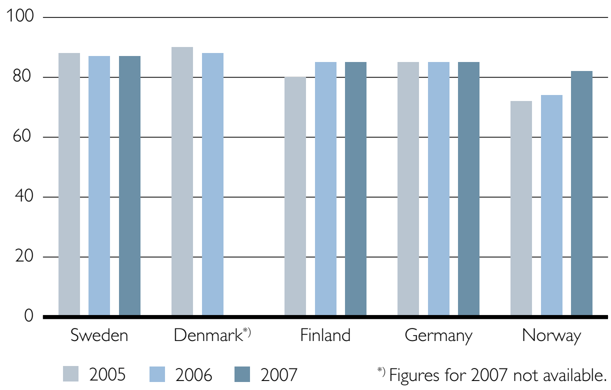
Recycling asphalt is an established process within NCC Roads. Virtually all asphalt that does not contain tar can be recycled. In 2007, recycled asphalt comprised around 7 percent of all hot asphalt. Considerable volumes are also used in cold recycling. During 2007, NCC also tested asphalt production featuring waste products from the steel industry with good results.

The overriding goal for NCC is to reduce the proportion of unsorted waste. During 2007, 40 percent of construction waste was mixed waste in NCC Construction Sweden, which was a reduction of 5 percent from the preceding year.

RESEARCH AND DEVELOPMENT

The environmental and energy perspective is a feature of almost all research in the construction and civil engineering sector. NCC Construction Sweden and NCC Roads together have seven industrial PhD students at Swedish universities and one in Denmark. Industrial construction of passive homes and energy performance for apartment blocks are two examples of areas of research.

Recycled construction waste, percent

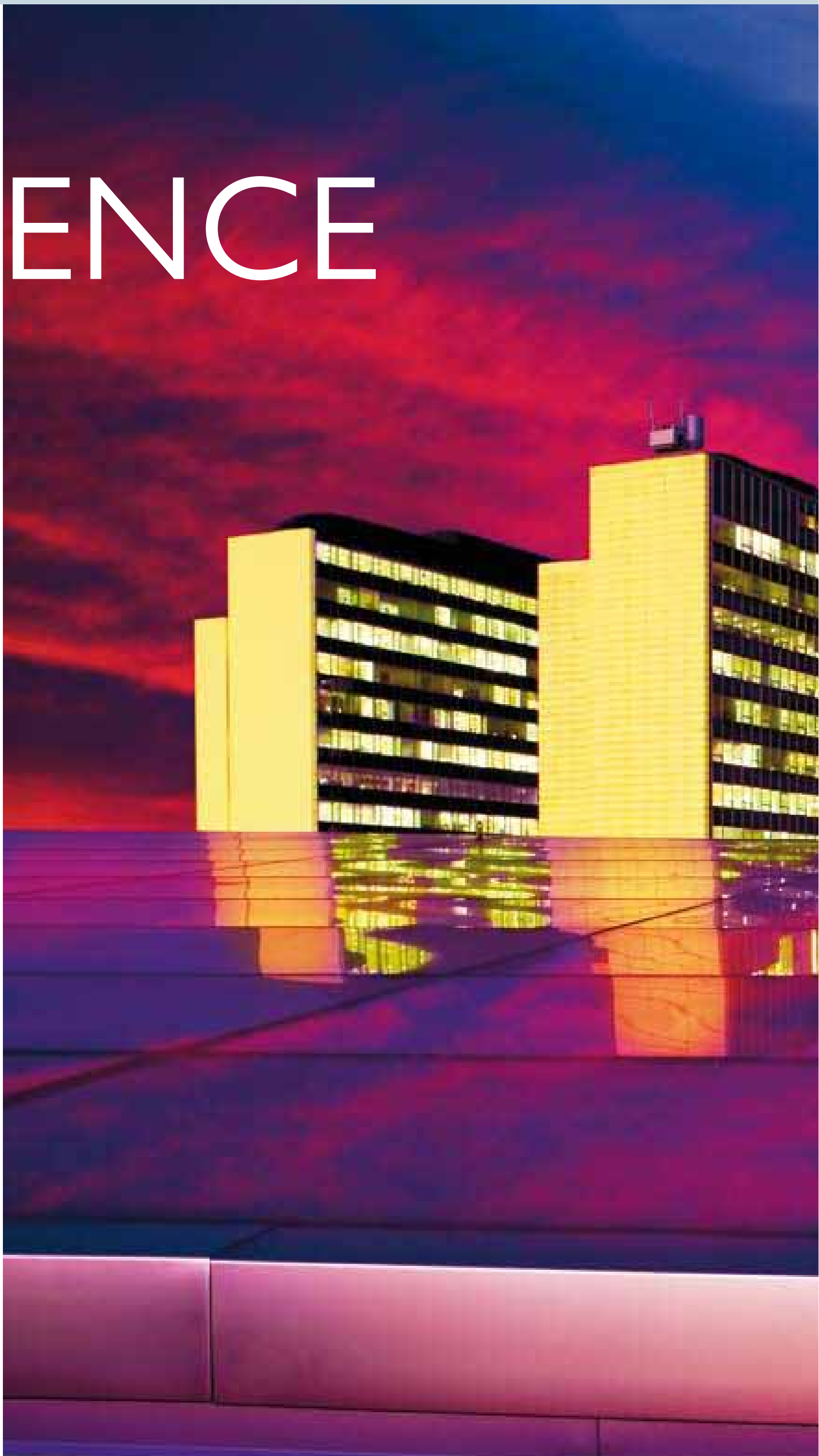


During 2007, most of the operations achieved a recycling rate of at least 85 percent. The Norwegian operations have improved steadily and are now at the same level as the other business areas.

Bridge over Dalälven river, Torsång, Sweden.

NCC FOCUS

COMPETENCE



On the roof of one of NCC's office and retail projects in central Stockholm, Sweden. Site manager Börje Pettersson led the sophisticated project that was valued at about SEK 400 M and employed some 150 persons.

ATTRACTING THE BEST PERSONNEL IS THE KEY TO SUCCESS

NCC is facing a major recruitment need during the next few years, particularly in Sweden. It will be important to attract new candidates – and retain the personnel already working for the company.

Accordingly, NCC's goal is to be the best company to work for. The focus is on attracting, recruiting and retaining personnel, strengthening and developing management and continued work on the Group's values, career planning and remuneration matters.

TRAINING STRENGTHENS COMPETITIVENESS

In a decentralized organization like NCC, thousands of employees make decisions every day that impact the end product and NCC's customer offering. A complicated project such as an office and retail activity in the center of Stockholm (see photo) calls for extremely meticulous planning of logistics and just-in-time deliveries, but also a great deal of consideration for the surrounding area. As a result of efficient communications and innovative solutions, the project was still completed ahead of schedule.

Various forms of IT support have also become a natural element at our worksites, such as in aggregates, paving and asphalt operations, for which all production is now supervised from computerized control rooms. Naturally, this means that NCC's employees must be extremely competent.

Continued training is a key issue in securing a high and up-to-date level of expertise, and also in attracting new employees. NCC offers everything from management programs to a wide selection of various specialist courses – such as NCC Property Development's Developer Program.

To offset the shortage of engineers, NCC in Sweden manages the Supervisor Academy, where skilled workers train for two years to become foremen and supervisors. The program was expanded in 2007 and has yielded successful results to date. All participants have received management positions after completing the course.

ACKNOWLEDGED FOR DIVERSITY

Efforts to increase cultural diversity in the industry continued during the year, as evidenced by NCC's construction training for unemployed immigrants in Malmö. And in March, the man who started the program – Lars Tengvall – was named diversity manager of the year at Sweden's Competence Gala.

The Children's Construction School, a Group-wide project, is designed to stimulate interest in construction careers among children. During 2007, construction schools were conducted at 11 locations in the Nordic region, including several sites in suburban areas with high immigrant populations. In Norway, the activities were expanded from the Oslo area to five venues throughout the country.

Other initiatives to strengthen NCC's status as an employer included the full-year employment agreement that NCC Roads signed with seasonal employees in southern Sweden. And in Denmark, insurance coverage was sharply improved for hourly rated workers.

EMPLOYEES

SKILLS DEVELOPMENT FOR GREATER COMPETITIVENESS

To be able to develop the most attractive customer offerings and have the industry's highest production efficiency, NCC needs to attract and retain the right employees – in other words, employees with great commitment and a high level of expertise.

In a rapidly changing world, a well-functioning organization also needs to be a learning organization. A vital part of this is value-guided leadership that promotes commitment, exchanges of experience and management by objectives.

VALUES GUIDE TO THE OBJECTIVE

Since 1997, an annual survey has been conducted among all NCC employees (Human Capital Index, HCI), which measures leadership, management and values. The results are broken down to the local level and function as a guide for the planning of personnel-development activities. After several years of a positive trend, 2007 showed a somewhat more fragmented picture. A decline over one year may be a break in the trend, but it could be only a temporary dip, since attitudes often remain stable over time, but can be rapidly affected by major changes.

The following table describes how leadership style and management by objectives have developed.

Percentage of NCC employees who think that…

	… I have great confidence in my manager			… we have clear objectives		
	2006		2007	2006		2007
NCC Construction Sweden	67	↗	68	63	→	63
NCC Construction Denmark	80	↗	82	70	↗	72
NCC Construction Finland	80	↘	79	78	↗	79
NCC Construction Norway	82	↗	85	82	↘	80
NCC Construction Germany	63	↘	59	83	↘	80
NCC Property Development	94	↘	81	85	↘	79
NCC Roads	72	→	72	67	↗	68

There are several positive signals, including confidence in one's own manager, where several units show better results. Consequently, there are many indications that NCC's efforts to develop its leadership have had an effect.

Work on a values-based leadership style is performed on a continuous basis in the form of improved recruitment methodology and introductions, various management training programs and values-based communication. For several years, brand efforts have been based on NCC's values. The Group's Code of Conduct was revised in 2006. The Code of Conduct is the policy that forms the basis of NCC's conduct and values both internally and in relations with all business partners. It is followed up within the scope of ongoing operations, and renewed training programs in business ethics are conducted every year. For example, NCC Roads held a values tour in all countries during the year.

The table below describes how the values were reflected in reality during 2007:

	NCC's Construction units					NCC	NCC
	SE	DK	FI	NO	GE	PD	Roads
Percentage who think that NCC's corporate culture is characterized by…							
… honesty	60	68	81	82	52	85	66
… trust	58	72	79	83	54	85	66
… respect	58	70	72	82	55	77	64
Percentage who think that NCC's business is characterized by …							
… focus	57	63	77	78	58	77	59
… simplicity	41	49	69	62	42	56	47
… responsibility	62	68	77	81	73	86	67

Some contradictory results may in part be due to cultural differences. By NCC taking ethical and value issues seriously, mistakes are also brought to light, something that can give an impression of lower morale although the opposite is true. The weak figures for "simplicity" are largely attributable to the fact that obscurities can arise in the allocation of roles in internal projects.

TRAINING AND SKILLS DEVELOPMENT

Besides values and business ethics, NCC is also focusing on raising the level of specialist expertise in various areas of operation. In the HCI survey, learning is measured on the basis of the following three statements (the results below refer to NCC Construction Sweden):

	%
I am able to develop my knowledge and my skills at work	62
I feel responsible for and am concerned about my development	80
My manager cares about my development	57

The annual employee career-development talk is the single most important tool for developing the employees' learning as well as drafting guidelines on an individual level. It is also a tool for the continuous follow-up of operations. The objective is for all employees to have an annual career-development talk with their manager and for it to be perceived as very productive.

The following table presents the change over time in the percentage of NCC's employees who have had career-development talks:

Percentage that have had career-development talks

	2006		2007
NCC Construction Sweden	72	↗	75
NCC Construction Denmark	89[1)]		59
NCC Construction Finland	69	↘	60
NCC Construction Norway	67	↗	73
NCC Construction Germany	50	↗	59
NCC Property Development	88	↗	92
NCC Roads	66	↗	67

1) Pertains only to white-collar workers.

In total, NCC maintains a high standard, with an average of one career-development talk per employee annually. This proportion is higher for white-collar employees. The various business areas have different experiences and traditions when it comes to career-development talks. Future objectives and their follow-up are important tools for development.

More white-collar employees respond to the HCI survey than blue-collar employees (more than 90 percent compared with slightly more than 60 percent of the blue collar employees), but the overall response rate is high. The results from the survey are assessed to have a high degree of reliability.

WORK ENVIRONMENT AND HEALTH

NCC regards the ability to offer a safe and secure workplace to its employees and subcontractors as an obvious responsibility. Reducing risks is a matter of training and the proper equipment, as well as good eating habits and preventive healthcare. In several countries, injury prevention efforts during the year dealt largely with the risks of falling and injuries due to strain.

In Sweden, injury prevention efforts focused on introducing morning warm-ups at the construction sites, an initiative within the framework of the industry's "Build your energy" campaign. In Finland, NCC received a reward for having developed morning warm-ups together with Skanska, an idea that is marketed to the entire industry in cooperation with the Mutual Pension Insurance Company, Etera.

Stress has become an increasingly pressing illness factor in society. In NCC Construction Sweden, a cooperative project with Stockholm University and the Stress Research Institute at Karolinska University Hospital was commenced under the name "Health-promoting leadership in the construction industry." In Sweden, NCC also works with "alcolocks" in all new work and transport vehicles. Older vehicles are being successively phased out. NCC has very few problems with drunk driving, but generally focuses on safety and the environment, of which vehicles are an important part.

Sickness absence and occupational accidents in Sweden

	2006	2007
Total sickness absence as a percentage of regular working hours, %	4.2	4.0
Percentage of total sickness absence pertaining to uninterrupted sickness absence of 60 days or more, %	53.1	49.4
Sickness absence by gender, %:		
– Men	4.3	4.1
– Women	2.3	2.7
Sickness absence by age category, %:		
– 29 years or younger	3.5	3.5
– Between 30 and 49 years	2.9	2.9
– 50 years or older	5.7	5.3
Occupational accidents per one million worked hours:		
– Blue-collar workers	14.9	13.4
– White-collar workers	0.6	0.7
– Total (blue-collar workers + white-collar workers)	9.5	8.8

The long-term trend in occupational accidents is declining and the figures for 2007 are in line with the lowest result historically. Sickness absence remains at a consistently low level.

Centralbron Bridge, Stockholm, Sweden.

ATTRACTIVE EMPLOYER

Due to the economic boom, recruitment needs in the Nordic construction sector are considerable. This need is being compounded, particularly in Sweden, by the large numbers of pension retirements expected in the years immediately ahead. At the same time, demand for skilled specialists is growing in areas such as purchasing, housing and property development. The right employees in the right place are often crucial to profitability – and a profitable company is in turn an attractive employer. NCC needs to recruit, but primarily needs to retain current employees and utilize the experience and know-how of such employees.

During 2007, the recruitment campaign initiated in Sweden in 2006 continued, and considerably increased interest in NCC, particularly in terms of traffic to the websites. Besides print and radio advertisements, NCC increased its presence at universities.

Several other initiatives were taken to strengthen the attractiveness of NCC as an employer. For example, NCC Roads signed an agreement during the year with seasonal employees in southern Sweden, who were offered year-round employment, meaning full-time, permanent positions. Under the arrangement, the employee works overtime the rest of the year to compensate for the winter. In Norrland, where the seasons are even shorter, trials are under way in the form of alternative employment during the winter half of the year.

In Denmark, insurance cover for blue-collar workers has been revised. The principle is that the longer employees stay with NCC, the more insurance benefits they are offered. The package includes benefits for the entire family in the form of increased security. Accident insurance, massage and physiotherapy, extended periods of notice and sick pay are just a few examples.

One Group-wide project that aims to emphasize NCC as an attractive employer and create interest among children is the Children's Construction School, a summer camp directed mainly at the children of employees and other school children. During 2007, the construction school was arranged in 11 cities throughout the Nordic region and in many suburban locations with high immigrant populations.

DIVERSITY

NCC will have considerable needs for recruitment in the coming years. To handle this, the company must reflect modern society, which means greater diversity. NCC's values shall also be clearly reflected in recruitment. Accordingly, NCC is actively working to increase diversity in the construction operations where the imbalance is the largest. One example is the Swedish network Stella, in which female engineers and university graduates exchange experiences and will ultimately be able to promote various improvements in the area of equality.

Another example is NCC's training of unemployed immigrants in Malmö, Sweden, where about 30 young people with various ethnic backgrounds are training to become carpenters and concrete and construction workers. In March, the project's initiator, Lars Tengvall, was awarded the annual prize for diversity efforts. The prize is awarded to a manager who successfully and innovatively worked with diversity at his or her workplace. NCC, as the first construction company, is also active in the Swedish network, "Fritt fram", which works to enable those who want to be open about their sexual orientation to be able to do so.

NCC's attractiveness as an employer has increased, according to a survey conducted by Universum. The improvement is particularly noticeable among university and college graduates with origins outside the Nordic region, who rank NCC number one in Sweden. NCC also retains its strong position among female university and college graduates, and tops the industry's total ranking among university and college graduates. NCC also strengthened its rankings in Denmark and Norway.

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	ACTION/MEASURES ✓ Implemented • Ongoing / Pending
CUSTOMERS	• The most attractive customer offering. • Strong, long-standing customer relations. • High level of competence. • Contribute to sustainable social development. • Reduced construction costs. • Reduced operating expenses.	• Highest production efficiency in the industry. • Long-term relations. • Technical competence. • NCC Partnering. • Committed employees. • Energy efficiency. • Reduced carbon-dioxide emissions.	✓ Future Office by NCC. ✓ Technical platforms. ✓ Climate declaration of homes. ✓ Increase in guarantee-related measures. • Increased scope for NCC Partnering. • Broadened lifecycle approach. • More in-depth customer surveys. • Long-term initiatives involving research and development. • Green Building.
USERS	• Create healthy built environments. • No harmful substances. • Reduced impact on climate during the use of buildings. • Satisfied users. • Effective and appropriate housing, commercial premises and plants, with low lifecycle costs.	• Technical competence. • Well-conceived design. • Innovation. • Energy efficiency. • Continuous dialog.	✓ Formulate concepts for computing lifecycle costs. ✓ NCC Concept House. ✓ Offer energy-efficient buildings. ✓ Future Office by NCC. ✓ Climate declaration of homes. • Offer environmentally labeled single-family homes. • Continued future-oriented studies. • Green Building.
SHAREHOLDERS	• Increased value growth. • 20 percent return on shareholders' equity after tax. • Positive cash flow. • Financial stability. • At least half of after-tax profit distributed to shareholders.	• Focus on core business. • Simple organizational structure and decision-making channels. • Customer value in all activities. • Highest production efficiency in the industry. • Growth efforts. • Committed employees.	✓ Intensified product and customer focus. ✓ Financially stronger company with limited risk exposure. • Profitable growth. • Competitiveness and profitability.
EMPLOYEES	• Most attractive employer. • Open internal dialog. • Low level of sickness absence and zero work-related accidents. • Motivation, commitment and innovation. • Committed employees. • Modern personnel relations.	• Clear, value-guided and supportive leadership. • Influence over own work. • Recruit and retain the best employees. • Safe work environment. • Modern collective agreements. • Good development opportunities.	✓ Management training. ✓ Human Capital Index. ✓ Career-development talks. ✓ ReachMee, a recruitment system for internal and external recruitment. ✓ Reduced sickness absence. ✓ Developed recruitment method. ✓ Deeper contact with colleges and universities. • Increased pride in working for NCC. • Increased diversity. • Strengthen leadership.
SUPPLIERS	• Lowest purchasing costs in the industry. • Reduction in total purchasing costs every year.	• International purchasing. • Coordination. • Developed logistics. • Cooperation with the most cost-effective suppliers. • Industrial construction. • Improved project control. • Fast rate of change.	✓ Increase in purchasing coordination. ✓ Establish international purchasing offices and double purchasing volume annually. ✓ Member of BSCI for independent assessment of social responsibility. • Increase in purchasing specialization and knowledge of value chains. • Strategic partnerships with the globally most cost-efficient suppliers. • Develop efficient trading and logistics. • Management for driving change.
AUTHORITIES	• Provide best possible documentation prior to political decisions. • Participate in public debates on construction matters. • Long-term collaboration partner.	• Understanding for the role of the authorities. • Continuous dialog. • In-depth expertise.	✓ Dialog with municipal administrations, government authorities and departments and other decision-makers. ✓ Discussions regarding new forms of procurement and about construction costs. ✓ Work for strong EU-wide chemical legislation, REACH. • Reduced construction costs. • Broaden scope for NCC Partnering. • Dialog about decrease in carbon-dioxide emissions.
INDIRECT STAKEHOLDERS	• Increase awareness and knowledge of NCC. • Be perceived as a responsible company. • Benchmark company in the industry.	• Participation in public debates. • Dialog with nearby residents. • Dialog with media.	✓ Debate articles concerning important and strategic matters. ✓ Involvement in member and industry organizations. ✓ Visible social responsibility, through, for example, prevention of occupational injuries and accidents. • Long-term and systematic brand building. • Intensified dialog with various stakeholder categories.

NCC FOCUS

COSTS

PURCHASING, TECHNICAL PLATFORMS AND PROJECT CONTROL REDUCE COSTS AND INCREASE EFFICIENCY

International purchasing is an important element in reducing NCC's costs. Johanna Hagelberg, President of the NCC Purchasing Group, purchased much more than connector caps from China during 2007.

Construction and real estate development are cost-intensive industries. Construction requires large amounts of materials, time and qualified services. To achieve the industry's highest production efficiency, NCC concentrates on purchasing, industrial construction – primarily technical platforms – as well as project control.

PURCHASING

During 2007, slightly more than one-third of total procurements were acquired through purchasing agreements at a Group, national or regional basis. This coordination generated reduced purchasing costs. Coordination is increasing mainly within installations, where standardized platform solutions are a major factor, and joint purchases of materials and labor. This enables purchase of materials directly from production plants. One example is the purchase of heating, water and sanitation materials and installation services in NCC Construction Finland.

International procurements during 2007 totaled approximately SEK 2.0 billion, of which purchases outside the Nordic region accounted for about SEK 1.5 billion. Total purchases of building materials from suppliers outside the Nordic region amounted to about SEK 500 M, which yielded average cost savings of 18 percent. Since NCC intends to continue to increase its international procurements, strong emphasis was focused during the year on efforts to market these issues. One example is the purchasing exhibition that was inaugurated at the head office in Solna, which displays products that have already been purchased for specific projects. The touring showroom known as "China House" was also introduced during the year, featuring samples of products purchased in China. The objective is to increase understanding that high-quality products are available outside the Nordic region.

High quality, environmental commitment and social responsibility are self-evident parameters in purchasing procedures. During 2007, NCC became the first construction company to be accepted as a member of BSCI, an internationally acclaimed organization for social responsibility efforts. Work conditions for Chinese laborers in particular have been discussed and questioned. By entering the supply chain as early as possible, NCC gains better control over how the products are manufactured. NCC's own international purchasing organization makes regularly scheduled visits to supplier sites, and BSCI conducts audits that include action plans that suppliers are obliged to follow. NCC has purchasing offices in Germany, the Czech Republic, Poland, Russia, the Baltic region and China; a new office was also opened during 2007 in Turkey.

Efforts to pursue development in cooperation with the most cost-effective suppliers are important success factors in the bid to sustainably reduce purchasing costs. Accordingly, NCC introduced further improvements during 2007 in general tools used to evaluate and develop supplier operations.

INDUSTRIAL CONSTRUCTION

The most concrete example of industrial construction is the development project called NCC Complete. During autumn 2007, a decision was taken to discontinue this project after it became obvious that the anticipated cost reductions would be impossible to achieve. However, the five-year period during which the project was pursued provided NCC with valuable experience that can be used in other industrial ventures, and particularly perhaps in the so called technical platforms. The platforms contain project control requirements and instructions for selections of efficient production methods.

Platform philosophies in the construction process create conditions for more effective purchasing patterns, better logistics, better construction methods and production improvements, as well as increased control over costs and quality. They also create synergism within housing and property development activities in various markets.

Examples of technical platforms include the office concept called Svenskt Kontorshus (Swedish Office Building) that NCC Property Development used in the Västerport project in Stockholm, a residential housing platform used widely in housing construction, and the German platform for single-family homes.

PROJECT CONTROL

NCC is a project-controlled organization that conducts thousands of large and small projects. Experience has shown that guidance and control are critical success factors in any given project. Continuous improvements are being made in operational systems and procedures, as well as skills development. Purchasing, technical platforms and special competence centers strengthen the project control concept by creating greater control over all stages of the construction process.

NCC CONSTRUCTION SWEDEN

The upward trend in the Swedish construction market continued in 2007, with healthy demand noted in virtually all parts of the country and within all segments. As a result of the robust demand, NCC Construction Sweden's sales increased to SEK 24.9 billion (22.1) and operating profit to SEK 1,424 M (1,235).

Orders received rose 28 percent during the year to SEK 29.9 billion, which included several major projects that extend over a long time, such as the assignment to modernize Sollentuna Centrum for shopping center developer Steen & Ström – a partnering project worth approximately SEK 1.1 billion. Other major orders secured during the year included the construction of sports arenas in Skövde and Halmstad, a combined power and heating plant in Kalmar, interior works and structural modifications at stations for the Citytunnel in Malmö – where, incidentally, the first contract involving railways bridges was handed over to the client during the year – and several extensive infrastructure projects, including one in western Sweden.

Earnings improved as a result of strong management within the organization, systematic purchasing work, strategic cooperation with selected suppliers and successes for platform thinking in terms of planning and project planning.

In addition to the improved profitability of contracting operations, the year was characterized by a continued strong housing market. In 2007, approximately 34,700 (32,400) homes were built in Sweden, according to Euroconstruct. During the year, NCC initiated construction of 1,586 (1,456) proprietary housing units and sold 1,131 (1,347) units. By year-end, NCC Construction Sweden had utilized 11,300 (11,000) development rights, including 5,500 (5,200) in Stockholm.

STRATEGIC INITIATIVES TO REDUCE COSTS

Since NCC Construction Sweden is active in an intensely competitive market, in which price is a decisive factor, the focus was on reducing the cost of production and materials to be able to offer customers cost-effective and competitive solutions. In this context, purchasing and increasing the level of industrialization in the construction process offer the greatest potential.

In recent years, NCC has taken several initiatives aimed at industrializing construction. The most tangible initiative was the NCC Complete construction system, which was discontinued during autumn 2007 when it became clear that it would not be possible to achieve the expected cost reductions. However, the project yielded valuable experiences, which will be capitalized on in other projects, not least the one NCC calls technical platforms, which is a type of basic platform that can be used for various forms of construction. The reported figures do not include NCC Complete.

In 2007, technical platforms were launched for apartment blocks, single-family dwellings, offices and logistical buildings. In the Västerport office property in Stockholm, one of the platform projects under construction, considerable cost savings have been achieved. The work method was also used in a large number of new projects during the year, primarily within residential construction.

In competence centers, where groups of specialists are assembled, strategic purchasing expertise is combined with technical design and production for construction projects. The three key areas within NCC's competence centers are project control, installation and frameworks.

Another strategic initiative taken in 2007 in order to reduce costs was to increase the use of three-dimensional, virtual construction models (3D) and, for example, to connect this with the technical platforms. By using 3D, the coordination between various parts of projects is improved, any problems are detected earlier, which leads to such benefits as lower installation costs, and the efficiency of the follow-up of and instructions for the project is increased.

NCC is also contributing to international research by participating in the EU's ManuBuild research project, which focuses on industrial construction, and InPro, one of the largest European projects in the field of virtual construction, whose aim is to develop more advanced 3D technologies.

COOPERATION WITH CUSTOMERS – NCC PARTNERING

NCC Partnering is NCC's way of cooperating with customers and other involved parties to ensure that the focus is kept on the best interests of the project. One of NCC's largest partnering projects to date, the fourth pelletizing plant in Kiruna, with a value of approximately SEK 1.3 billion, was completed during the year. A number of partnering projects were completed in 2007 and, combined with the projects completed in prior years, a solid base now exists for evaluation. A survey conducted during the year of 100 customers yielded high favorable results and showed, for example, that 90 percent of the respondents considered that partnering was a better way of implementing construction projects compared with the traditional method. Orders received for partnering projects increased during the year and amounted to about SEK 8 billion.

FOCUS ON INTERIOR AND EXTERIOR ENVIRONMENT

In 2007, NCC became the first construction company in Sweden to establish what it calls a climate declaration for its housing. By calculating emissions of greenhouse gases during the production period and over the lifecycle of the building, it becomes apparent what measures are required for emissions to be reduced during the construction phase and through the choice of energy systems.

In 2007, demand for energy-efficient solutions increased and NCC participated in the construction of Hamnhuset at Norra Älvstranden in Gothenburg, Sweden's first apartment block that is also a passive building. Passive buildings are not supplied with external heating but are instead heated by surplus heat from the sun, the stove, lights and the residents themselves. NCC also participated in the construction of a school in Västerås that receives its electricity supply through solar-cell panels on the roof. This was one of Sweden's largest solar-cell contracts involving premises of this type.

Towards the end of the summer, moisture was detected in the exterior walls of detached houses in Annehem, Lund. A comprehensive inquiry was conducted and actions were initiated to restore the houses. NCC became the first construction company to introduce a special ten-year guarantee covering moisture in stucco façades built with what is known as the single-stage method (undrained stud walls). The guarantee also applies retroactively to houses built during the past ten years. NCC has decided to stop using plasterboard as an exterior board on exterior walls and wet-room walls.

EYE ON EMPLOYEES

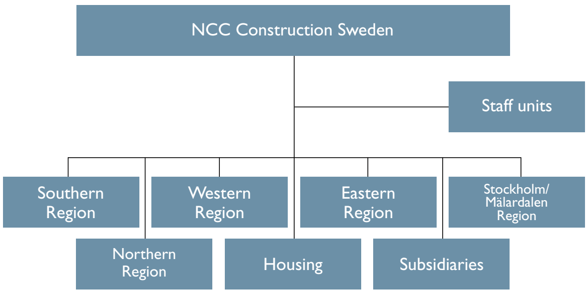
As a result of the economic boom, the construction industry's need of labor has intensified and increased measures, aimed at both existing and potential employees, were implemented during the year to strengthen NCC's attractiveness as an employer. For example, NCC's internal program for retraining skilled workers as supervisors was expanded. In Universum's survey of people with academic qualifications, NCC received an increased ranking in general and particularly high values among female students and people with an immigrant background.

The work of several of NCC's employees was acknowledged during the year. Lars Tengvall, founder of the Construction School for immigrants in Malmö, was named diversity manager of the year at the Swedish Competence Gala, and Kerstin Gillsbro, head of NCC Housing, was named the most powerful woman in the construction industry by business weekly *Veckans Affärer*. NCC was also one of the main contractors involved in Götaleden in Gothenburg, which received the year's Major Community Builder Award. In the work environment, particular attention was focused on fall-related risks and strain injuries. The Children's Construction School was arranged for the fourth consecutive year in Solna and several other locations in Sweden.

OUTLOOK FOR 2008

NCC anticipates continued growth in the Swedish construction market, although at a lower rate than in 2007. However, uncertainty has increased slightly concerning the trend of residential construction.

NCC Construction Sweden's organization

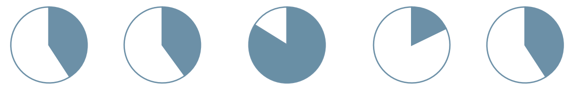


NCC Construction Sweden is organized in geographical regions, plus a separate unit for residential development.

NCC CONSTRUCTION SWEDEN[1)]

Share of Group total

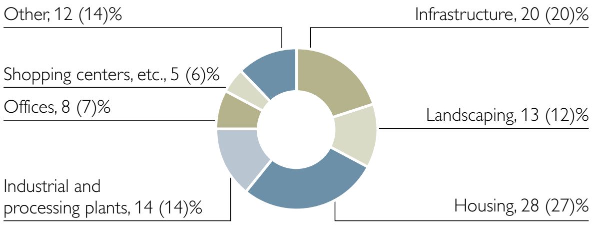
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
41%	40%	84%	18%	41%



SEK M	2007	2006
Orders received	29,917	23,382
– of which for proprietary projects	4,761	3,880
Order backlog	22,473	17,152
Net sales	24,881	22,098
Operating profit	1,424	1,235
Capital employed at year-end	2,200	1,753
Cash flow before financing	975	1,309
Operating margin, %	5.7	5.6
Return on capital employed, %[2)]	88.8	88.2
Investment in fixed assets	247	227
Investment in properties classed as current assets[3)]	1,262	1,325
Properties classed as current assets	2,983	2,182
Average number of employees	8,606	8,788

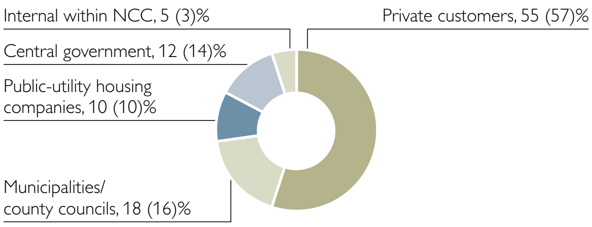
1) Excluding NCC Complete.
2) Return figures are based on average capital employed.
3) Mainly attributable to proprietary housing projects.

Product mix, share of net sales



External contracts accounted for the increase in housing volume, while proprietary projects declined somewhat. Sweden's robust economic growth is also reflected in continued strong growth in industrial and processing plants and office projects. The percentage of shopping centers declined slightly after a strong 2006.

Customer mix, share of net sales



As a result of the strong demand for housing and business investments in Sweden, private customers, particularly from with private enterprise, were the largest customer category. The proportion of municipal customers remained unchanged in 2007, with a decline in the central government category while municipal customers increased.

The above photo shows the Pelaren block , Skogås.

President
Tomas Carlsson

NCC CONSTRUCTION DENMARK

NCC Construction Denmark was affected by a shortage of resources and a weaker housing market in 2007. Operating profit amounted to SEK 36 M (loss: 35), based on sales of SEK 5.9 billion (6.5).

In total, construction investments in Denmark in 2007 were in line with 2006 and NCC's market share was unchanged at approximately 3 percent. The main competitor is MT Højgaard, with a market share of about 5 percent. The Danish housing market remained weak during the year, and sales of new homes in the country has been more than halved since 2005. The downturn has occurred in parallel with a reduction in prices, thus compounding the weak profitability noted by NCC Construction Denmark.

NCC completed several major projects during the year, such as the second and third stages of "Tuborg Sundpark" at Copenhagen Harbor, which were developed in cooperation with Carlsberg. At one of Copenhagen's quays, a shopping center was built and in Hellerup a two-story underground car park was completed. One of the major civil engineering projects was the moving under ground of the capital city's last open sewer. A former sanatorium was refurbished into a five-star hotel and health center for Comwell.

In recent years, NCC's strategic direction has been to concentrate operations around the construction of buildings and homes, as well as projects in which NCC can become active early in the process. NCC has a distinct profile as a residential builder in Denmark and continued to focus on this area in 2007, while adopting a cautious approach to the start-up of new projects in weak market conditions. Due to the slacker state of the market, further rationalization measures were implemented within the housing business and three companies that engage in the production of type buildings were combined, which, among other consequences, reduced the number of employees by slightly more than 100. Residential production decreased during the year. NCC had a total of 1,008 housing starts (1,498) in Denmark, including 234 (478) built on a proprietary basis. The number of unsold proprietary housing units at year-end was 61 (6).

Customer satisfaction increased during the year and a large proportion of partnering assignments and international procurements also contributed favorably to earnings. The focus on environment, energy and sustainable development gained expression in, for example, the development of a Swan-labeled single-family house characterized by extremely low energy consumption. The house was ready for the opening of "the Detached Houses of the Future" fair in Køge municipality and took only three weeks to sell.

OUTLOOK FOR 2008

The Danish economy is expected to show weaker growth in the years ahead. The Danish construction market is expected to remain at the same level as in 2007, with continued weak demand for housing, primarily in the Copenhagen area.

NCC CONSTRUCTION DENMARK

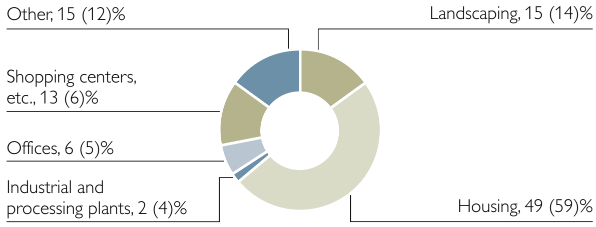
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
10%	1%	neg.	15%	10%

SEK M	2007	2006
Orders received	4,971	6,822
– of which for proprietary projects	1,030	2,091
Order backlog	3,848	4,604
Net sales	5,910	6,493
Operating profit	36	–35
Capital employed at year-end	1,778	1,032
Cash flow before financing	–470	–860
Operating margin, %	0.6	–0.5
Return on capital employed, %[1]	3.4	neg
Investment in fixed assets	32	61
Investment in properties classed as current assets[2]	663	544
Properties classed as current assets	950	570
Average number of employees	2,105	2,075

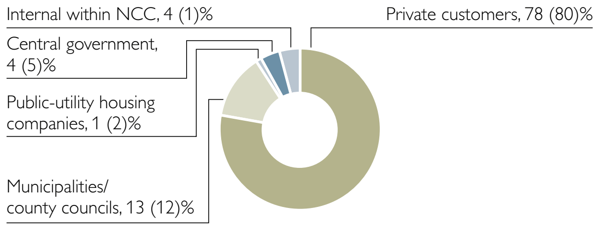
1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

Product mix, share of net sales



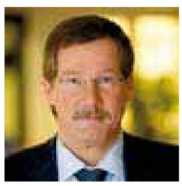
Demand for new housing dampened in 2007 and the share of residential construction declined. Civil engineering operations in the Danish market mainly involve landscaping, which increased during the year. Healthy household economies and an upswing in commerce resulted in growth for shopping centers.

Customer mix, share of net sales

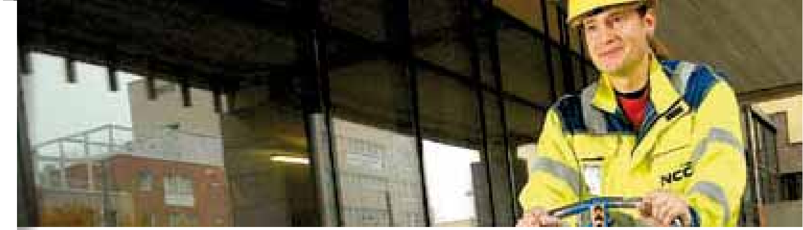


Private customers accounted for the dominant share of NCC Construction Denmark's operations. Housing sales to private customers increased, while sales to public-utility housing companies declined.

The above photo shows the interior of the first Swan-labeled building from Bülow&Nielsen, outside Copenhagen.



President
Torben Biilmann



NCC CONSTRUCTION FINLAND

The Finnish construction market remained strong in 2007, not least for housing, offices and other commercial buildings. NCC Construction Finland's sales during the year amounted to SEK 7.4 billion (6.5) and operating profit to SEK 434 M (390).

NCC Construction Finland is active in the markets for the construction of housing and other buildings. The market for building construction rose by approximately 14 percent in 2007, excluding residential construction. NCC's market share in Finland is about 4 percent and its main competitors are YIT, Lemminkäinen and Skanska.

During the year, NCC initiated construction of several business parks, a number of department stores and the third stage of Sello in Helsinki, one of the largest shopping centers in the Nordic region. In addition, the third stage of a major office project in Helsinki, at which NCC has leased two of the buildings, was completed. In Tornio, construction of a shopping center worth about EUR 70 M, in cooperation with the insurance company Varma, was started following several years of development work.

Residential production flattened in 2007 but remained at a high level. New housing starts totaled approximately 32,000 (34,000). NCC had a total of 1,423 (1,661) housing starts and sold 1,321 (1,464) housing units in Finland and the Baltic countries during 2007.

Within EcoConcept, the program that takes into account a building's lifecycle cost, NCC developed a tool called Esti Model, for measuring energy consumption. NCC also trains its housing customers in the use of new technical features that are built into their homes.

The Baltic countries and St. Petersburg have increasingly developed into strategically important markets for NCC and are showing rising volumes. In the Baltic countries, there were about 400 proprietary housing starts during the year. An NCC residential project in Riga was named the best construction project of the year, and in Lithuania a small construction company was acquired. In St. Petersburg, NCC concluded a partnering agreement with a major industrial company concerning 300 housing units.

Work environment efforts were highlighted in several ways. For example, NCC received an award for having developed morning warm-ups at construction sites, a concept that is being marketed to the entire industry, in cooperation with the mutual pension insurance company, Etera.

During the year, NCC increased its training measures, which included the launch of a comprehensive program for improving the understanding of customers and increasing service standards.

OUTLOOK FOR 2008

Demand in the Finnish construction market is expected to remain at a healthy level in 2008. Housing production is expected to decline slightly, with total volume amounting to approximately 31,000 housing units. In the Baltic countries, the need for new housing and improved infrastructure is considerable.

NCC CONSTRUCTION FINLAND

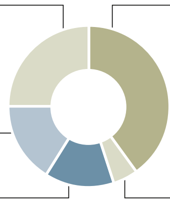
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
12%	12%	13%	13%	13%

SEK M	2007	2006
Orders received	9,062	7,076
– of which for proprietary projects	2,886	2,989
Order backlog	6,423	4,525
Net sales	7,432	6,450
Operating profit	434	390
Capital employed at year-end	1,516	1,187
Cash flow before financing	152	32
Operating margin, %	5.8	6.0
Return on capital employed, % 1)	31.0	33.4
Investment in fixed assets	41	16
Investment in properties classed as current assets 2)	1,609	1,645
Properties classed as current assets	1,947	1,520
Average number of employees	2,772	2,501

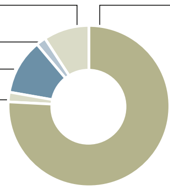
1) Return figures are based on average capital employed.
2) Mainly attributable to proprietary housing projects.

Product mix, share of net sales



Housing was the dominant product group for NCC in Finland. During 2007, a sharp increase in volume was noted for buildings outside the housing sector, driven by the favorable long-term economic trend in the country. This resulted in an increased share of office construction and shopping centers. NCC has no civil engineering operations in Finland.

Customer mix, share of net sales



Private customers constitute the dominant customer group for the construction of both housing and other buildings, and demand from such customers increased during the year. An improved office market also resulted in an increase in internal orders for property development projects.

The above photo shows NCC Building 3, Helsinki.

President
Timo U. Korhonen

NCC CONSTRUCTION NORWAY

The Norwegian construction market was characterized by growth in 2007. From the viewpoint of NCC Construction Norway, the year may be described as turbulent, with both successes and setbacks. Sales during the year totaled SEK 6.3 billion (6.0), resulting in operating profit of SEK 76 M (179).

Investments in the Norwegian construction market rose approximately 6 percent in 2007 to about SEK 290 billion. NCC has a market share of some 2 percent and its largest competitors are Veidekke, Skanska, Mesta and AF, as well as local companies.

The housing market slackened during the autumn. NCC mainly builds on contract rather than on a proprietary basis, and is a major player in, not least, the Oslo region. One of the major ongoing projects is the construction of 300 new housing units at Nye Major in Oslo.

Earnings deteriorated, due to the weak profitability of certain projects. The largest impairment loss, of SEK 35 M, was posted for the Isle of Grain project, involving the slipform construction of gas storage tankers (LNG).

Following a number of accidents during the early part of the year, NCC's central building permit was rescinded. Immediate actions were taken and the permit was restated in June by the National Office of Building Technology and Administration.

During the year, NCC entered into, among others, a major partnering contract with Shell in Stavanger. NCC's position as a builder of sports stadiums was also consolidated through orders for Fredrikstad Stadium, Fornebu Arena outside Oslo and Briskeby Stadium in Hamar. Due to the absence of gas and oil investments in areas close to the coast and the lack of public funding for the construction of road and railways, there was a slowdown in the civil engineering sector. However, NCC initiated construction of a railway tunnel west of Oslo, renovation of tunnels at Haukelifjell and maintenance of the natural gas plant at Melkøya for Statoil. Late in the year, a major contract was also secured for construction of the new tramway connection in Bergen. Construction of several property projects in cooperation with NCC Property Development is under way in the Oslo area.

On October 1, Peter Gjörup assumed the position of President of NCC Construction Norway. Peter Gjörup was previously head of NCC Construction Sweden's Northern Region.

During the year, NCC received the prestigious Construction Project of the Year award for Tautra Mariakloster outside Trondheim.

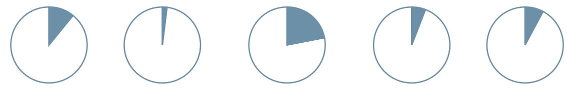
OUTLOOK FOR 2008

The construction market is expected to level off in 2008. This applies particularly to the housing market, which is more significantly affected by the level of interest rates.

NCC CONSTRUCTION NORWAY

Share of Group total

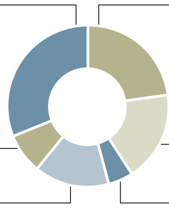
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
11%	2%	22%	6%	8%



SEK M	2007	2006
Orders received	7,118	7,982
– of which for proprietary projects	280	415
Order backlog	6,871	5,621
Net sales	6,335	6,002
Operating profit	76	179
Capital employed at year-end	657	608
Cash flow before financing	262	162
Operating margin, %	1.2	3.0
Return on capital employed, %[1)]	18.0	33.8
Investment in fixed assets	31	48
Investment in properties classed as current assets[2)]		18
Properties classed as current assets	236	271
Average number of employees	1,624	1,572

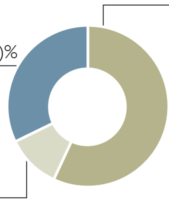
[1)] Return figures are based on average capital employed.
[2)] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



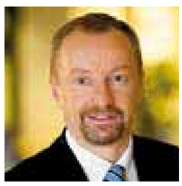
Infrastructure was the largest product group in Norway, with high activity in such areas as tunnels, roads and bridges. External housing projects declined during the year. The category Other includes schools and hospitals but also sports arenas. Production of a large hospital in Trondheim contributed to the increase. The healthy state of the economy at large contributed to increasing demand for offices.

Customer mix, share of net sales



The Norwegian government was a major customer of NCC in Norway in 2007, which was due in part to the relatively high proportion of civil engineering construction. This proportion increased in 2007 due to a rise in the construction of hospitals. The proportion of private customers decreased because of a drop in residential construction. The proportion of municipal customers declined, due to reduced production of schools during 2007.

The above photo shows Stadium, Fredrikstad.



President
Peter Gjörup

NCC CONSTRUCTION GERMANY

The expansion implemented within NCC Construction Germany resulted in increased sales of housing in 2007. Sales grew to SEK 2.3 billion (1.8), resulting in operating profit of SEK 117 M (85).

The stable upswing in the German economy continued in 2007. As a result primarily of an improvement in unemployment figures, an increase was noted in private consumption, which had previously been having an adverse impact on German growth during recent years.

NCC has developed into a leading player in the fragmented German housing market. The operations have expanded rapidly in just a few years and, in 2007, NCC conducted residential development activities in 12 geographical areas in Germany, with a focus on growth regions. The German housing concept is based on a technical platform that facilitates both considerable flexibility from the customer's viewpoint and rational production.

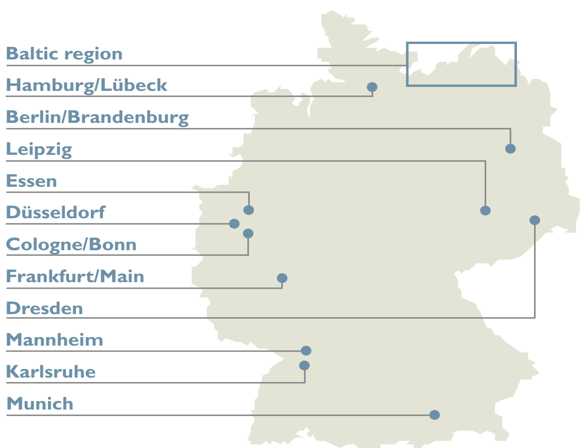
The German construction industry continued to normalize following a series of years of negative development. The relatively low property prices, measured in general European terms, particularly in the housing segment, have resulted in both German and international investors increasing their expenditure in this segment. In 2007, NCC concluded contracts on the sale of apartment blocks comprising about 400 apartments, which will be produced in the years ahead.

Expansion to the main growth regions in Germany resulted in a 30-percent increase in net sales to SEK 2,301 M (1,763) and sales of 1,002 (714) housing units. In 2007, housing starts totaled 1,107 (944) apartments.

Operating profit improved to SEK 117 M (85), which was essentially attributable to proprietary housing production.

OUTLOOK FOR 2008

The ongoing recovery of the German economy is expected to continue in 2008. In particular, the number of job opportunities will increase significantly.

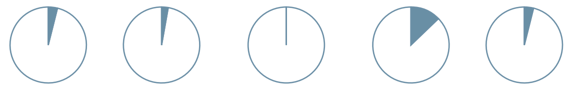


NCC's regional offices cover the major growth regions in Germany.

NCC CONSTRUCTION GERMANY

Share of Group total

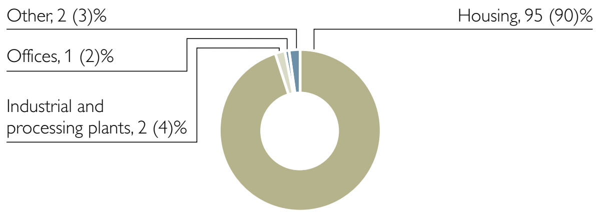
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
4%	3%	neg.	13%	4%



SEK M	2007	2006
Orders received	2,764	2,344
– of which for proprietary projects	2,341	2,021
Order backlog	2,374	1,818
Net sales	2,301	1,763
Operating profit	117	85
Capital employed at year-end	1,621	1,257
Cash flow before financing	–259	125
Operating margin, %	5.1	4.8
Return on capital employed, %[1]	7.1	6.1
Investment in fixed assets	17	12
Investment in properties classed as current assets[2]	597	530
Properties classed as current assets	769	598
Average number of employees	744	610

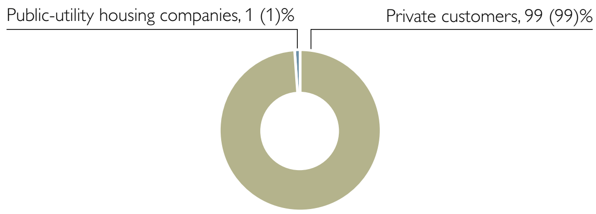
[1] Return figures are based on average capital employed.
[2] Mainly attributable to proprietary housing projects.

Product mix, share of net sales



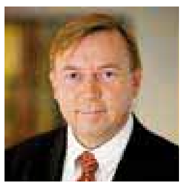
NCC Construction Germany mainly builds proprietary housing units. The production of housing projects continued to increase in 2007.

Customer mix, share of net sales



Customers are almost exclusively private and consist primarily of private persons purchasing single-family homes.

The above photo shows Bornstedter Feld, Potsdam.



President
Olle Boback

NCC PROPERTY DEVELOPMENT

NCC Property Development develops and sells commercial properties in growth markets in the Nordic countries. Activity in 2007 was high. Several properties were sold and a number of major leases were signed. Extra resources were also devoted to environmental issues during the year. Sales amounted to SEK 3.6 billion (3.8), generating operating profit of SEK 780 M (472).

Interest in the Scandinavian property market remained considerable during the first half of 2007. Although a slight softening was observed in the autumn, following the financial and housing-loan crisis in the US, interest in NCC Property Development's projects remained considerable.

Rent levels and leasing rates rose during the year, as a result of generally increased demand for new and larger premises. NCC Property Development concluded leases comprising a total of 150,000 square meters. Major interest on the investor side primarily gained expression in the form of a reduction in the required yield.

COMPREHENSIVE NORDIC PRESENCE

The general economic trend, in terms of GDP, and its impact on employment directly affects the leasing rate. The property market, viewed in terms of demand for leasable space, normally tracks the general economic trend following a time lag of one to two years.

A distinct trend noticeable in recent years has been an increase in the number of international investors. The investor market is global and the Nordic region is interesting because of its high transparency and healthy market liquidity. In terms of transparency, Sweden ranks among the top-three countries in Europe, according to Jones Lang LaSalle.

NCC Property Development is one of the largest property developers in the markets in which it is active. Competitors include Skanska in Sweden, YIT, Hartela and SRV in Finland, and TK Development and Själsögruppen (which acquired IBI in 2007) in Denmark. In the local market, other players can also be significant competitors, such as Wihlborgs in southern Sweden or ROM Utveckling in Oslo.

In 2007, NCC's operations were concentrated in selected growth regions, primarily Stockholm, Gothenburg, Malmö, Oslo, Copenhagen, Aarhus, Helsinki and Tampere. Operations were established in Riga, Latvia.

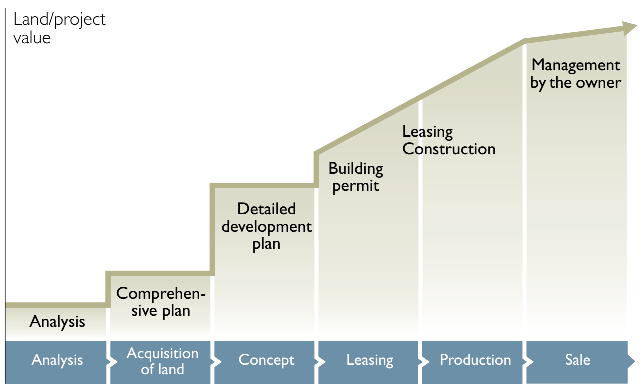
BUSINESS WITH A LONG-TERM FOCUS

Property development is a distinct investment activity providing the potential for a high return. Value is created through the development of new projects and NCC focuses on being active at the early stages of the lifecycle. By leasing premises and divesting properties as early as possible, capital is released for the development of new projects.

The projects are designed in such a way that they attract two customer categories on a parallel basis: investors and tenants. Although these two categories occasionally coincide, the users and the buyers are generally two different parties. To a great extent, NCC Property Development focuses on selling to long-term investors, such as pension companies.

NCC Property Development's products can be divided into three different segments – offices, retail and logistics. Although retail and logistical facilities are relatively new operations, which still constitute a complement to the office market, they are expected to utilize more space in the prod-

Value generation in project development



A property development project increases in value as the development work progresses. Successful projects always start with an idea, and access to attractive land is a strategic success factor. NCC is active throughout the value-generation process, and its participation ends with the sale of the property.

Company House, Copenhagen, Denmark.

uct portfolio in the years immediately ahead. In 2007, activities included the leasing and signing of a sales agreement concerning a logistics center in Rosersberg outside Stockholm. Several retail projects were sold in Finland, Denmark and Sweden during the year.

The property development process is characterized by relatively long cycles, involving a variety of different stages in which the developer has complete responsibility, from the purchase of land to the sale of a property. On average, this takes six to seven years – but it could take up to ten years – from the conceptual stage until a project has been completed and is sold. To remain in phase with economic cycles, long-term planning and choosing the right time to implement the various features are a critical success factor.

Dialog with potential tenants starts at an early stage and long-term contracts are normally signed before a property has been constructed.

Since access to the right skills is another critical success factor, the recruitment and development of recent university graduates has a high priority. To secure the special skills required by the operation, an in-house skills-development program focusing on property development has been designed, under the name Developer Program.

DEVELOPING ATTRACTIVE CUSTOMER OFFERINGS

Understanding the needs of customers and users is the key to offering the right products. In 2007, extensive customer interviews and surveys/studies were implemented in the various sub-markets in cooperation with Copenhagen Business School. The results of these efforts included Future Office by NCC and Future Economy, which are initiatives designed to improve NCC's customer offering. During the year, NCC also developed the Stress Free Area concept, with the aim of creating a calm and stimulating office environment. Since 2007, this has been tested at NCC Property Development's offices in Finland. The concept gains expression in such features as distinct color selection and the design of entrances to the property.

In Finland, NCC has launched the third generation of Business Parks, which also feature the Stress Free Area concept. The Finnish business is also responsible – in cooperation with several universities – for a number of EU and government-supported research projects concerning workplace design.

In recent years, NCC has developed technical platforms for ensuring the cost-effectiveness and quality assurance of the construction process. These include Svenskt Kontorshus, which is being used in the Västerport project in Stockholm and is resulting in distinct cost-effectiveness. The design of technical platforms for logistical and retail properties commenced during the year.

GROWING DEMAND FOR GREEN PROPERTIES

NCC Property Development was Sweden's first property developer chosen as a Green Building Partner. Being a Green Building Partner means that NCC undertakes to produce properties that consume at least 25 percent less energy than a conventional modern building. The first projects are the office properties Kaggen in Malmö (completed in December 2007) and Västerport in Stockholm (to be completed in April 2008). Through Green Building, NCC helps its customers to take responsibility for the environment and to reduce energy costs.

STREAMLINING INTO A NORDIC PROPERTY DEVELOPER

At the end of 2007, NCC Property Development had approximately 30 ongoing projects with an investment value for NCC of approximately SEK 7 billion. During the year, a number of properties were divested in order to fulfill the strategy adopted in 2003 of operating as a dedicated property development company. Among other transactions, the final three properties in Germany were divested. With the exception of an undeveloped site in Dortmund, this sale entailed NCC's exit from the German property market. An office building in Brussels was also divested, thus also representing the termination of NCC's property holdings in Belgium.

Since 2007, the geographical market has been concentrated to the Nordic and Baltic regions. NCC's presence in the Baltic countries was enhanced by land acquisitions and stationing personnel in Riga, Latvia.


Ørestad Business Center, Copenhagen, Denmark.

OTHER SALES AND BUILDING STARTS

Several of the sales contracts entered into in prior years, as well as a few from 2007, generated earnings in the form of reversed rental guarantees and supplementary purchase considerations, thanks to the successful results of leasing activities.

During autumn 2007, construction commenced on three "Company Houses", a platform for office buildings in Denmark. The Danish operations also implemented a number of retail projects. Planned projects include Downtown Örestad and Örestad Business Center, with a planned total volume of slightly more than 200,000 square meters of office space.

In Norway, the Akerselva Atrium office project in Oslo was sold. At the end of 2007, 62 percent of this project had been leased. Akerselva also generated extra earnings through a supplementary purchase consideration resulting from rental revenues that exceeded the calculated level.

Having access to attractive land is one of the key prerequisites for property development. The portfolio of development rights is replenished continuously and totaled approximately 1.1 million square meters at the end of 2007, which can be divided into retail, office and logistical rights, as well as an additional 500,000 – 600,000 square meters of land options and preliminary land allocations.

OUTLOOK FOR 2008

The leasing market is expected to remain strong with general rent increases anticipated in all Nordic capitals, particularly in the Central Business Districts of Stockholm and Oslo.

The turmoil in financial markets that started to escalate in 2007 is expected to generate effects on investors operating with high leverage and the price correction for risk is expected to impact on the required yield. NCC Property Development's assessment is that project volume is reasonable.

Completed and construction-initiated projects at December 31, 2007

Country (number)	Project cost, SEK M	Completion rate, %	Rentable space, m^2	Occupancy rate, %	Yield, %	Operating net SEK M[1]
Sweden (4)	452	30	30,000	100	8.4	38
Finland (9)	893	50	41,000	50	7.7	69
Denmark (6)	420	44	24,000	57	7.4	31
Total (19)	**1 765**	**44**	**95,000**	**67**	**7.8**	**138**

[1] Forecast operating net the year after sale based on full occupancy and excluding initial rent discounts.

NCC PROPERTY DEVELOPMENT

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
6%	22%	28%	18%	1%

SEK M	2007	2006
Net sales	3,583	3,773
Gross profit	**859**	**535**
Administrative costs	–82	–88
Result from sale of subsidiaries	3	4
Result from development properties	**780**	**451**
Result from sales of managed properties		9
Operating net from managed properties		–5
Result from participations in associated companies		17
Operating profit	**780**	**472**
Specification of gross profit		
Result from sales of development properties	1,027	654
Operating net from development properties	–5	17
Impairment loss, development properties	–4	
Overhead costs and other items	–159	–136
Gross profit	**859**	**535**
Gross margin (property development), %	24.0	14.2
Operating margin (property development), %	21.8	12.0
Return on capital employed, %[1]	35.0	20.0
Property investments	1,494	1,048
Sales of properties	3,569	3,726
Capital employed at year-end	2,160	2,123
Cash flow before financing	678	616
Average number of employees	124	111

[1] Return figures are based on average capital employed.

Completed leasing contracts per segment, square meters

	Denmark	Finland	Norway	Sweden	Total
Offices	5,229	20,910	19,988	31,164	77,291
Retail	11,945	20,266		25,273	57,484
Logistics				6,424	6,424
Other				9,044	9,044
Total	**17,174**	**41,176**	**19,988**	**71,905**	**150,243**

Sold but yet non-completed projects at December 31, 2007

Country (number)	Rentable space, m^2	Leasing rate, %
Sweden (6)	72,000	55
Finland (5)	25,000	79
Norway (3)	38,000	78
Denmark (1)	7,000	100
Total (15)	**142,000**	**67**

The above photo shows Falcon Business Park, Espoo, Finland.

President
Peter Wågström

NCC Roads' core business is the production of aggregates and asphalt, as well as asphalt paving and road services. In 2007, the focus was on efforts to secure long-term access to stone materials and to increase coordination within the business area. Sales totaled SEK 9.8 billion (8.5), generating operating profit of SEK 344 M (340).

Strong conditions in the Nordic construction market during the year contributed to considerable demand for aggregates, asphalt and paving work. The trend for aggregates operations was highly positive, with generally rising prices. The market for asphalt was generally stable, although prices varied locally.

NCC Roads is the leading company in the Nordic market. Sweden is the individually largest market, accounting for 47 percent of sales. Some operations were also conducted in the St. Petersburg area. The Polish asphalt and aggregates operation was sold in early 2007.

Since securing access to stone materials from NCC Roads' own pits that are close to developed areas is a strategic long-term aim, a number of pits and pit-operating companies were acquired, such as Rångedala Grus AB and Svenssons Åkeri AB in Sweden and Grinda pukkverk and Orkdal in Norway. Similarly, a number of smaller asphalt companies were acquired, such as ASFAB in Sweden. In early 2008, the remaining 50 percent of the Finnish company Valtatie was acquired.

FOCUS ON THE ENVIRONMENT

The customers' environmental awareness is increasing and NCC's initiatives to reduce the environmental impact are growing, such as energy-efficient paving techniques, the recycling of asphalt and alternative fuels.

The oil product bitumen accounts for the major part of the raw material cost of asphalt. In 2007, oil prices rose, which provided the impetus for further efficiency measures involving the use of bitumen and energy. By coordinating purchases from several international suppliers, NCC also affects the price scenario for bitumen, and at the same time reduces the number of transports.

The recycling of asphalt rose during the year to 7 percent of the produced volume of hot asphalt. In Sweden, NCC participated in the largest asphalt-recycling project to date in the Swedish market for road construction, namely, the E4 Highway section passing Markaryd. A partnership was also entered into with a bitumen supplier with the aim of developing asphalt production methods at lower temperatures, thus reducing emissions of greenhouse gases.

Other initiatives in the environmental area included attempts to achieve the same properties from crushed rock as from natural gravel, thus reducing the use of a product that is so important to groundwater levels.

Other initiatives included biological weed control using scum extract from maize and coconut, and the recycling of collected street sand for subsequent use in asphalt production.

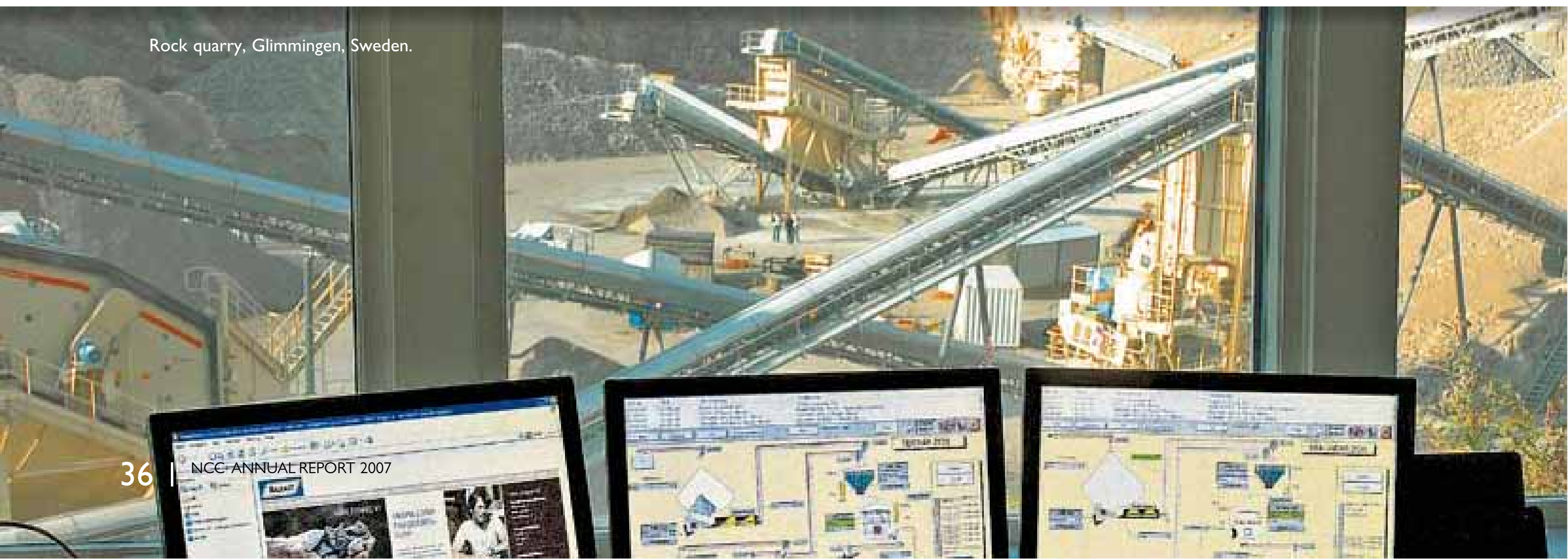
MORE TOTAL-PACKAGE UNDERTAKINGS

The customer base for asphalt and paving is found primarily within municipal and public-sector administrations, where NCC Roads concludes framework agreements that frequently extend over several years. The private market for asphalting and deliveries of filler is another important segment.

To satisfy the needs of public-sector customers for long-term solutions when competition for infrastructure and road maintenance intensifies, NCC increasingly offers total-package undertakings including long-term planning of resources for the production, servicing and maintenance of road networks over a number of years. Strengthening control over the entire value chain from aggregates, asphalt and paving to road service is a key success factor.

NCC Roads' operations are seasonally controlled by weather conditions, which means that seasonal labor is required. To strengthen NCC's attractiveness as an employer, an agreement was concluded during the year with seasonal employees in southern Sweden, who were offered full-year employment. In northern Sweden, where the working season is shorter, NCC is engaged in a test effort involving in cooperation with a staffing company that offers alternative work during the winter part of the year.

During the spring, the Danish market was marked by the combination of municipalities. As a result, procurements were postponed for a quarter, although the situation stabilized during the autumn. The reform resulted in an opportunity to cultivate larger public-sector customers, which to a greater extent than before are focusing on exposing operations that they previously performed themselves to competition.



Rock quarry, Glimmingen, Sweden.

In Denmark, NCC Roads has also invested in its own production plant for the clay material bentonite, which is used for such purposes as sealing rainwater dams, lakes and canals, as well as in landfills and also something as common place as cat sand. The material is sold under the brand Dantonit and competes with products from major EU manufacturers.

In 2007, the focus on coordination systems used for operation management was intensified, in the form of large-scale coordination projects in Denmark and Finland. In Denmark, effective IT tools were also introduced to cover teamwork in production.

OUTLOOK FOR 2008

NCC Roads' operations are affected by growth in the construction market as a whole.

Demand for asphalt is expected to remain at a high level. The aggregates market is expected to remain favorable, although be subject to certain decline.

NCC ROADS

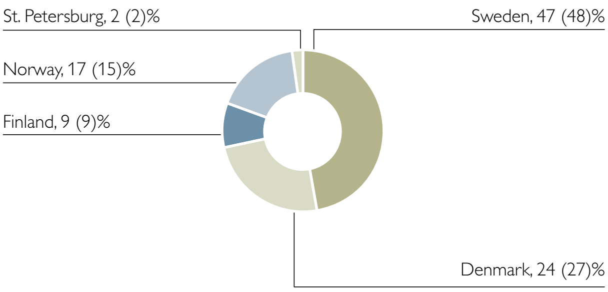
Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
16%	19%	45%	17%	19%

SEK M	2007	2006
Orders received	10,278	9,733
Order backlog	1,852	1,426
Net sales	9,893	10,044
Net sales excluding Poland	9,766	8,518
Operating profit	679	415
Operating profit excluding Poland	344	340
Capital employed at year-end	2,027	3,075
Cash flow before financing	1,080	439
Operating margin, %	6.9	4.1
Operating margin excluding Poland, %	3.5	4.0
Return on capital employed, %[1)]	26.5	12.7
Investment in fixed assets	381	376
Average number of employees	3,970	4,342

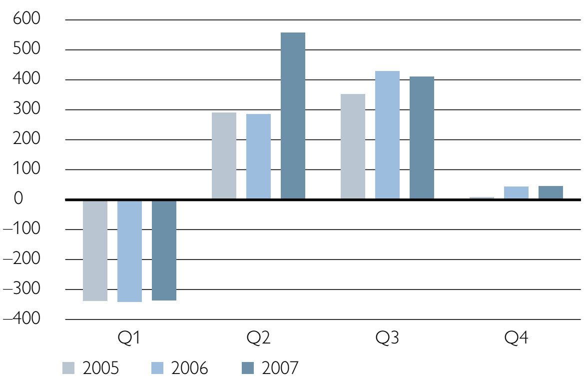
1) Return figures are based on average capital employed.

Geographic markets, share of net sales*



NCC Roads' operations are divided into different geographic business units, Sweden is divided into three business units. Operations in Poland were sold in April 2007.

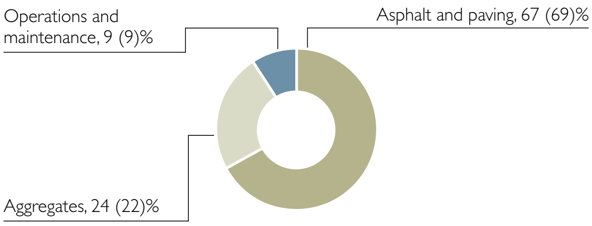
Operating profit/loss, per quarter, SEK M



NCC Roads is affected by seasonal variations primarily because asphalt work cannot be performed in cold weather. This means that profit during the first and fourth quarters is normally weaker than during the rest of the year.

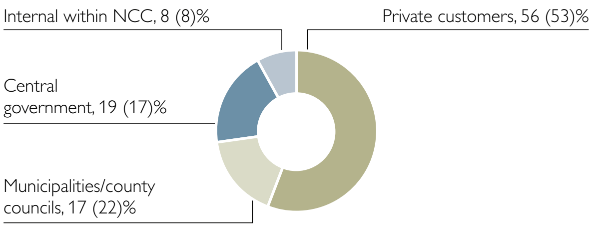
* Excluding the Polish asphalt and aggregates operations that were sold at the beginning of 2007.

Product mix, share of net sales*



Asphalt and paving accounted for most of NCC Roads' sales. The year 2007 was characterized by high demand for aggregates and towards the end of the year also for asphalt.

Customer mix, share of net sales*



The customer mix varies among products and countries. Central government, municipalities and county councils are generally major asphalt customers. When it comes to aggregates, the proportion of private customers is larger.

The above photo shows a gravel pit in Kista, Sweden.

President
Göran Landgren

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174 and headquartered in Solna, hereby submit the annual report and the consolidated financial statements for the 2007 fiscal year.

GROUP RELATIONSHIP

Since January 2003, NCC AB has been a subsidiary of Nordstjernan AB, corporate registration number 556000-1421.

OPERATIONS

NCC is one of the leading construction and property development companies in the Nordic region. The Group develops and constructs residential and commercial properties, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and provides paving and road services. The Group's primary geographical focus is on the Nordic region. In the Baltic countries, NCC mainly builds housing on a proprietary basis and in Germany it mainly builds single-family homes.

OPERATIONS DURING THE YEAR

NCC comfortably exceeded all of its financial objectives during 2007. The return on equity after tax was 34 percent (27), cash flow was positive and year-end net indebtedness amounted to SEK 0.7 billion (0.4). During the year, the shareholders received extraordinary dividends of SEK 1.1 billion, in addition to ordinary dividends of SEK 0.9 billion, as approved by the 2007 Annual General Meeting.

Market development

The Nordic construction market was characterized by generally strong demand in 2007. Demand for housing was favorable for most of the year, with the exception of Denmark, where conditions in the housing market, particularly in the Copenhagen area, have been weak since 2006. During the fourth quarter, demand slackened in Finland and the Baltic region. Due to a more sluggish sales trend, NCC's proprietary housing starts decreased. NCC is of the opinion that the Nordic housing market peaked in 2007.

The trend in the leasing market for commercial properties was healthy during 2007 and demand was favorable for NCC's newly produced properties.

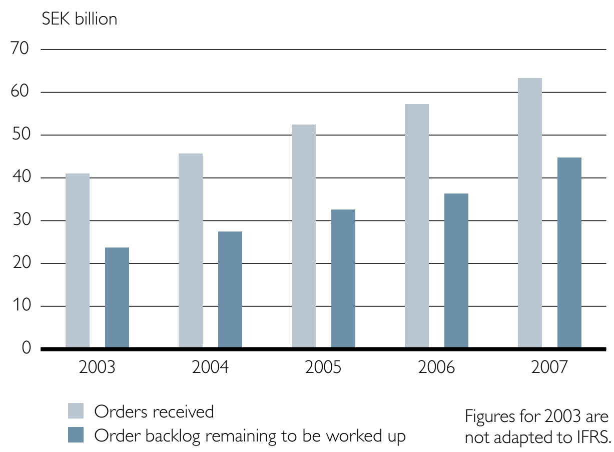
Changes in Group Management

Former President and Chief Executive Officer Alf Göransson left the Group in February 2007 to become Chief Executive Officer of the security company Securitas. He was succeeded on February 12 by Olle Ehrlén, former President of NCC Construction Sweden and Deputy CEO of NCC AB. Tomas Carlsson, former head of NCC Construction Sweden's Western Region, took office as President of NCC Construction Sweden on February 12. On January 1, 2007, Peter Wågström took office as new President of NCC Property Development, succeeding Mats Wäppling who had left NCC to become Chief Executive Officer of the technical consultant company Sweco. Peter Wågström was previously head of NCC Property Development Sweden. On October 1, Peter Gjörup became President of NCC Construction Norway, succeeding Sven Christian Ulvatne, who left the Group. Formerly, Peter Gjörup had been Head of NCC Construction Sweden's Norrland Region.

The Group's financial objectives

Since 2004, the Group's long-term financial objectives have been a return on equity after tax of at least 15 percent, a positive cash flow before financing and net indebtedness that does not exceed shareholders' equity. NCC's dividend policy has been that at least half of the profit after taxes be

Orders received and order backlog, Group



Orders received rose 11 percent in 2007 to SEK 63.3 billion (57.2). The year-end order backlog amounted to SEK 44.7 billion (36.3).

distributed to the shareholders. In December 2007, NCC's Board of Directors decided to change the objectives to a return on equity after tax of 20 percent and a positive cash flow before investments in properties classed as current assets and other investment activities. With this cash flow objective, NCC has greater flexibility to make investments, even when business conditions are weak. The objective for net indebtedness remained unchanged, as did the dividend policy.

ORDERS RECEIVED

Orders received rose 11 percent to SEK 63,344 M (57,213). The increase was primarily attributable to NCC Construction Sweden, which noted healthy demand in almost all areas of the country and within all business segments. Orders received also increased heavily for NCC Construction Finland, especially within non-residential building construction.

Orders received by the Group for proprietary housing projects totaled SEK 11,370 M (11,396), while orders for proprietary property projects amounted to SEK 2,045 M (1,931). During 2007, construction started on 4,428 (4,706) proprietary housing units and 3,708 (4,035) units were sold. Sales were lower than in 2006, because few homes were for sale in Sweden in the early part of the year and due to a continued weak Danish housing market, resulting in sluggish sales. Decreased demand was noted in several markets towards the end of the year.

During the year, the order backlog rose by SEK 8,448 M, or 23 percent, compared with December 31, 2006.

For information on development rights within NCC, housing starts and sold housing units, see the section called "Market and competitors" on p. 10.

Net sales

Net sales rose 5 percent to SEK 58,397 M (55,876). The increase was attributable to the high activity in NCC Construction Sweden, Finland and Germany. Net sales within NCC Construction Denmark declined, mainly due to diminishing sales of housing. The higher activity in the construction market led to increased demand for, and sales of, aggregates, asphalt and paving within NCC Roads.

Operating profit

Operating profit increased to SEK 2,790 M (2,392). Earnings include SEK 383 M from the second-quarter sale of NCC Roads' Polish asphalt and aggregates operations, while earnings for 2006 included earnings of SEK 75 M from these operations. Profits were affected by expenses totaling SEK 645 M (186) for the NCC Complete development project. The decision to discontinue this project, the aim of which was to build apartment blocks in a completely industrialized environment, was made in November 2007 and affects 200 employees. The project was discontinued when it became apparent that the production method would not be able to generate the anticipated reduction in costs. The operations will be discontinued in stages up to May 2008. No additional losses are expected.

NCC Construction Sweden's year was characterized by increased volumes, which led to improved profits of SEK 1,424 M (1,235), particularly for construction contract operations, in which volumes increased and margins improved.

NCC Construction Denmark's operating profits totaled SEK 36 M (loss: 35), which is an improvement compared with the year-earlier period, but still unsatisfactory. The main reason for the low profitability was the weak housing market. Profits for 2006 included large project-related impairment losses as well as capital gains from land sales.

NCC Constructions Finland's earnings exceeded the record level of 2006 and totaled SEK 434 M (390), mainly attributable to a strong housing market.

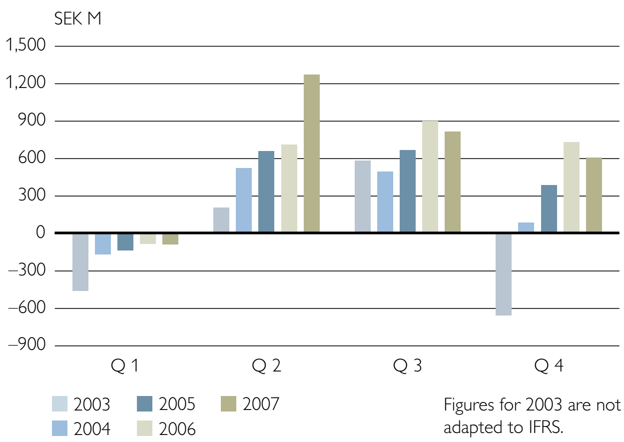
NCC Construction Norway's earnings decreased to SEK 76 M (179), which was primarily due to project-related impairment losses.

NCC Construction Germany's earnings improved to SEK 117 M (85), due to increased sales of housing.

NCC Property Development's earnings increased to SEK 780 M (472). The earnings improvement was due to profits from projects sold, the reversal of rental guarantees and leasing-related supplementary considerations from previously sold property projects.

NCC Roads' earnings, after taking into account the sale of the Polish asphalt and aggregates business, were better than in 2006. The improvement was primarily due to the favorable trend within the asphalt and aggregates business. Earnings for 2007 were charged with goodwill impairment totaling SEK 90 M (17) and a competition-infringement fee of SEK 25 M.

Profit/loss after financial items, per quarter



Figures for 2003 are not adapted to IFRS.

Profit after financial items declined slightly during the fourth quarter of 2007, compared with the year-earlier period, due to the discontinuation of NCC Complete, for which SEK 302 M was charged against earnings. Earnings for the fourth quarter of 2003 were charged with impairment losses within NCC Property Development and impairment losses and restructuring costs in NCC Roads. In the second quarter of 2007, NCC Roads' Polish asphalt and aggregates operations were divested.

The "other and eliminations" item includes a provision for the competition-infringement fee of SEK 150 M imposed by Stockholm City Court. The item was positively affected by a reduction in pension costs. Earnings for 2006 were favorably affected by payments of SEK 43 M received in connection with receivables earlier impared and by cost reductions of SEK 74 M in AMF pension premiums, and were negatively affected by intra-Group profits.

Profit after financial items

Profit after financial items amounted to SEK 2,608 M (2,263).

Profit after taxes

Profit after taxes amounted to SEK 2,252 M (1,708) for the period. NCC's tax rate for the year was 14 percent (25). NCC Property Development frequently sold property projects and land in the form of companies, whereby profits are not taxed. Most of the gain on the sale of the Polish asphalt and aggregates operations was not taxed either.

FINANCIAL POSITION

Profitability

The return on capital employed rose to 28 percent (24) because of improved earnings and capital employed that did not rise to a corresponding effect. The return on equity after tax was 34 percent (27).

Cash flow

Cash flow before financing amounted to SEK 1,165 M (1,657). Cash flow was positively affected by payments totaling SEK 1.1 billion from the sale of NCC Roads' Polish asphalt and aggregates operations, of which SEK 0.4 billion pertained to loans in the divested operations reported under "Investment activities". Cash flow for the year-earlier period included payments of SEK 0.5 billion from the sale-and-lease-back agreement relating to properties in the Sonnengarten district in Berlin. See also the cash flow statement, p. 56.

Equity/assets and debt/equity ratio

On December 31, 2007, the equity/assets ratio was 21 percent (22). The debt/equity ratio amounted to a multiple of 0.1 (0. 1).

Seasonal effects

The operations of NCC Roads and certain activities within NCC's Construction units are affected by seasonal variations caused by cold weather conditions. The first and final quarters are normally weaker than the rest of the year.

BUSINESS AREAS

NCC Construction Sweden

Orders received by NCC Construction Sweden during 2007 rose 28 percent (6) to SEK 29,917 M (23,382). The market was characterized by excellent conditions and healthy general demand. Although a continued rise in residential construction contributed to the increase, it mainly derived from robust demand for other building construction and civil engineering operations. A number of major projects were secured during the year.

Operating profit amounted to SEK 1,424 M (1,235). The improved earnings were attributable to stronger margins on construction operations, combined with higher sales.

As a result of structured purchasing, delivery times for materials were reasonable and price increases for materials were kept under control by means of international purchasing, among other measures. Efficiency remained high because of an increase in the use of temporary employees combined with low personnel turnover among permanent employees.

Earnings were also affected positively by the healthy profitability of housing projects, with the number of sold units amounting to 1,131 (1,347). The decrease in sold units was due to NCC having fewer housing units for sale at the beginning of the year and a cautious housing market towards the end of the year.

NCC Construction Denmark

Orders received by NCC Construction Denmark amounted to SEK 4,971 M (6,822). The decrease was due a continued weak housing market. Operating profit amounted to SEK 36 M (loss: 35). The improvement in earnings compared with 2006 derived from a decrease in impairment losses on construction-contract projects. Due to the weaker conditions in the housing market, a restructuring of residential operations has been initiated.

Orders received, net sales and operating profit/loss per business area

	Orders received		Net sales		Operating profit/loss	
SEK M	2007	2006	2007	2006	2007	2006
NCC Construction Sweden[1)]	29,917	23,382	24,881	22,098	1,424	1,235
NCC Construction Denmark	4,971	6,822	5,910	6,493	36	–35
NCC Construction Finland	9,062	7,076	7,432	6,450	434	390
NCC Construction Norway	7,118	7,982	6,335	6,002	76	179
NCC Construction Germany	2,764	2,344	2,301	1,763	117	85
NCC Property Development			3,583	3,773	780	472
NCC Roads excluding Poland	*10,151*	*8,206*	*9,766*	*8,518*	*344*	*340*
NCC Roads Poland	*127*	*1,526*	*127*	*1,526*	*335*	*75*
NCC Roads	10,278	9,733	9,893	10,044	679	415
Total	**64,111**	**57,339**	**60,335**	**56,624**	**3,547**	**2,742**
NCC Complete	122	381	205	93	–645	–186
Other and eliminations	–889	–506	–2,144	–841	–112	–163
Group	**63,344**	**57,213**	**58,397**	**55,876**	**2,790**	**2,392**

1) Excluding NCC Complete.

NCC Construction Finland

Orders received by NCC Construction Finland rose to SEK 9,062 M (7,076). Among other factors, the increase was due to an order worth SEK 664 M for a large shopping center in Tornio and several relatively large commercial building projects. However, a decrease was noted in orders for proprietary housing operations. In the Baltic region, orders for other buildings increased, while orders for proprietary housing declined. Operating profit rose to SEK 434 M (390). An increase in net sales of construction-contract operations, combined with continuing favorable sales of housing, contributed to the upswing in earnings.

NCC Construction Norway

Orders received by NCC Construction Norway amounted to SEK 7,118 M (7,982). The decrease was due to a selective approach to new projects. Demand in the construction market was robust during the year. Operating profit amounted to SEK 76 M (179). Despite the increase in volumes during the year, earnings were lower than in 2006, due to a decrease in project margins, whereby profit on a number of orders was adjusted downwards during the year. The Norwegian market was marked by a shortage of personnel and rising prices for input materials.

NCC Construction Germany

Orders received by NCC Construction Germany totaled SEK 2,764 M (2,344). The completed expansion of the operations led to an increase in housing operations and to a positive trend for proprietary housing projects. Operating profit amounted to SEK 117 M (85). The improvement in operating profit resulted from an increase in residential production and higher margins.

NCC Property Development

NCC Property Development's sales totaled SEK 3,583 M (3,773) and its operating profit amounted to SEK 780 M (472).

Property development

The sales volume in full-year 2007 was SEK 3,523 M (3,689). Demand in the real estate market remained strong during 2007 and projects could be sold before completion at low required yields and with low leasing rates. Operating profit amounted to SEK 780 M (451). During the year, a number of property projects were sold at healthy capital gains. The agreements for several projects include incentives that can positively impact on the sales price and earnings as leasing progresses. The result of leasing activities was favorable in 2007 and leasing-based supplementary purchase considerations and reversals of rental guarantees accounted for most of the earnings during the final quarter of the year. Project costs for completed or construction-initiated projects totaled SEK 1.8 billion (1.5) at year-end. Costs incurred in all initiated projects amounted to SEK 0.8 billion (0.8), corresponding to 44 percent (54) of total project costs. The leasing rate on December 31, 2007 was 67 percent (41).

Managed properties

During 2007, the final managed property was sold at a value of SEK 46 M (37), resulting in a capital gain of SEK 0 M (9). Rental revenues from managed properties amounted to SEK 0 M (5) during the year. The operating net was SEK 0 M (expense: 5). The carrying amount for the portfolio remaining on December 31, 2007 was SEK 0 M (44).

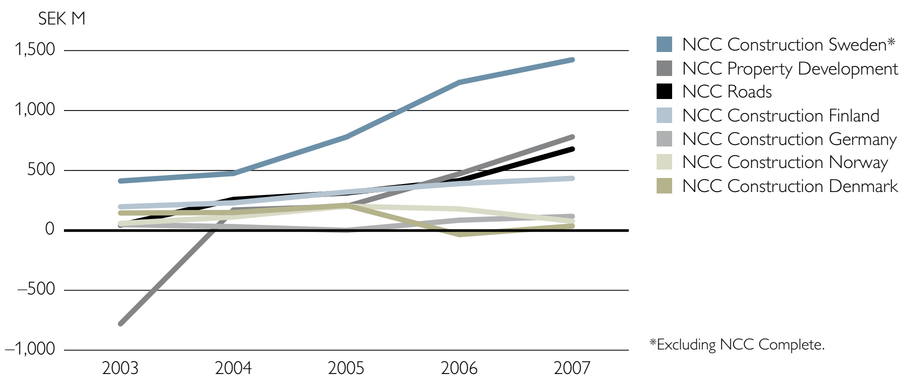
NCC Roads

NCC Roads' net sales in 2007 amounted to SEK 9,893 M (10,044). If the sold Polish asphalt and aggregates operations are excluded, sales amounted to SEK 9,766 M (8,518). Several gravel pits were acquired during the year in Sweden and Denmark and the strong conditions in the Nordic construction market resulted in increased demand. Operating profit for 2007 amounted to SEK 679 M (415). Earnings included SEK 383 M from the sale of the Polish asphalt and aggregates operations. Earnings were charged with goodwill impairment losses of SEK 90 M (20), with Finnish operations accounting for the impairment losses in 2007. A provision of SEK 25 M was posted for the competition-infringement fee imposed in Finland. The verdict has been appealed.

BRANCHES OUTSIDE SWEDEN

The NCC Construction Sweden business area conducts operations via a branch in Norway. NCC also has branches connected to individual projects that are being completed in Singapore, Russia and Zambia.

Earnings trend per business area



*Excluding NCC Complete.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit and reporting obligations in accordance with the Environmental Code, which involve the Swedish Parent Company and Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact of these operations mainly comprises emissions to air and noise. For further information, see the Environment and Society section on p. 16.

SENSITIVITY AND RISK ANALYSES

For NCC's Construction operations, a one-percentage-point increase in the margin has a much larger impact on earnings than a 5–10 percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages. For proprietary housing projects within NCC Construction, the major challenge is to have the right products in the market and to guide the projects through the planning process so they arrive in the market at the right time. NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell development projects are affected by the leases signed with tenants, whereby an increased leasing rate facilitates higher sales. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of projects in progress could change the value of such projects.

NCC Roads' operations are affected by such factors as price levels and the volume of produced and paved asphalt. An extended season due to favorable weather conditions increases volumes and, because the proportion of fixed costs is high, the affect on the margin is considerable.

The NCC Group had a healthy financial position with low indebtedness in 2007. As a result, neither interest-rate changes nor amortization of the remaining debt using available cash assets would have a major impact on earnings. A continued reduction in net indebtedness would have a continued favorable impact on profitability, while an increase in borrowing and in the dividends paid to shareholders, and thus a lower equity/assets ratio, would have an adverse impact on earnings, but boost the return on equity.

RISK MANAGEMENT

Through its business operations, NCC is exposed to various risks, which could be financial or operational. The operational risks relate to the Group's day-to-day operations, and could be purely operative or apply to tenders or project development, seasonal exposure or assessments of the earnings capacity of a project. In addition, property damage or personal injury could arise.

The financial risk should be viewed against the background of the capital requirements of NCC's various operations. Contracting operations normally generate a positive cash flow at the beginning of projects but a neutral or negative cash flow towards the end. During a business cycle boom, the cash generated in this manner could be needed if there is a decrease in orders received during an economic recession and, accordingly, the financial assets of contracting operations should exceed their liabilities, which means they should have no net debt.

Proprietary housing and property development ties up capital throughout the course of the projects; firstly, through investment in land, then during the development phase and finally during the sale of the project. The financing of these projects varies with time. Initially, uncertainty is considerable and borrowing should be low, while a fully leased property project can be leveraged to a much greater extent. NCC Roads mainly has capital employed in fixed assets (quarries, crushing plants, asphalt plants, paving machinery, etc). To the extent possible, the aim here is to invest in mobile plants to achieve the maximum capacity utilization. To a large extent, investments in these fixed assets can be financed with loans, but are subject to limitations in terms of, for example, cyclical and seasonal risks.

On the whole, this means that based on the type of product mix in 2007, the NCC Group's net indebtedness should not exceed its shareholders' equity (also see "Financial objectives and dividend policy" on pp. 8–9). The management of the Group's financial risks such as interest-rate, currency, refinancing, liquidity and credit risks is centralized, in order to minimize and control the Group's risk exposure.

Sensitivity analysis

	Change	Effect on profit after financial items, SEK M	Effect on return on equity, percentage points	Effect on return on capital employed, percentage points
NCC's Construction units				
Volume	+/– 5%	216	2.3	2.1
Operating margin	+/– 1 percentage point	469	4.9	4.5
NCC Property Development				
Sales volume, projects	+/– 10%	108	1.2	1.0
Sales margin, projects	+/– 1 percentage point	35	0.4	0.3
NCC Roads				
Volume	+/– 5%	40	0.4	0.4
Operating margin	+/– 1 percentage point	99	1.1	0.9
Capital rationalization	+/– 10%	14	0.2	0.7
Group				
Interest rate, borrowing	+/– 1 percentage point	13	0.1	
Decrease in net debt	SEK 500 M	26	0.3	1.3
Change in equity/assets ratio	– 5 percentage points	–89	10.3	

Customer-credit risks are handled within each particular business area. In addition, a centralized insurance function is responsible for Group-wide non-life and liability insurance, primarily property and contractor's insurance. The function also performs preventive risk-management work together with the operations. All of this results in cost-effectiveness and coordination of insurable risks.

OPERATIONAL RISKS

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. This is particularly important in a declining market, when a company may be tempted to secure projects in order to maintain employment. In a growing market, however, it is important to be selective because an extensive tendering volume could result in a shortage of internal and external resources for handling all projects, which could lead to both weaker internal control and increased costs.

When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, and are thus manageable and calculable. 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. Various types of cooperative formats, such as NCC Partnering, can be used to help manage risk. Project control is of decisive importance to minimizing problems and thus costs. In order to control and follow-up operations within the Construction units, NCC uses a process-controlled operational management system. Many Group units are quality and environmentally certified.

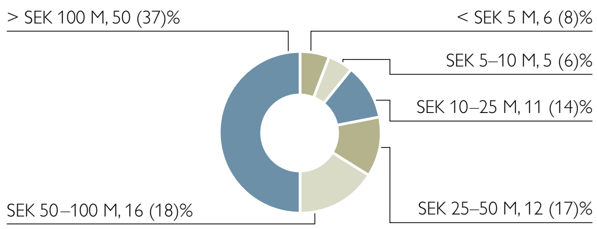
DEVELOPMENT RISKS

Proprietary project development in both residential and commercial properties includes a contract risk and a development risk. Every project concept must be adapted to local market preferences and the planning requirements imposed by public authorities. State-of-the-art skills are required to optimize the timing of projects that have to be processed by, for example, local municipalities and possibly have to pass an appeals process. To reduce these risks, NCC has successively limited the markets in which the Group is active and expanding. Proprietary housing and property projects are developed primarily in large growth communities in the Nordic countries, as well as in Germany, the Baltic countries and St. Petersburg. NCC has consciously decided to refrain from excessively niche-oriented projects intended for narrow target groups, since earnings in this sector have historically not corresponded with their higher inherent risks. Risk limitation is achieved through demands for high leasing rates when a construction project is started, and tied-up capital is reduced through early payment.

SEASONAL RISKS

The NCC Roads business area and civil engineering operations within NCC's Construction units are subject to considerable seasonal variations. Within asphalt operations, most procurements are conducted during the spring, while asphalt production and paving activities are conducted during the summer half year. Warm autumn weather could have a favorable effect on production, while long, cold winters have negative effects on earnings. To manage these risks, NCC Roads offers road-related products and services that encompass the entire value chain. Repair and maintenance activities, for example, complement paving operations over the year.

Orders received by project size, 2007, volume NCC's Construction units



Projects with a value exceeding SEK 100 M account for a large and growing amount of NCC's sales. An increase in such large projects was noted primarily in Sweden and Norway. The reason is that more civil engineering projects and high economic growth are also providing scope for major building projects. In addition, the start-up of proprietary housing projects remained high in 2007. The importance of other segments declined in relative terms during the year.

Major ongoing projects

Project		NCC's share of order value, SEK M	Completion rate Dec. 31, 2007	Estimated year of completion
Subway, Singapore	SG	1,758	92%	2008
Hospital, Trondheim	NO	1,709	57%	2009
Citytunnel, Malmö	SE	1,593	81%	2009
Shopping center, Sollentuna	SE	1,024	24%	2010
Road, Norrortsleden, Stockholm	SE	792	64%	2008
Prison, Härnösand	SE	670	5%	2009
Shopping center, Tornio	FI	664	36%	2008
Shopping center, Lørenskog, Oslo	NO	635	76%	2008
Housing, Sjaelland	DK	632	10%	2011
Tunnel, Highway 519, Finnfast	NO	587	45%	2009
Housing/offices, Oslo	NO	576	25%	2009
Highway 45 – E12, E13, Western Sweden	SE	559	4%	2012
Shopping center, Aarhus	DK	545	76%	2008
Arena, Fornebu, Oslo	NO	521	34%	2009
Highway, E18, Bjørvika, Oslo	NO	499	69%	2011
Tunnel E400, Malmö	SE	455	1%	2010
Road, Fossveien, Oslo	NO	441	11%	2010
Hospice, Trondheim	NO	428	77%	2008
Bridge, E6 Örekilsälven, Munkedal	SE	428	83%	2008
Road, E4 Enånger–Hudiksvall,	SE	420	0%	2010
Lindholmen Science Park, Gothenburg	SE	417	0%	2010
Offices and retail, Beridarebanan 13, Stockholm	SE	405	94%	2008
New Arena Skövde	SE	379	9%	2009
Tramway, Fantoft–Nestun, Bergen	NO	373	0%	2009
Marieberg Centrum, Örebro	SE	335	14%	2009
Road E6 Solhem– Pålen, Western Sweden	SE	319	0%	2010
Arena, Halmstad	SE	316	4%	2010
Storage silos, Narvik	NO	312	17%	2009

PRICE RISK

For several years, the prices of building products have increased at a rate that far exceeds general inflation. Increased demand due to growth in the construction sector, deficient competition, decentralized structures in the form of local construction projects and suppliers, limited coordination and an irrational construction process are a few of the reasons. NCC for some time, has been trying out various ways of enhancing the efficiency of the construction process whereby the purchasing function, in part through non-Nordic procurements, is an important feature. Financially, this is the key to gaining control over the price trend.

Raw-material costs account for about one third of the price NCC Roads pays for paved asphalt. The main raw materials are the oil product bitumen followed by aggregates. NCC Roads purchases bitumen from several international suppliers. Purchasing and logistics involving bitumen are coordinated between Sweden, Denmark and Norway. Longer-term agreements with customers normally include price clauses that reduce NCC Roads' exposure to risks. In several markets, NCC Roads is self-sufficient in terms of aggregates, in part through the acquisition of strategically located pits.

RISK FOR ERRORS IN PROFIT RECOGNITION

NCC applies the percentage-of-completion method for recognizing profit from contracting operations, whereby profit is recognized in parallel with completion, which means before the final result is established. The risk that actual profit will deviate from percentage-of-completion profit recognition is minimized through NCC's project-management model, which ensures the necessary follow-up and control of all construction projects on which profit recognition is based. If the final result of a project is expected to be negative, the entire loss from the project is immediately charged against earnings, regardless of the project's completion rate. Profit recognition from NCC's proprietary housing projects is recognized as the worked-up rate (costs incurred in relation to the final status forecast) times the sales rate (number of sold apartments), which entails more cautious profit recognition.

FINANCIAL RISK

Through its business operations, the Group is exposed to financial risks, namely interest-rate, currency, refinancing, liquidity and credit risks. NCC's finance policy for managing financial risks has been decided by the Board of Directors and comprises a framework of guidelines and rules in the form of risk mandates and limits for finance activities. In the NCC Group's organization, finance activities are centralized in the NCC Corporate Finance unit in order to monitor the Group's overall financial risk positions, to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. The Group's financial risks are managed by NCC's internal bank. Credit risks related to customers are handled within each particular business area.

For a more comprehensive description of financial instruments and financial risk management, reference is made to Note 39, Financial instruments and financial risk management.

SIGNIFICANT DISPUTES

On July 10, 2007, Stockholm City Court announced its verdict on the Swedish asphalt cartel case and ordered NCC to pay competition-infringement fees of SEK 150 million. NCC has appealed this decision to the Market Court. NCC believes that the City Court did not take into account NCC's arguments that the actions taken by NCC had facilitated the Swedish Competition Authority's investigations in a decisive manner. NCC also believes that the amount was unreasonably high in view of the City Court's confirmation that there was no underlying general agreement to divide up all central and local government paving procurements, and that it was instead a local phenomenon that occurred over just a few years. A verdict is not expected until 2009 at the earliest.

The Finnish Market Court has ordered NCC Roads Oy to pay an administrative fee of approximately SEK 13 M for violation of the Finnish Competition Act. The 50-percent-owned company, Valtatie Oy, was also ordered to pay a fee of approximately SEK 25 M, of which NCC's portion was SEK 12.5 M. According to the Court, a total of seven companies had violated the Competition Act. Two of the companies involved, NCC Roads Oy and Valtatie Oy, were acquired by NCC in 2000. NCC has posted a provision of SEK 25 M for the fees imposed. NCC has appealed the verdict.

No new information has arisen regarding the cartel matters in Norway or the cases involving individual municipalities in Sweden that have sued construction companies.

For further information on the cartel processes, refer to Note 46, Pledged assets, contingent liabilities and contingent assets.

Grefsentoppen, Oslo, Norway.

PERSONNEL

Number of employees

The average number of employees in the NCC Group was 21,047 (21,784). The decrease was due to the divestment of the Polish asphalt and aggregates operation and to the conclusion of projects in Tanzania and Zambia. NCC's long-term efforts involving the work environment and health matters are generating increasingly positive effects for every year that passes. In Sweden, sickness absence declined in 2007, after having risen slightly between 2005 and 2006. This applies particularly to people absent for an uninterrupted period of 60 days or more.

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. Also refer to Note 38, Pensions.

NCC SHARE

At December 31, 2007, NCC's registered share capital consisted of 46,914,848 Series A shares and 61,520,974 Series B shares. The shares have a par value of SEK 8.00 each. Series A shares carry 10 votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend.

At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to VPC for registration. Conversion occurs when such registration has taken place.

The number of NCC shareholders at year-end was 27,682 (28,589), with Nordstjernan AB as the largest individual holder accounting for 27 percent (27) of the share capital and 55 percent (54) of the voting rights. The second largest shareholder was L E Lundbergföretagen AB, with10 percent (10) of the share capital and 20 percent (20) of the voting rights. Combined, the ten largest owners accounted for 57 percent of the share capital and 86 percent of the voting rights.

The Annual General Meeting on April 11, 2007 renewed the Board's authorization to repurchase a maximum of 10 percent of the total number of NCC shares. No shares were repurchased in 2007. During the year, 330,251 (843,005) of the previously repurchased shares were sold, increasing the number of shares outstanding to 108,414,684, which affects the calculation of earnings per share. Subsequently, the number of Series B treasury shares totaled 21,138. The treasury shares were sold to cover commitments under previous options programs.

The Board will propose to the Annual General Meeting that it be authorized 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 the OMX Nordic Exchange Stockholm 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. Including the proposed authorization, NCC will be entitled to repurchase an additional 10 percent of the shares outstanding.

In the event that any major changes occur in NCC AB's ownership structure, meaning if a shareholder other than L E Lundbergföretagen AB or Nordstjernan AB acquires more than 30 percent of voting rights in NCC AB, the syndicated credit facility may be terminated by the lenders.

NOMINATION COMMITTEE

The Annual General Meeting appoints a Nomination Committee whose task is to nominate candidates to be elected Board Members and auditors by the Annual General Meeting. At the Annual General Meeting on April 11, 2007, Viveca Ax:son Johnson (Chairman of the Board of Directors, Nordstjernan AB), Ulf Lundahl (Executive Vice President, L E Lundbergföretagen AB) and Mats Lagerqvist (President, Swedbank Robur AB) were elected as members of the Company's Nomination Committee, with Viveca Ax:son Johnson as Committee Chairman. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right.

The Nomination Committee held two meetings in 2007 to address the nomination of Board Members and auditors, as well as related fees, ahead of the 2008 Annual General Meeting.

Näringslivets Hus, Stockholm, Sweden.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The guidelines apply to the company's President and Group Management, a total of ten people (Company Management).

The objective of the guidelines for salary and remuneration of Company Management is that NCC will be able to offer competitive market remuneration that enables the NCC Group to both recruit and retain people with the highest possible expertise. The remuneration payable to Company Management comprises a fixed salary, variable remuneration, pension and other benefits.

Fixed salary. When determining the fixed salary, the individual executive's sphere of responsibility, experience and achieved results shall be taken into account. The fixed salary is to be revised either annually or every second year.

Variable remuneration. The variable remuneration must be maximized and be related to the fixed salary, as well as being based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. For the President, variable remuneration is maximized to 50 percent of fixed salary and for other members of Company Management to 40–50 percent of fixed salary. The variable remuneration is to be revised annually. It is estimated that the company's undertakings in relation to the executives concerned will cost the company a maximum of SEK 18.9 M (17.3).

Pension and other benefits. NCC's pension policy is described in Note 5, Personnel expenses. The aim is to gradually switch to defined-contribution pension solutions. For members of Company Management who are not domiciled in Sweden, local rules are applied that result in a pension based on corresponding terms. The same policy is to be applied for future pension obligations.

For information concerning retirement ages and severance pay, reference is made to Note 5, Personnel expenses. Other benefits accruing to members of Company Management are to be provided in accordance with local practices. The combined value of such benefits in relation to total remuneration may account for only a limited portion and correspond to the costs normally arising in the market. These guidelines may be disapplied by the Board of Directors if there is special reason to do so in an individual case.

The Board of Directors' motion to the 2008 Annual General Meeting entails that the guidelines for remuneration of senior executives that were adopted at the 2007 Annual General Meeting shall continue to apply.

EVENTS AFTER THE CLOSE OF THE PERIOD

NCC Treasury AB and a group of banks have signed a revolving credit facility totaling EUR 275 M, corresponding to approximately SEK 2,600 M.

NCC Roads Oy has reached an agreement concerning the acquisition of the operations of Valtatie Oy, the previously 50-percent owned asphalt company in Finland, from the Colas Group of France.

For further information concerning the above events, reference is made to Note 51, Events after the balance-sheet date.

PARENT COMPANY

Commission agreement

Since January 1, 2002, NCC Construction Sweden AB has been conducting operations on a commission basis on behalf of NCC AB.

Net sales and earnings

Parent Company sales during the year totaled SEK 22,738 M (17,083). Profit of SEK 2,619 M (401) was reported after financial items. The increase in the Parent Company's earnings was due mainly to dividends from subsidiaries. The average number of employees was 7,886 (8,065).

OUTLOOK

Although the conditions for 2008 appear favorable in the markets served by NCC, growth will be lower than in 2007 and uncertainty has increased concerning conditions in housing markets in the Nordic region and Baltic countries. In Germany, the currently prevailing favorable conditions for NCC's operations are expected to continue in 2008. The market for civil engineering investments is expected to remain favorable in 2008. Strong conditions in the construction market are also expected to result in increased activity in the market for aggregates and asphalt.

The market conditions for commercial properties are expected to remain favorable in 2008.

PROPOSED DIVIDEND

The Board of Directors proposes an ordinary dividend of SEK 11.00 (8.00) per share, plus an extraordinary dividend of SEK 10.00 per share (10.00), making a total of SEK 21.00 (18.00) per share. The proposed record date for dividends is April 11, 2008.

If the Annual General Meeting approves the Board of Directors' motion, it is estimated that dividend payments, via VPC, will commence on April 16, 2008.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

The Board of Directors proposes that the funds available for distribution by the Annual General Meeting be appropriated as follows:	2,682,750,146
Ordinary dividend to shareholders of SEK 11.00 per share	1,192,561,524
Extraordinary dividend to shareholders of SEK 10.00 per share	1,084,146,840
To be carried forward	406,041,782
Total, SEK	**2,682,750,146**

The Board's statement regarding the proposed dividend and the acquisition of NCC's own shares will be available on NCC's website and be distributed to shareholders at the Annual General Meeting.

AMOUNTS AND DATES

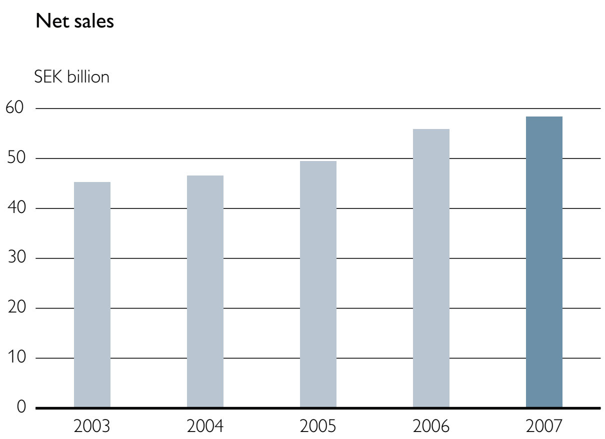
Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to is January 1 – December 31 for income-statement items and December 31 for balance-sheet items. Rounding-off differences may arise.

Swedish Television, Gothenburg, Sweden.

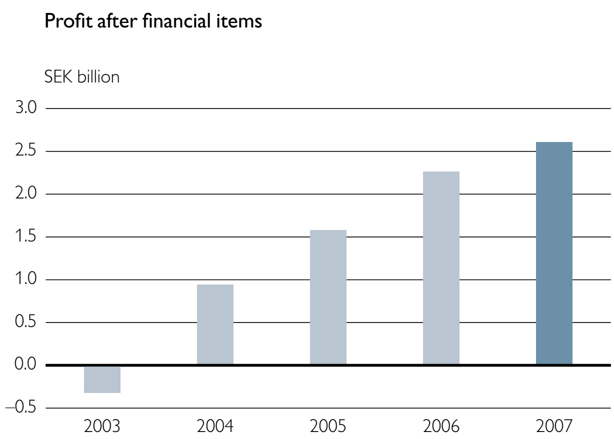
CONSOLIDATED INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2007	2006
	1, 26, 48, 50, 51		
Net sales	2, 3	58,397	55,876
Production costs	4, 5, 6, 10	–52,572	–50,729
Gross profit		**5,825**	**5,147**
Sales and administration costs	4, 5, 6, 7	–3,059	–2,795
Result from property management	8		–5
Result from sales of managed properties	9		9
Result from sales of owner-occupied properties	9	19	22
Impairment losses on fixed assets	10	–245	–22
Result from sales of Group companies	11	415	7
Competition-infringement fee		–175	
Result from participations in associated companies	12	11	29
Operating profit	3, 13	**2,790**	**2,392**
Financial income		131	116
Financial expense	10	–313	–245
Net financial items	17	**–182**	**–129**
Profit after financial items		**2,608**	**2,263**
Tax on net profit for the year	31	–357	–555
NET PROFIT FOR THE YEAR	18, 45	**2,252**	**1,708**
Attributable to:			
NCC's shareholders		2,247	1,706
Minority interests		4	1
Net profit for the year		**2,252**	**1,708**
Earnings per share	19		
Before dilution			
Profit after tax, SEK		20.75	15.80
After full dilution			
Profit after tax, SEK		20.73	15.74



The increase in 2007 was primarily attributable to the high level of activity in NCC Construction Sweden, Finland and Germany. Economic growth and the improved conditions in the construction market have facilitated expansion in the past five years. The increased activity in the construction market leads to greater demand and higher sales of asphalt, aggregates and paving in NCC Roads. In recent years, NCC Property Development has sold more development properties.



The profit for 2007 was the best in NCC's history, amounting to SEK 2,608 M (2,263). Slightly more than half of the profit was attributable to NCC Construction Sweden. NCC Property Development made the second largest contribution to profits.

Net sales

The increase in net sales was attributable to the high level of activity in NCC Construction units in Sweden, Finland and Germany. The increased activity in the construction market led to greater demand and increased sales of asphalt, aggregates and paving in NCC Roads. During 2006, sales from NCC Roads' Polish asphalt and aggregates operations were included. These operations were divested in April 2007. Also refer to Note 48, Divested operations.

Impairment losses

Impairment losses, excluding impairment losses on goodwill, amounted to SEK 167 M (12). The discontinuation of NCC Complete increased impairment losses by a total of SEK 154 M, of which SEK 66 M pertained to the factory premises, SEK 66 M to machinery and equipment and SEK 22 M to intangible assets. The remaining impairment losses pertained to housing and property projects totaling SEK 13 M. Also refer to Note 10, Impairment losses and reversal of impairment losses.

Impairment losses, goodwill

NCC conducts impairment tests of the value of goodwill annually or more frequently when the need arises. Goodwill attributable to NCC Roads' Finnish operations was impaired by SEK 90 M (17). In the preceding year, goodwill in NCC Roads was impaired by a total of SEK 20 M.

Specification of total impairment losses

SEK M	2007	2006
Housing projects	–9	–1
Property projects within NCC Property Development	–4	
Owner-occupied properties	–66	–1
Machinery and equipment 1)	–66	
Financial fixed assets		–10
Goodwill within NCC Roads 2)	–90	–20
Other intangible fixed assets	–22	
Total impairment losses	**–257**	**–32**

The impairment losses for housing projects and property projects within NCC Property Development are included in Production costs.

1) The impairment losses correspond to the net of impairment losses and reversed impairment losses.

2) Impairment losses on goodwill pertained to subsidiaries whose value in use proved to be lower than the carrying amount following impairment testing. The residual value of goodwill is subject to impairment testing annually, and requisite impairment losses are recognized when indications of a change in value arise. The reasons for reporting impairment losses could be changed market conditions or return requirements that result in a lower recoverable value.

Result from sales of Group companies

The main part of the result from sales of Group companies pertained to the earnings from the sale of NCC Roads' Polish asphalt and aggregate operations totaling SEK 383 M. In addition, NCC Construction Norway sold the company Åsane Byggmesterforretning at a profit. Also refer to Note 11, Result from sales of/participations in Group companies.

Competition-infringement fee

NCC was ordered to pay competition-infringement fees of SEK 150 M in Sweden and SEK 25 M in Finland, or SEK 175 M in total. Provisions have been posted for both of these fines in the 2007 net profit for the year, but NCC has appealed the judgments. Also refer to p. 44 of the Report of the Board of Directors and Note 46, Pledged assets, contingent liabilities and contingent assets.

Operating profit

The sale of NCC Roads' Polish asphalt and aggregate operations was included in the operating profit. A profit of SEK 75 M from these operations was included in the profit for 2006; also refer to Note 48, Divested operations. Operating profit was negatively affected by a total of SEK 645 M (186) for costs pertaining to the NCC Complete development project.

Taxation

NCC's tax rate was 14 percent (25) during the year. NCC Property Development sold more property projects and land through sales of companies, which led to the profits not being taxed. The result from the sale of the Polish asphalt and aggregate operations was also largely tax-free. Also refer to Note 31, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

CONSOLIDATED BALANCE SHEET

WITH COMMENTS

SEK M	Note	2007	2006
	1, 26, 48, 50, 51		
ASSETS			
Fixed assets			
Goodwill	21	1,651	1,700
Other intangible assets	21	96	113
Managed properties	23	21	65
Owner-occupied properties	22	640	796
Machinery and equipment	22	1,774	1,940
Participations in associated companies	25	25	47
Other long-term holdings of securities	28	250	242
Long-term receivables	30	1,691	2,477
Deferred tax assets	31	277	262
Total fixed assets	39	**6,424**	**7,642**
Current assets			
Property projects	32	2,145	1,955
Housing projects	32	6,662	4,905
Materials and inventories	33	2,365	1,517
Tax receivables	31	44	51
Accounts receivable		8,323	7,934
Worked-up, non-invoiced revenues	34	2,956	2,840
Prepaid expenses and accrued income		1,048	852
Other receivables	30	1,935	1,481
Short-term investments	28	483	173
Cash and cash equivalents	47	1,685	1,253
Total current assets	39	**27,645**	**22,961**
TOTAL ASSETS	45	**34,069**	**30,603**
EQUITY			
Share capital	35	867	867
Other capital contributions		1,844	1,844
Reserves		73	–20
Earnings brought forward including profit for the year		4,423	4,105
Shareholders' equity		**7,207**	**6,796**
Minority interests		30	75
Total shareholders' equity		**7,237**	**6,870**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	36	1,590	2,023
Other long-term liabilities	41	816	561
Deferred tax liabilities	31, 37	431	461
Provisions for pensions and similar obligations	37, 38	112	119
Other provisions	37	2,729	2,157
Total long-term liabilities	39, 44	**5,678**	**5,321**
Current liabilities			
Current interest-bearing liabilities	36	1,701	552
Accounts payable		4,974	4,874
Tax liabilities		101	170
Project invoicing not yet worked up	40	4,971	4,823
Accrued expenses and prepaid revenues	43	5,177	4,592
Other current liabilities	41	4,231	3,400
Total current liabilities	39	**21,154**	**18,411**
Total liabilities		**26,832**	**23,732**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45	**34,069**	**30,603**
Assets pledged	46		
Contingent liabilities	46		

Fixed assets

Goodwill

NCC subjects the carrying amount to impairment testing annually and more often when there are indications of value changes. This balance-sheet item was reduced by impairment losses of SEK 90 M (20). Refer also to Note 21, Intangible assets.

Long-term receivables

Receivables pertaining to previously sold property projects were paid during the year or were transferred to other receivables in cases where payments are expected to be received within one year. Refer also to Note 30, Long-term receivables and other receivables.

Current assets

Housing projects

Investments in housing projects increased mainly in Sweden and Finland as a result of continuing investments in housing operations. Refer also to Note 32, Properties classed as current assets.

Materials and inventories

Inventories increased as a result of a rise in housing operations, primarily in the number of unsold housing projects in progress with ownership rights. Refer also to Note 33, Materials and inventories.

Other receivables

Other receivables rose because of an increase in sales. This mainly applies to property projects, for which payment is expected to be received within one year.

Long-term liabilities

Long-term interest-bearing liabilities

Long-term interest-bearing liabilities are transferred to current interest-bearing liabilities when amortization occurs within one year. Refer also to Note 36, Interest-bearing liabilities.

Other provisions

Provisions for guarantees increased as a result of a rise in activities in NCC's Construction units; refer also to Note 37, Provisions. Rental guarantees for sold property projects declined as a result of an increase in leasing.

Current liabilities

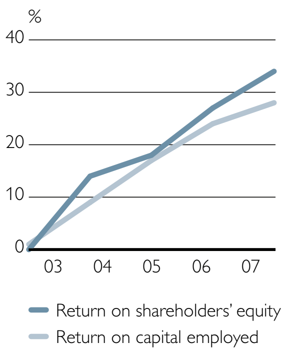
Current interest-bearing liabilities

Financing for 2007 occurred using slightly more current interest-bearing liabilities compared with 2006. Refer also to Note 36, Interest-bearing liabilities.

Accrued expenses and deferred income

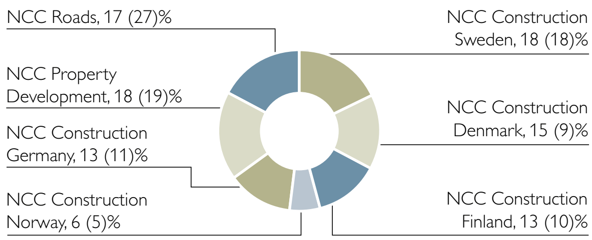
Accrued expenses and deferred income rose as a result of the increase in operations for NCC's Construction units and for NCC Property Development. Refer also to Note 43, Accrued expenses and deferred income.

Profitability, Group



Profitability has improved steadily as a result of increased earnings and more efficient capital utilization. The return on shareholders' equity after tax increased in 2007 to 34 percent (27), which is the highest level in NCC's history and well above the financial target, which was raised in December 2007 from 15 to 20 percent.

Capital employed 2007, share per business area



Capital employed increased, primarily as a result of higher investments in land for future development and an increased work-up rate for housing and construction-contract projects.

PARENT COMPANY INCOME STATEMENT

WITH COMMENTS

SEK M	Note	2007	2006
	1, 49		
Net sales	2, 42	22,738	17,083
Production costs	4, 5, 6, 10	–20,457	–15,392
Gross profit		**2,281**	**1,691**
Sales and administration costs	4, 5, 6, 7	–1,256	–1,099
Impairment losses	10		–1
Operating profit		**1,025**	**591**
Result from financial investments			
Result from participations in Group companies	10, 11	1,715	–228
Result from participations in associated companies	10, 12	–5	1
Result from other financial fixed assets	14	1	
Result from financial current assets	15	66	108
Interest expense and similar items	16	–184	–71
Profit after financial items		**2,619**	**401**
Appropriations	20	–59	–117
Tax on net profit for the year	31	–165	–80
NET PROFIT FOR THE YEAR		**2,395**	**204**

The Parent Company income statement differs from the consolidated income statement in such ways as its presentation and designations of certain items, because the Parent Company's income statement is compiled in accordance with the Annual Accounts Act while the Group complies with IFRS.

Invoicing for the year amounted to SEK 22,738 M (17,083). Profit after financial items was SEK 2,619 M (401). In the Parent Company, profit is not recognized until final recognition of projects. The single most important explanation for the Parent Company's profit increase for 2007 was higher dividends from subsidiaries. Refer also to Note 11, Result from sale of/participations in Group companies.

PARENT COMPANY BALANCE SHEET

WITH COMMENTS

SEK M	Note	2007	2006
	1, 49		
ASSETS			
Fixed assets			
Intangible fixed assets			
Intangible fixed assets	21	1	2
Total intangible fixed assets		**1**	**2**
Tangible fixed assets			
Owner-occupied properties, construction in progress		119	24
Machinery and equipment		181	121
Total tangible fixed assets	22	**300**	**146**
Financial fixed assets			
Participations in Group companies	24	5,899	6,347
Receivables from Group companies		193	165
Participations in associated companies	27	139	167
Receivables from associated companies		43	36
Other long-term holdings of securities		6	7
Deferred tax assets	31	227	170
Other long-term receivables		51	61
Total financial fixed assets	29,39	**6,559**	**6,952**
Total fixed assets		**6,860**	**7,099**
Current assets			
Properties classed as current assets			
Housing projects		264	334
Total properties classed as current assets	32	**264**	**334**
Inventories, etc.			
Materials and inventories	33	1	2
Total inventories, etc.		**1**	**2**
Current receivables			
Accounts receivable		3,299	2,925
Receivables from Group companies		2,510	872
Receivables from associated companies		10	9
Other current receivables		63	130
Tax receivable	31	116	
Prepaid expenses and accrued income		492	354
Total current receivables		**6,490**	**4,291**
Short-term investments	47	**1,100**	**2,096**
Cash and bank balances	47	**1,319**	**989**
Total current assets	39	**9,175**	**7,711**
TOTAL ASSETS	45	**16,035**	**14,810**

SEK M	Note	2007	2006
	1,49		
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	35	867	867
Statutory reserves		173	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Profit brought forward		288	2,628
Net profit for the year		2,395	204
Total unrestricted shareholders' equity		**2,683**	**2,832**
Total shareholders' equity		**3,724**	**3,873**
Untaxed reserves	20	**490**	**431**
Provisions			
Provisions for pensions and similar obligations	38	12	13
Other provisions		883	645
Total provisions	37	**895**	**657**
Long-term liabilities			
Liabilities to credit institutions		1,340	990
Liabilities to Group companies		1,626	2,042
Total long-term liabilities	36, 39	**2,967**	**3,032**
Current liabilities			
Advances from customers		261	121
Work in progress on another party's account	42	2,367	2,794
Accounts payable		1,821	1,773
Liabilities to Group companies		1,400	410
Liabilities to associated companies		8	14
Tax liabilities			104
Other liabilities		696	375
Accrued expenses and prepaid revenues	43	1,407	1,226
Total current liabilities	36, 39	**7,960**	**6,817**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45	**16,035**	**14,810**
Assets pledged	46	**12**	**12**
Contingent liabilities	46	**18,506**	**15,836**

The Parent Company balance sheet differs from the consolidated balance sheet in terms of presentation and certain designation of items, because the Parent Company's balance sheet is prepared in accordance with the Annual Accounts Act while the Group complies with IFRS.

CHANGES IN SHAREHOLDERS' EQUITY

WITH COMMENTS

GROUP	Shareholders' equity attributable to Parent Company's shareholders						
SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Minority interests	Total share-holders' equity
Opening balance on January 1, 2006	**867**	**1,844**	**61**	**4,014**	**6,785**	**94**	**6,879**
Change in translation reserve during the year			–33		–33	–3	–36
Change in fair value reserve during the year			–1		–1		–1
Change in hedging reserve during the year			–1		–1		–1
Tax reported directly against shareholders' equity			–46		–46		–46
Change in minority interest						4	4
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**1,844**	**–20**	**4,014**	**6,704**	**95**	**6,799**
Net profit for the year				1,706	1,706	1	1,707
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**1,844**	**–20**	**5,720**	**8,410**	**96**	**8,506**
Dividends				–1,675	–1,675	–21	–1,696
Sale of treasury shares				59	59		59
Shareholders' equity on December 31, 2006	**867**	**1,844**	**–20**	**4,105**	**6,796**	**75**	**6,870**
Change in translation reserve during the year			13		13	2	15
Change in hedging reserve during the year			27		27		27
Tax reported against shareholders' equity			53		53		53
Change in minority interest						–46	–46
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**1,844**	**73**	**4,105**	**6,889**	**31**	**6,920**
Net profit for the year				2,247	2,247	3	2,250
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**1,844**	**73**	**6,352**	**9,136**	**34**	**9,170**
Dividends				–1,951	–1,951	–4	–1,955
Sale of treasury shares				22	22		22
Shareholders' equity on December 31, 2007	**867**	**1,844**	**73**	**4,423**	**7,207**	**30**	**7,237**

Accounting of shareholders' equity in accordance with IFRS and Swedish Companies Act

Shareholders' equity is divided into capital attributable to the Parent Company's shareholders and to minority shareholders. The transfer of value in the form of dividends from the Parent Company and the Group shall be based on a statement prepared by the Board of Directors concerning the proposed dividend. This statement must take into account the prudence regulation contained in the Act, in order to avoid dividends being paid in an amount that exceeds what there is coverage for.

Change in shareholders' equity

The change in shareholders' equity consists primarily of net profit for the year, dividends to shareholders, sale of treasury shares and the effect of IAS 39. Other changes in shareholders' equity comprise translation differences. Any tax effects on the above transactions are reported in a separate section.

The dividend resolved in 2007 consisted of an ordinary dividend of SEK 8.00 per share and an extraordinary dividend of SEK 10.00. The actual dividend payment slightly exceeded the amount proposed in the 2006 Annual Report, because more employee stock options had been exercised by the record date of April 16, 2007.

The treasury shares were sold as part of the exercise of the options issued to employees.

Specification of the item Reserves in shareholders' equity:

Translation reserve	2007	2006
Translation reserve on January 1	–23	56
Translation differences during the year	244	–198
Less: Hedging of exchange-rate risks in foreign operations	–216	167
Tax attributable to exchange-rate risks in foreign operations	60	–46
Less: Translation differences attributable to divested operations	–15	–2
Translation reserve on December 31	**50**	**–23**

Fair value reserve		
Fair value reserve on January 1	3	4
Available for sale financial assets:		
– Revaluation reported directly against shareholders' equity		–1
Fair value reserve on December 31	**3**	**3**

Hedging reserve		
Hedging reserve on January 1	0	1
Cash flow hedges		
– Reported directly against shareholders' equity	21	–5
– Change in income statement	–1	4
Hedging reserve on December 31	**20**	**0**

Total reserves		
Reserves on January 1	–20	61
Change in reserves during the year:		
– Translation reserve	73	–79
– Fair value reserve		–1
– Hedging reserve	20	–1
Reserves on December 31	**73**	**–20**

PARENT COMPANY	Restricted shareholders' equity		Unrestricted shareholders' equity		
SEK M	Share capital	Statutory reserves	Unrestricted reserves	Net profit for the year	Total share-holders' equity
Opening balance on January 1, 2006	**867**	**174**	**2,835**	**1,332**	**5,208**
Appropriation of profits			1,332	–1,332	
Group contributions recieved 1)			70		70
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**174**	**4,237**		**5,278**
Net profit for the year				204	204
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**174**	**4,237**	**204**	**5,482**
Dividends			–1,675		–1,675
Sale of treasury shares			59		59
Effect of merger			7		7
Shareholders' equity on December 31, 2006	**867**	**174**	**2,628**	**204**	**3,873**
Appropriation of profits			204	–204	
Group contributions provided 1)			–614		–614
Total change in net asset value reported directly against equity, excluding transactions involving Company shareholders	**867**	**174**	**2,218**		**3,259**
Net profit for the year				2,395	2,395
Total change in net asset value, excluding transactions involving Company shareholders	**867**	**174**	**2,218**	**2,395**	**5,654**
Dividends			–1,951		–1,951
Sale of treasury shares			22		22
Shareholders' equity on December 31, 2007	**867**	**174**	**288**	**2,395**	**3,725**

1) In accordance with a statement from the Financial Reporting Council, UFR 2. See the Reporting of Group and shareholder contributions section of the Accounting principles, p. 65.

Capital management

The aim of the NCC Group's strategy is to generate favorable returns to shareholders under financial stability. The strategy is reflected in the financial targets, which are:

– A return on shareholders' equity after tax of 20 percent. In 2007, the return on shareholders' equity was 34 percent.
– A positive cash flow before investments in properties classed as current assets and other investments, which was achieved in 2007.
– Net indebtedness that is less than shareholders' equity. On December 31, 2007, net indebtedness was 10 percent of shareholders' equity.

The above-mentioned requirements pertaining to return and cash flow have been changed compared with the preceding year.

NCC's subsidiaries, NCC Försäkrings AB and NCC Re AG, as insurance companies, must have investment assets that cover insurance technical reserves for own account. During 2006 and 2007, both companies fulfilled these requirements. Otherwise, there were no other companies within the Group subject to external capital requirements.

For further information on the NCC Group's financial targets and dividend policy, refer to p. 8–9.

Share capital

On December 31, 2007, the registered share capital amounted to 46,914,848 Series A shares and 61,520,974 Series B shares. The shares have a par value of SEK 8.00 each. Series A shares carry ten votes each and Series B shares one vote each.

Other capital contributions

Pertains to shareholders' equity contributed by the owners. A reduction of share capital in 2004 is included in this item.

Translation reserve

The translation reserve includes all exchange-rate differences that arise from the translation of the financial reports of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented, in NCC's case SEK. Furthermore, the translation reserve includes exchange-rate differences that arise from the revaluation of liabilities and currency forward contracts entered into as instruments intended to hedge net investments in foreign operations.

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time that the asset is credited to the balance sheet.

Hedging reserve

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

Earnings brought forward including net profit for the year

This item includes funds earned by the Parent Company and its subsidiaries, associated companies and joint ventures.

CASH FLOW STATEMENT

WITH COMMENTS

SEK M	Note	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
OPERATING ACTIVITIES					
Profit after financial items		2,608	2,263	2,619	401
Adjustments for items not included in cash flow:					
– Depreciation		462	496	57	49
– Impairment losses		257	32	1,252	689
– Exchange-rate differences		–337	258		
– Result from sales of fixed assets		–17	14	–4	–3
– Result from sales of subsidiaries		–444	–9	–27	
– Result from associated companies		–4	–7		
– Changes in provisions		261	413	237	90
– Anticipated dividend				–1,126	–454
– Other			–14	2	
Total items not included in cash flow		**178**	**1,182**	**391**	**371**
Taxes paid		–448	–271	–443	–121
Cash flow from operating activities before changes in working capital		**2,338**	**3,174**	**2,567**	**651**
Cash flow from changes in working capital					
Increase(–)/Decrease(+)in inventories		–876	–536		
Increase(–)/Decrease(+)in receivables		–470	–1,136	–1,604	–196
Increase(+)/Decrease(–)in liabilities		1,369	2,941	1,119	435
Increase(+)/Decrease(–)in net work in progress				–427	823
Increase(–)/Decrease(+)in properties reported as current assets, net		–1,330	–2,271	79	78
Cash flow from changes in working capital		**–1,307**	**–1,002**	**–833**	**1,139**
CASH FLOW FROM OPERATING ACTIVITIES		**1,031**	**2,171**	**1,734**	**1,790**
INVESTING ACTIVITIES					
Acquisition of subsidiaries	47	–83	–18	–805	–453
Sale of subsidiaries	47	747		27	14
Acquisition of buildings and land	47	–48	–85	–100	–1
Sale of buildings and land		105	73		
Acquisition of other financial fixed assets		–131	–16	26	
Sale of other financial fixed assets		11	31	3	
Acquisition of other fixed assets	47	–533	–587	–113	–58
Sale of other fixed assets		65	87	5	6
Cash flow from investing activities		**134**	**–514**	**–958**	**–492**
CASH FLOW BEFORE FINANCING		**1,165**	**1,657**	**776**	**1,298**
FINANCING ACTIVITIES					
Dividend paid		–1,951	–1,675	–1,951	–1,675
Sale of treasury shares		22	59	22	59
Group contributions				–614	76
Loans raised		1,317	690	1,266	145
Amortization of loans		–65	–1,020	348	–31
Increase(–)/Decrease(+) in long-term interest-bearing receivables		10	–107	–25	–124
Increase(–)/Decrease(+) in current interest-bearing receivables		–95	–233	–488	–296
Increase(+)/Decrease(–) in minority interests, etc.		–1	–21		
Cash flow from financing activities		**–763**	**–2,307**	**–1,442**	**–1,846**
CASH FLOW DURING THE YEAR		**402**	**–649**	**–666**	**–548**
Cash and cash equivalents on January 1	47	**1,253**	**1,919**	**3,085**	**3,632**
Exchange-rate difference in cash and cash equivalents		31	–17		
Cash and cash equivalents on December 31	47	**1,685**	**1,253**	**2,419**	**3,085**

Cash flow from operating activities before changes in working capital

During the full-year, cash flow from operating activities before changes in working capital totaled SEK 2,338 M (3,174). Earnings improved while items not included in cash flow declined, due to reduced provisions for rental guarantees and profits from the sale of NCC Roads' Polish asphalt and aggregate operations. Refer also to Note 48, Divested operations.

Cash flow from changes in working capital

During the full-year, cash flow from changes in working capital was a negative SEK 1,307 M (negative: 1,002). NCC Construction Sweden and NCC Property Development tied up more capital than in the preceding year. The cash flow from properties classed as current assets improved for NCC Construction units and NCC Property Development. In 2006, properties classed as current assets were positively affected by the signing of a sale-lease-back agreement pertaining to the Sonnengarten area in Berlin.

Cash flow from investing activities

Cash flow from investing activities for full-year 2007 amounted to SEK 134 M (negative: 514). During the year, cash flow was positively affected by the sale of NCC Roads' Polish asphalt and aggregate operations for SEK 1.1 billion, of which SEK 0.4 billion pertained to loans in the divested operation, making a net amount of SEK 0.7 billion. Refer also to Note 48, Divested operations.

Cash flow from financing activities

For the full-year, cash flow from financing activities was a negative SEK 763 M (negative: 2,307). In 2007, borrowings increased while amortization of interest-bearing loans decreased, compared with 2006.

Total cash and cash equivalents including short-term investments with a maturity exceeding three months amounted to SEK 2,168 M (1,426).

Cash, cash equivalents and short-term investments

Group	2007	2006
Short-term investments	**483**	**173**
Cash and bank balances	1,382	1,040
Investments with a maturity of less than three months	303	213
Cash and cash equivalents	**1,685**	**1,253**
Amount at year-end	**2,168**	**1,426**

The Group's unutilized restricted credits amounted to SEK 3 billion (3) at year-end.

Information about transactions that did not give rise to cash flow

Cash flow was affected by exchange-rate differences in cash and cash equivalents estimated at:

Group	2007	2006
Exchange-rate differences in cash and cash equivalents	31	–17
Of which, exchange-rate differences in cash and cash equivalents attributable to cash and cash equivalents at the beginning of the year	12	–12
Cash flow for the year	**19**	**–5**

Refer also to Note 47, Cash flow statement.

Net indebtedness

Net indebtedness (interest-bearing liabilities – cash and cash equivalents – interest-bearing receivables) was somewhat higher than in the preceding year. Cash flow from operations was lower than in the preceding year. Net indebtedness was affected positively by the sale of NCC Roads' Polish asphalt and aggregates operations, but this did not entirely offset the higher dividend compared with the preceding year. Refer also to Note 48, Divested operations.

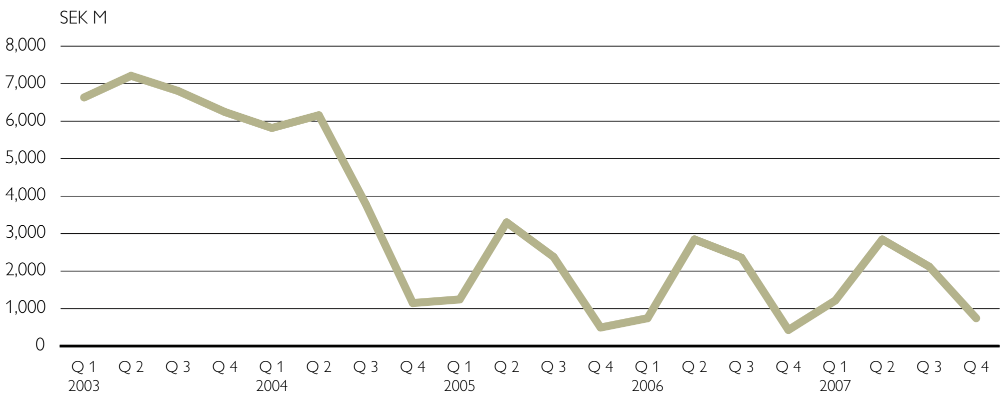
Net indebtedness trend

SEK billion	Cash flow	Net indebtedness
Net indebtedness, January 1, 2007		–0.4
From operations	2.3	
Sales of property projects	1.4	
Gross investments in property projects	–1.5	
Sales of housing projects	2.5	
Gross investments in housing projects	–4.1	
Other changes in working capital	0.6	
Sale of NCC Roads' Polish asphalt and aggregates operations	1.1	
Other investment activities, net	–0.6	1.7
Dividend		–2.0
Net indebtedness, December 31, 2007		**–0.7**

Parent Company

The Parent Company's cash flow was lower than in the preceding year. Tied-up working capital increased, due to increases in receivables for anticipated dividends and in work in progress, caused by the upswing in operations. Investments in Group companies also increased. The year's dividend to shareholders was higher than in the preceding year.

Trend of net indebtedness, per quarter



In 2004, property sales of nearly SEK 5 billion were implemented, which meant that net indebtedness was reduced by SEK 3.7 M to SEK 1.1 billion. During the second and third quarters, more capital is normally tied up due to a high degree of activity in NCC Roads' asphalt and aggregate operations and in certain of NCC's Construction units. Dividends are paid to shareholders during the second quarter.

CONTENTS NOTES

NOTES

NOTE 1 | ACCOUNTING PRINCIPLES

The NCC Group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The Group also complies with the Swedish Financial Accounting Standards Council's recommendation RR 30:06, statements issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force and industry-specific comments from the Swedish Construction Federation. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on February 7, 2008. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting on April 8, 2008.

NEW IFRS AND INTERPRETATIONS APPLIED AS OF 2007

IFRS 7 Financial instruments: Disclosures

Together with the related amendments to IAS 1 Presentation of Financial Statements, IFRS 7 requires disclosures concerning the importance of financial instruments to a company's financial position, as well as qualitative and quantitative disclosures concerning the nature and scope of the related risks. IFRS 7 and the related amendments in IAS 1 have not resulted in any change in accounting principles but have required additional disclosures concerning financial instruments.

IFRIC interpretations

In 2007, the following IFRIC interpretations became effective:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
- IFRIC 8, Scope of IFRS 2
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 10, Interim Financial Reporting and Impairment

None of these interpretive statements had any impact on NCC's financial reporting.

NEW INTERPRETATIONS THAT HAVE YET TO BE APPLIED AND PROJECTS WITHIN IFRIC

A number of interpretive statements become effective as of the 2008 fiscal year and have not been applied in the compilation of the current financial report.

- IFRIC 11, IFRS 2: Group Treasury Share Transactions
- IFRIC 12, Service Concession Arrangements
- IFRIC 13, Customer Loyalty Program
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

None of these interpretive statements will have any impact on NCC's financial reporting.

IFRIC project Interpretation D21 Real Estate Sales

The project, started in 2006, addresses the matter of how to recognize a sales agreement entered into before a property has been completed. The interpretation applied by the NCC Group is that the contract date is the date upon which the right of ownership is transferred. However, the IFRIC project appears to have concluded that the date of access is the date upon which the right of ownership is transferred. In addition, the project may decide upon how the definition of construction-contract agreements in accordance with IAS 11 is to be interpreted. IFRIC's position on this matter could affect the Group's financial reporting and earnings. Since this IFRIC project has yet to be concluded, the final impact cannot be assessed.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED ACCOUNTS

The Parent Company prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's RR 32:06 recommendation, Accounting for Legal Entities. The statements issued by the Financial Reporting Council in respect of listed companies are also applied. In RR 32:06, the Financial Accounting Standards Council, for tax reasons, has granted exemption from the requirement that listed parent companies must report certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from reporting certain financial instruments at fair value.

The accounting principles presented below differ from those used in the consolidated accounts:

- Subsidiaries
- Associated companies
- Income taxes
- Financial instruments
- Managed properties
- Leasing
- Construction contracts and similar assignments
- Pensions

The differences are presented under the respective headings below.

CONSOLIDATED ACCOUNTS

The consolidated accounts include the Parent Company and the companies and operations in which the Parent Company, directly or indirectly, has a controlling interest, as well as joint ventures and associated companies.

Purchase method

The acquisition of business operations is handled in accordance with the purchase method, which is characterized by acquired assets, liabilities and contingent liabilities being entered at market value, after due consideration for deferred tax on the acquisition date. If the acquisition value of a subsidiary exceeds the market value of the subsidiary's net assets, taking contingent liabilities into account, the difference is entered as Group goodwill. When the difference is negative, it is recognized directly in the income statement.

Surplus values attributed to specific assets are amortized over the same period as that applied by the acquired legal entity. Goodwill arising in this connection is not amortized but is subject to continuous impairment testing. Other acquired intangible assets are amortized over their estimated useful life. Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement for the holding period.

Subsidiaries

Companies in which the Parent Company, directly or indirectly, holds shares carrying more than 50 percent of the voting rights, or otherwise has a controlling influence, are consolidated in their entirety. Shares in subsidiaries are recognized in the Parent Company in accordance with the acquisition value (cost) method. Only dividends received are recognized as revenue. For information on NCC's subsidiaries, see Note 24, Participations in Group companies.

Minority interest

In companies that are not wholly owned subsidiaries, minority interest is recognized as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's shareholders' equity. The minority share is recognized in the income statement. Information about the minority share of profit is disclosed in conjunction with the income statement.

Associated companies

Associated companies are defined as companies in which the Group controls 20–50 percent of the voting rights. Companies in which the Group owns less than 20 percent of voting rights but exercises a significant influence are also classified as associated companies. See Note 25, Participations in associated companies, for information about the Group's participations in associated companies, and Note 27 for the Parent Company's participations in associated companies.

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

In the equity method, the carrying amount of shares in associated companies is adjusted by the Group's shares in the profit of associated companies less dividends received. As in the case of full consolidation of subsidiaries, an acquisition analysis is made. Fixed assets are recognized at fair value and any surplus value is amortized during its estimated useful life. This depreciation affects that the carrying amount of associated companies. Any goodwill that arises is not amortized but is subject to continuous impairment testing. NCC's share in the results of associated companies is recognized in the income statement as "Result from participation in associated companies," which is part of operating profit. Amounts are reported net after taxes.

In the Parent Company, associated companies are recognized at acquisition value less any impairment losses. Only dividends received are recognized as revenue. See Note 12, Result from participations in associated companies, for information about results from participations in associated companies.

Joint ventures

Joint ventures are defined as projects conducted in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. NCC consolidates joint ventures in accordance with the proportional method. Accordingly, NCC's share of the joint venture's income statements and balance sheets is added to the corresponding line in NCC's accounts in the same manner as the reporting of subsidiaries. For further information, refer to Note 26, Participations in joint ventures consolidated in accordance with the proportional method.

Elimination of intra-Group transactions

Receivables, liabilities, revenues and costs, as well as unrealized gains, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there are no impairment requirements. This also applies to joint ventures and associated companies, in an amount corresponding to the Group's holding. See Note 45, Transactions with related companies.

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries and joint ventures

Foreign subsidiaries are recognized using the functional currency and are translated to the reporting currency. The functional currency is defined as the local currency used in the reporting entity's accounts. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK. All assets and liabilities in the subsidiaries' balance sheets, including goodwill, are translated at exchange rates prevailing on the balance-sheet date, and all income statement items are translated at average exchange rates for the year. The translation difference arising in this connection is transferred directly to shareholders' equity. For divested subsidiaries, the accumulated translation difference is recognized under consolidated profit/loss.

REVENUES

With the exception of contracting assignments, the Group applies IAS 18, Revenue. For contracting assignments, IAS 11, Construction Contracts, and the Swedish Construction Federation's industry-specific comments pertaining to the reporting of construction contracts are applied. Refer also to the section below called Construction contracts and similar assignments.

Properties in the income statement

NCC's sales include revenues from sales of properties classed as current assets. Sales also include rental revenues from properties classed as current assets.

Property sales are booked at the time when an unconditionally binding purchase contract has been signed or when the terms of an unconditionally binding purchase contract have been fulfilled. This applies to both direct sales of properties and indirect sales via the sale of companies. Although the formal legal ownership rights may have been transferred to the purchaser at a date that is later than the date of contract, this does not affect the date for recognizing the sale. It could also be the case that property projects are sold before construction is completed, in certain cases even before it has started. For NCC Property Development's purposes, such sales are divided into two transactions. The first transaction – sale of a property 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 a building permit and leasing to tenants. This value accumulation is finally confirmed by means of the sale. The second transaction is the contracting assignment, meaning implementation of construction work on the sold property. The first transaction is recognized as profit on the date of contract, in the manner stated above, and the second transaction is recognized as profit in accordance with the percentage-of-completion method.

One of the prerequisites for being able to recognize profit from a property project is that the project's leasing rate is sufficiently high. Insofar as the signed leases on the sales date do not provide the buyer with an adequate return in accordance with the agreed initial return requirement, the difference is normally covered by a rental guarantee provided by the seller. When calculating the capital gain, sufficient provision must be posted for rental guarantees. Based on a calculation of the maximum risk for the provided rental guarantees, 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 leasing 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). Sales contracts may include terms that result in a supplementary purchase consideration being paid when a certain leasing rate has been achieved.

The following examples illustrate how profit can be recognized for projects that are sold before construction has been completed. NCC signs a binding sales contract at the end of Year 1 and a provision for rental guarantees is posted. Construction begins in Year 2 and is completed in Year 3. During Years 2 and 3, the provision for rental guarantees is reversed to match changes in the leasing outcome. The conditional leasing rate triggering the supplementary purchase consideration occurs in Year 3.

Earnings*	Year 1	Year 2	Year 3
Sale of property project	100		
Construction contract		30	20
Leasing-based earnings		50	100
Total	**100**	**80**	**120**

* The distribution of earnings among transactions and over time is unique for every sale and the above should only be viewed as an illustrative example.

Result from property management

Results from property management operations consist of the operating net and revaluations to fair value (impairment losses and reversal of previous impairment losses). Rental revenues are distributed evenly over the leasing period. Also refer to Note 8, Result from property management.

Result from sales of managed and owner-occupied properties

These items include the realized result of sales of managed and owner-occupied properties. Sales and administrative costs include costs for the company's own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See income statement and Note 9, Result from property sales.

DEPRECIATION

Straightline depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value in those cases when the asset does not have an indefinite life. Goodwill that has an indefinite life is subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of their particular useful life. Depreciation/amortization rates vary in accordance with the table below:

Usufructs	In line with confirmed depletion of net asset value
Software	20–33 percent
Other intangible assets	Over their estimated useful life
Buildings	1.4–10 percent
Land improvements	3.7–5 percent
Pits and quarries	In line with confirmed depletion of net asset value
Fittings in leased premises	20 percent
Machinery and equipment	5–33 percent

The distribution of the depreciation posted in the income statement and balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 21, Intangible assets and Note 22, Tangible fixed assets.

IMPAIRMENT LOSSES

This section does not apply to impairment of inventories, assets that arise during the course of a construction assignment, deferred tax assets, financial instruments, assets connected to pensions or assets classified as investments available for sale, since the existing standards for these types of assets contain specific requirements regarding recognition and valuation. An impairment requirement arises when the recoverable value is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement, Note 10, Impairment losses and reversed impairment losses, Note 21, Intangible assets, and Note 22, Tangible fixed assets.

NCC conducts annual impairment tests of recognized asset values, for indications of whether values have declined. In the event that the recoverable value is lower than the carrying amount, an impairment loss is posted. If the basis for impairment has been removed, impairment losses posted earlier are reversed. Impairment losses are recognized in the income statement. With respect to goodwill, see the Intangible assets section below.

The term impairment is also used in connection with revaluations of properties classed as current assets. Valuations of these properties, however, are based on the lowest value principle and comply with IAS 2, Inventories.

INCOME TAXES

Reported tax consists of current tax and deferred tax. Taxes are recognized in the income statement, with the exception of cases in which underlying transactions are recognized directly under shareholders' equity, with the relating tax effect recognized in equity. Current tax is tax due for payment or receipt during the current fiscal year, which also includes adjusted tax attributable to previous periods.

Deferred tax is recognized on the basis of temporary differences between recognized and taxable values of assets and liabilities, and has to be paid in the future. Deferred tax assets represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carryforwards and other unutilized tax deductibles. Deferred tax liabilities and assets are calculated on the basis of the expected tax rate that will apply in the following year in each particular country. When changes occur in tax rates, the change is recognized in the consolidated income statement. Tax loss carryforwards are recognized to the extent that it is considered likely they will result in lower tax payments in the future. For information on tax on current-year profit and deferred tax assets and liabilities, see Note 31.

In the Parent Company, untaxed reserves are reported that consist of the taxable temporary difference arising because of the relationship between reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in the income statement, as an appropriation.

REPORTING BY SEGMENT

The Group's primary segments are business areas and the secondary segments are geographical markets. NCC's business areas are Construction units in the various countries, NCC Property Development and NCC Roads. The geographical markets are Sweden, Denmark, Finland, Norway and Other countries. For reporting by segment, see Note 3, Segment reporting.

EARNINGS PER SHARE

Earnings per share are recognized in direct connection to the consolidated income statement. The calculation of earnings per share is not affected by preferred shares or convertible debentures, since the Group has no such items. In the past, there was an option program that could generate a dilution effect. NCC has a small number of treasury shares; see below under Repurchase of own shares. If the number of shares changes during the year, a weighted average is computed for the period's outstanding shares.

INTANGIBLE ASSETS

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

Goodwill arising from acquisitions of companies and operations is valued in accordance with the regulations specified in IFRS 3, Business Combinations. Goodwill is not amortized according to plan. The residual carrying amount of goodwill is subject to impairment testing in connection with every reporting occasion, or if there is an indication of a change in value. In those cases where the recoverable value of goodwill is less than the carrying amount, an impairment loss is posted. Previously impaired goodwill is not reversed. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rates prevailing on the balance-sheet date.

Usufructs consist of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. For the distribution of value, see Note 21, Intangible assets.

TANGIBLE FIXED ASSETS

NCC's property holdings are divided into:

- Owner-occupied properties
- Managed properties
- Properties classed as current assets

Properties classed as current assets are held for development and sale as part of operations. The principles applied for the categorization, valuation and profit recognition of properties classed as current assets are presented under the Current assets section below.

Owner-occupied properties

Owner-occupied properties are held for use in the Company's own operations for the purpose of production, the provision of services or administration.

Owner-occupied properties are recognized at acquisition value less accumulated depreciation and any accumulated impairment. Impairment requirements are established in accordance with IAS 36, Impairment of Assets. Also see Note 22, Tangible fixed assets.

Managed properties

Managed properties are held to generate rental income or value growth, or a combination of both. These properties are valued in accordance with IAS 40, Investment Property. At present, the managed properties comprise one property that was newly constructed in 2006.

On December 31, 2007, there were no managed properties in the Parent Company.

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. Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet. Corresponding obligations are entered as long-term and current liabilities. Leased assets are depreciated, while leasing payments are recognized as interest payments and debt amortization. The assets are recognized in the balance sheet under appropriate asset items. Operational leasing is recognized in the income statement. Leasing fees are distributed on the basis of use, which could differ from the leasing fee paid during the year under review. For further information on leasing, see Note 44. In the Parent Company, all leasing agreements are recognized in accordance with the regulations for operational leasing.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognized at fair value or accrued acquisition value. Impairment losses are posted if the fair value is less than the acquisition cost. Also see the Financial instruments section on p. 64. For information on the value and type of assets, see Note 29, Financial fixed assets. For valuations of participations in associated companies, joint ventures and financial instruments, see the respective headings. The Parent Company reports shares in Group companies at acquisition cost less, where applicable, impairment losses.

CURRENT ASSETS

Properties classed as current assets

With the exception of managed and owner-occupied properties, the Group's property holdings are recognized as current assets, under the heading property and housing projects, when the intention is to sell the properties on completion. Property projects are defined as properties held for development and sale within NCC Property Development. Housing projects pertain to unsold residential properties, undeveloped land and properties held for future development in construction operations within NCC's Construction units.

Property projects

Property projects within NCC Property Development are divided as follows:

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

For a distribution of values, see Note 32, Properties classed as current assets.

Properties held for future development, property development

Properties held for future development consist of NCC's holding of land and development rights intended for future property development and sale. Properties comprising leased buildings are classified as properties held for future development in cases where the intention is to demolish or refurbish the buildings.

Ongoing property projects

Properties held for future development are reclassified as ongoing property projects when a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. An actual building start is not necessary.

Ongoing property projects include properties under construction, extension or refurbishment.

Ongoing property projects are reclassified as completed property projects when the property is ready for occupancy, excluding adjustments to tenant requirements in those properties whose premises are not fully leased. The reclassification is effective not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Completed property projects

Completed property projects can only be removed from the balance sheet as a result of a sale or, if they remain unsold, by being reclassified as managed properties.

Valuation of commercial property projects

The acquisition value of commercial property projects includes expenditure for the acquisition of land and for building design/property development, as well as expenditure for construction, extension or refurbishment. Expenditure for borrowing costs is not included but is expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, leasing and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Expenditure for the Company's own employees within the project development organization and for consultants is capitalized after the project has been classified in the balance sheet as an ongoing project. Prior to this, the costs are expensed on a current account basis.

Commercial property projects are recognized continuously in the balance sheet at the lower of acquisition value and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs.

The market value of completed property projects is calculated in accordance with the yield method, which means that the continuous yield (operating net) on the property at full leasing is divided by the project's estimated yield requirement. Unleased space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed leasing rate.

The market value of ongoing property projects is calculated as the value in completed condition, as described above, less the estimated remaining cost of completing the project.

The properties held for future development that are included in the project portfolio, meaning ones that are held for development and sale, are normally valued in the same manner as ongoing projects, as described above. Other properties held for future development are valued on the basis of a value per square meter of development right or a value per square meter of land.

Housing projects

Housing projects are divided between:

- Properties held for future development
- Finished, unsold residential properties
- Unsold portion of ongoing housing projects based on ownership rights

For a distribution of values, see Note 32, Properties classed as current assets, and Note 33, Materials and inventories. Ongoing housing projects are recognized as construction contracts, while the unsold portion of ongoing housing projects based on ownership rights is recognized among inventories. The reclassification from properties held for future development to ongoing projects occurs when a decision to initiate construction has been taken.

Properties held for future development, housing

Properties held for future development are NCC's holdings of land and development rights for future housing development. Properties with leased buildings are classified as properties held for future development if the intention is to demolish or refurbish the property.

Completed, unsold residential properties

Project costs for completed unsold residential properties are reclassified from ongoing housing projects to current assets at the date of final inspection.

Properties classed as current assets and completed unsold housing are valued at the lower of acquisition value and net realizable value less anticipated sales overheads.

Unsold portion of ongoing housing projects based on ownership rights

The unsold portion of housing projects for which the purchasers, following acquisition, will directly own their portion of the project, meaning they will have ownership rights, is recognized among inventories.

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 are reported in NCC AB's accounts, even if the ownership right remains with NCC Construction Sverige AB until the properties are sold to customers.

INVENTORIES

Inventories are valued at the lower of acquisition value and net realizable value. For ongoing proprietary housing projects with several contractual parties (single-family dwellings and apartments held on the basis of ownership rights), project costs for unsold housing units are capitalized as inventories. For a distribution of inventory values, see Note 33, Materials and inventories.

CONSTRUCTION CONTRACTS AND SIMILAR ASSIGNMENTS

Income recognition of construction projects based on percentage-of-completion method

The Group complies with IAS 11, Construction Contracts, and the Swedish Construction Federation's industry-specific comments in respect of the recognition of contracting assignments.

Application of the percentage-of-completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the construction contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (work-up rate) – Recognized costs in relation to estimated total assignment costs.

The fundamental condition for income recognition based on percentage of completion is that project revenues and costs can be quantified reliably.

For projects whose revenues and costs cannot be reliably calculated when the final accounts are being prepared, zero recognition is applied. In such cases, the project is recognized as revenue corresponding to the worked-up costs; that is, zero income is recognized until such time as the actual income can be determined. As soon as this is possible, the project switches to the percentage-of-completion method.

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 recognizes 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

Proprietary housing projects

When determining income from proprietary housing projects, income from the project is calculated by multiplying the completion rate with the sales rate. The sales rate refers to the sold portion of the project.

Example: Sales rate of 50 percent
Completion 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 completion rate.

Effects of percentage of completion

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings is reflected immediately in the financial accounts. However, percentage of completion gives rise to one disadvantage. Due to unforeseen events, the final profit may occasionally be 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 projects that extend over a long period.

For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated.

Provisions posted for potential losses are charged against income for the relevant year. Provisions for losses are posted as soon as they become known.

Balance-sheet items such as "worked up, non-invoiced revenues" and "project invoicing not yet worked up" are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. See Note 34, Worked-up, non-invoiced revenues and Note 40 Project invoicing not yet worked up.

Work in progress in the Parent Company

NCC does not apply percentage-of-completion profit recognition in the Parent Company. Projects that are not completed on the balance-sheet date are recognized in the Parent Company accounts as work in progress. The invoicing amount is equivalent to the amount billed to the customer, including amounts withheld by the customer in accordance with contract terms. Advances not matched by work performed reduce the invoiced amount. Costs incurred by a particular construction worksite include:

- Cost of installation materials, consumption materials and construction tools.
- Wages, salaries and remuneration, including social security fees, for hourly rated employees, supervisors and other staff on site.
- Cost of subcontracts and other external and internal services.
- External and internal machine rentals and transport costs.

Work in progress on another party's account comprises the difference between invoicing and costs incurred. Income is recognized when the project is completed. As a result of this accounting method, this entry may include profits not entered as income. When a project is expected to incur a loss, a provision is posted for such a loss. For details, see Note 42, Work in progress on another party's account and net sales.

FINANCIAL INSTRUMENTS

Financial instruments are recognized in compliance with IAS 32, Financial Instruments: Presentation, IAS 39, Financial instruments: Recognition and Measurement and IFRS 7, Financial instruments: Disclosures.

Acquisition and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset, apart from those cases in which NCC acquires or divests listed securities, in which case the date of reporting settlement is applied.

Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

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

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

In accordance with IAS 39, financial assets have been classified in the following categories for measurement: Financial assets at fair value through profit or loss, Investments held to maturity, Loan receivables and accounts receivable and Available-for-sale financial assets, Financial liabilities at fair value through profit or loss and Other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as short-term investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation.

Financial assets at fair value through profit or loss

This group includes the Group's derivative instruments with a positive fair value and short-term investments. Changes in fair value are recognized among net financial items in the income statement. All instruments included in this category are available for sale. Derivative instruments that function as identified and effective hedging instruments are not included in this category. For an account of hedging instruments, see Hedge accounting below.

Held-to-maturity investments

Investments intended to be held to maturity comprise interest-bearing securities with fixed or calculable payments and a determined maturity that were acquired with the intention and possibility of being held to maturity. Investments intended to be held to maturity are measured at accrued acquisition value. Assets with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as fixed assets. Other assets are recognized as current assets.

Loans and accounts receivable

Loans and accounts receivable are measured at accrued acquisition value, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognized.

Available-for-sale financial assets

This category includes financial assets that do not fall into any of the other categories, or those assets that the company has elected to classify into this category. Holdings of shares and participations that are not reported as subsidiaries, associated companies or joint ventures are reported here. These assets are recognized at fair value and the value change is recognized directly in shareholders' equity, although not value changes deriving from impairment, which are recognized in the income statement. Impairment losses are posted when there are objective reasons for assuming that impairment is required. When the asset is sold, the accumulated profit/loss, which was previously recognized in shareholders' equity, is recognized in the income statement.

Financial liabilities at fair value through profit or loss

This category includes the Group's derivative instruments with a negative fair value, with the exception of derivative instruments that function as identified and effective hedging instruments. Changes in fair value are recognized among net financial items.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at accrued acquisition value.

Hedge accounting

NCC applies hedge accounting in the following categories: Hedging of currency risk in transaction flows, Hedging of net investments and Hedging of the Group's interest maturities.

Hedging of currency risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in shareholders' equity, after taking tax effects into account. Any ineffectiveness is recognized in the income statement. When the hedged flow is recognized in the income statement, the value change of the currency forward contract is moved from shareholders' equity to the income statement, where it offsets the exchange-rate effect of the hedged flow. The hedged flows can be both contracted and forecast transactions.

Hedging of net investments

Group companies have currency hedged their net investments in foreign subsidiaries, associated companies and joint ventures. In the consolidated accounts, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to shareholders' equity, insofar as they are matched by the year's translation differences within shareholders' equity. Any surplus amount, so-called ineffectiveness, is recognized among net financial items. NCC uses currency loans and currency forward contracts to hedge net investments.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest-rate risk. Hedge accounting occurs in cases where an effective hedging relationship can be proved. The value change is recognized in shareholders' equity after taking tax effects into account. Any ineffectiveness is recognized among net financial items. What NCC achieves by hedging interest rates is that the variable interest on parts of the Group's financing becomes fixed interest.

Embedded derivatives

An embedded derivative is a part of either a financial agreement or a commercial put or call contract that is equivalent to a financial derivative instrument. An embedded derivative must be recognized separately only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics and risks of the host contract's cash flow, and
- a separate "stand alone" derivative with the same terms as the embedded derivative would meet the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value in the balance sheet, while changes in its fair value are recognized in profit or loss.

If the contractual terms and conditions meet the criteria for an embedded derivative, this, in common with other financial derivatives, is measured at fair value, with changes in value recognized in profit or loss.

Receivables and liabilities in foreign currency

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

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

Exchange differences on loans raised to finance foreign contracts are recognized in profit/loss, when the particular project is recognized as profit/loss.

Financial instruments in the Parent Company

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and short-term investments with a maturity of less than three months at the date of acquisition.

SHAREHOLDERS' EQUITY

Reporting of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are recognized in accordance with UFR 2, Group and shareholder contributions, a statement from the Financial Reporting Council.

These contributions are recognized in accordance with their financial impact, which in the case of NCC is directly against shareholders' equity, following due consideration for tax.

Repurchase of shares

The repurchase of shares, including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. See Note 35, Share capital, for more information on treasury shares.

PROVISIONS

Provisions are recognized in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, apart from provisions related to personnel, for which IAS 19, Employee Benefits, is applied.

Employee benefits

NCC complies with IAS 19, Employee Benefits, whereby pension benefits are computed with due regard for projected future salary increases, inflation and other factors.

This standard differentiates between defined contribution pension plans and defined benefit pension plans. Defined contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined benefit plans.

Country of operation	Defined benefit pension obligations	Defined contribution pension obligations
Sweden	×	×
Denmark		×
Finland		×
Norway	×	×
Germany		×
Other countries		×

There are several defined contribution and defined benefit pension plans in the Group, some of which are secured through assets in dedicated foundations or similar funds. The pension plans are financed through payments made by the various Group companies. Calculations of defined benefit pension plans are based on the Projected Unit Credit Method, whereby each term of employment is considered to create a future unit of the total final obligation. All units are computed separately and, combined, represent the total obligation on the balance-sheet date. The principle is intended to provide linear expensing of pension payments during the term of employment. The calculation is made annually by independent actuaries. When there is a difference between how pension costs are established in the legal entity and the Group, a provision or receivable is recognized, which is not present valued, pertaining to the payroll tax based on this difference. Accordingly, the value of the defined benefit liability is the present value of anticipated future disbursements using a discount rate that corresponds to the interest stated in Note 38, Pensions. The outstanding term of interest corresponds to the pension obligations.

For funded plans, the fair value of plan assets reduces the computed obligation. Funded plans with assets that exceed the obligations are recognized as financial fixed assets. Estimated actuarial gains and losses within the 10-percent corridor are not recognized. It is not until the actuarial gains or losses fall outside the corridor that revenues and expenses are recognized. The results are distributed over the anticipated average remaining term of employment.

This reporting method is applied for all identified defined benefit pension plans in the Group. The Group's disbursements related to defined benefit pension plans are recognized as an expense during the period in which the employees perform the services covered by the fee.

In conjunction with notice of employment termination, a provision is posted only if the company is contractually obliged to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as is a time schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after fiscal year-end, such payments are discounted.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. Within the Parent Company, pensions are recognized in accordance with Recommendation 4, Reporting of Pension Liability and Pension Cost, which was issued by FAR (the Institute for the Accounting Profession in Sweden). The difference, compared with the principles applied by the Group, pertains mainly to how the discounting rate is determined, the fact that the calculation of defined benefit obligations is based on the current salary level without assuming future pay rises and the fact that all actuarial gains and losses are recognized in the income statement when they arise.

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognized at the estimated amounts required to settle the commitment on the balance-sheet date. The computation is based on calculations, executive management's appraisal and experience from similar transactions.

Other provisions

Provisions for restoration costs are posted when such obligations arise. Provisions are posted for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on current account when activities are related to additional extractions at pits and quarries.

BORROWING COSTS

Borrowing costs are recognized in accordance with the main rule stipulated in IAS 23, Borrowing Costs, whereby all borrowing costs are expensed on current account in the period in which they are incurred.

PLEDGED ASSETS

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

For information on types of collateral, see Note 46, Pledged assets, contingent liabilities and contingent assets.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are recognized when there is a possible commitment originating from occurred events whose existence will be confirmed by one or more uncertain future events, or when there is a commitment that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required. For information on the distribution and size of contingent liabilities, see Note 46, Pledged assets, contingent liabilities and contingent assets.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, in accordance with IAS 7, Cash Flow Statements. The recognized cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow of acquired and divested subsidiaries, see Note 47, Cash flow statement.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

To be recognized as fixed (non-current) assets held for sale, the assets must be available for immediate sale and it must be highly probable that the sale will be effected within a year from the reclassification. Operations that are being discontinued are defined as any part of a company that is being discontinued in accordance with a cohesive plan and which can comprise an independent organizational unit or a major line of business or geographical area. For the 2007 and 2006 fiscal years, no fixed assets or operations covered by the above standard were identified.

INFORMATION ABOUT RELATED COMPANIES

Transactions and agreements with related legal and physical entities are recognized in accordance with IAS 24, Related Company Disclosures.

Since inter-company transactions are eliminated in the NCC Group, they are not covered by the accounting requirement. The standard does not require any expansion of the Parent Company's financial statements, since they are prepared at the same time as the consolidated accounts. An expanded accounting obligation arises for companies that report in accordance with the equity method. For information on the scope of these transactions, see Note 45, Transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

NCC considers events that confirm a condition that was relevant on the balance sheet date.

If events occur after the balance sheet date that are not of such nature that they should be considered when the income statement and balance sheet are finalized, but are so significant that a lack of information about them would affect opportunities for readers to make correct assessments and well-founded decisions, NCC will provide information about every such event in a note and in the Report of the Board of Directors.

GOVERNMENT ASSISTANCE

Government assistance is an action by the government designed to provide a financial advantage that is limited to a single company or a category of companies that fulfills certain criteria. Government grants are support from governmental authorities in the form of transfers of resources to a company in exchange for the company's fulfillment or future fulfillment of certain conditions regarding its operations. Government is defined as states, federal governments, public authorities or similar organizational bodies, regardless of whether they are local, national or international. Grants related to assets are recognized as a reduction of the carrying amount for the asset. Grants related to profit are recognized as a reduction in the expenses for which the subsidy is intended to cover.

SICKNESS ABSENCE AND GENDER DISTRIBUTION

Gender distribution among senior executives and sickness absence are reported in the Parent Company in compliance with the Financial Accounting Standards Council's Recommendation RR 32:06, Accounting for Legal Entities, and for the Group's Swedish operations in accordance with the Financial Accounting Standards Council's Recommendation RR 30:06, Supplementary Accounting Rules for Groups. Information is provided about employee absence from work due to sickness during the fiscal year. Information about gender distribution is reported as the proportion of women among the members of the Board and senior executives and pertains to conditions on the balance-sheet date.

NOTE 2 | DISTRIBUTION OF NET SALES

GROUP	2007	2006
Construction contracts and housing projects	45,534	42,839
Aggregates, asphalt, paving and road-service operations	9,100	9,359
Property projects	3,528	3,486
Rental revenue	56	79
Other sales	179	113
Total	**58,397**	**55,876**

PARENT COMPANY	2007	2006
Construction contracts and housing projects	22,730	17,059
Other sales	8	24
Total	**22,738**	**17,083**
Sales distributed by operating segment [1]		
NCC Construction Sweden	22,738	17,083
Total	**22,738**	**17,083**

[1] For the distribution of consolidated sales, refer to Note 3.

NOTE 3 | SEGMENT REPORTING

Segment reporting is prepared for the Group's business segments and geographical areas.

Since the Group's internal reporting system is based on how responsibility is allocated in the Group, business segments are the primary basis of division.

The earnings, assets and liabilities of segments include directly attributable items, and items that can be allocated to the segments in a reasonable and reliable manner. Non-allocated items consist of interest and dividend income, gains on sales of financial investments, interest expense and losses on the sale of financial investments. Assets and liabilities that have not been allocated to a segment are deferred tax assets, deferred tax liabilities, financial investments and financial receivables and liabilities.

The segments' investments in tangible and intangible fixed assets include all investments.

Market-based pricing is applied for intra-Group transactions.

Business segments

The Group consists of the following business segments:

NCC's construction units, which construct housing, offices, other buildings, industrial facilities, roads, civil engineering structures and other types of infrastructure, with a focus on the Nordic region.

NCC Property Development, which develops and sells commercial properties in defined growth markets in the Nordic region and Baltic countries.

NCC Roads, whose core business is the production of aggregates and asphalt, combined with paving operations and road services.

	NCC Construction								
GROUP, 2007	Sweden	Denmark	Finland	Norway	Germany	NCC Property Development	NCC Roads	Other and eliminations[1]	Group
External net sales	24,207	5,669	6,751	6,122	2,301	3,575	9,100	673	58,397
Internal net sales	674	241	681	212		9	794	–2,611	
Total net sales	24,881	5,910	7,432	6,335	2,301	3,583[2]	9,893	–1,938	58,397
Depreciation	–140	–36	–16	–26	–7	–3	–258	–39	–526
Impairment losses	–9					–4	–90	–154	–258
Reversal of impairment losses				1					1
Result from associated companies	1	1				3	5	1	11
Operating profit	1,424	36	434	76	117	780	679	–757	2,790
Assets, excluding deferred tax assets, financial receivables and investments	9,783	3,226	3,852	2,035	2,412	4,327	4,512	986	31,134
– of which, participations in associated companies					–5		12		7
Liabilities, excluding deferred tax liabilities and financial liabilities	11,314	2,331	3,618	2,927	1,205	4,327	4,379	135	30,235
Capital employed at year-end	2,200	1,778	1,516	657	1,621	2,160	2,027	–1,321	10,639
Cash flow before financing	975	–470	152	262	–259	678	1,080	–1,254	1,165
Gross investments in fixed assets and properties classed as current assets	1,508	695	1,650	31	613	1,493	381	13	6,384
– of which, intangible and tangible fixed assets	247	32	41	31	17	3	381	33	785
Average number of employees	8,606	2,105	2,772	1,624	744	124	3,970	1,102	21,047

GROUP, 2006	Sweden	Denmark	Finland	Norway	Germany	NCC Property Development	NCC Roads	Other and eliminations[1]	Group
External net sales	21,909	6,269	6,079	5,977	1,763	3,768	9,359	751	55,876
Internal net sales	189	224	371	25		5	685	–1,498	
Total net sales	22,098	6,493	6,450	6,002	1,763	3,773[2]	10,044	–747	55,876
Depreciation	–127	–37	–15	–25	–6	–3	–307	–36	–555
Impairment losses	–1				–10		–22		–32
Reversal of impairment losses				4				–4	
Result from associated companies						17	11	1	29
Operating profit	1,235	–35	390	179	85	472	415	–350	2,392
Assets, excluding deferred tax assets, financial receivables and investments	7,690	2,851	3,010	1,887	1,838	4,256	5,208	1,336	28,077
– of which, participations in associated companies					–5	–1	12	–1	6
Liabilities, excluding deferred tax liabilities and financial liabilities	9,246	2,423	2,922	2,565	675	3,964	4,158	1,494	27,447
Capital employed at year-end	1,753	1,032	1,187	608	1,257	2,123	3,075	–1,469	9,565
Cash flow before financing	1,309	–860	32	162	125	616	439	–166	1,657
Gross investments in fixed assets and properties classed as current assets	1,552	604	1,661	66	542	1,051	376	56	5,908
– of which, intangible and tangible fixed assets	193	61	14	48	12	8	376	84	796
Average number of employees	8,788	2,075	2,501	1,572	610	111	4,342	1,785	21,784

[1] NCC's Head office, results from minor subsidiaries and associated companies, the remaining portions of International Projects, including the Polish construction operations, eliminations of inter-company transactions, inter-company gains and other group adjustments are included under this heading. As of 2007, NCC's industrial development project, NCC Complete, is reported under this heading. Comparative figures for NCC Construction Sweden and Other and eliminations have been adjusted.

[2] Development projects amounting to SEK 3,523 M (3,689) and managed properties (reported net) amounting to SEK 46 M (37), making a total of SEK 3,569 M (3,726), were sold.

NOTE 3 | cont. SEGMENT REPORTING

Geographical areas

The Group's segments are divided into four geographical areas and Other countries. Operations in the other countries account for less than 10 percent of sales.

Geographical areas are the Group's secondary segment. The information that is presented pertaining to the segments' external revenues relates to the geographical areas grouped in accordance with where the customers are located. The information pertaining to the segments' assets and investments during the year in tangible and intangible fixed assets is based on geographical area grouped in accordance with the location of the assets. Tax assets have not been distributed by geographical area.

	Net sales		Assets		Gross investments			
							of which, intangible and tangible fixed assets	
GROUP	2007	2006	2007	2006	2007	2006	2007	2006
Sweden	28,947	28,134	16,167	13,950	2,018	2,022	448	385
Denmark	8,375	9,126	6,182	5,393	1,151	903	133	212
Finland	7,713	6,558	5,406	4,093	2,342	2,106	59	29
Norway	8,538	7,916	3,315	3,230	248	251	118	81
Other countries	4,824	4,142	2,678	3,623	625	626	27	89
Total	**58,397**	**55,876**	**33,748**	**30,289**	**6,384**	**5,908**	**775**	**796**

NOTE 4 | AVERAGE NUMBER OF EMPLOYEES

	2007		2006	
	No. of employees	Of whom men	No. of employees	Of whom men
Parent Company				
Sweden	7,886	7,299	8,065	7,537
Subsidiaries				
Sweden	2,811	2,598	2,546	2,361
Denmark	3,299	2,860	3,262	2,824
Estonia	59	49	59	53
Finland	2,736	2,284	2,616	2,233
Latvia	159	139	107	103
Lithuania	166	126	11	10
Norway	2,074	1,874	2,008	1,806
Poland	696	580	1,305	1,088
Russia	151	106	154	116
Singapore	139	127	301	274
Tanzania	115	103	525	500
Germany	744	614	610	510
Zambia			194	190
Other countries	12	11	21	20
Total in subsidiaries	**13,161**	**11,471**	**13,719**	**12,088**
Group total	**21,047**	**18,770**	**21,784**	**19,625**

Percentage of women	2007	2006
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	15.2	15.1
– Other senior executives	14.2	13.7
Parent Company		
– Boards of Directors	11.1	10.0
– Other senior executives	23.1	27.3

NOTE 5 | PERSONNEL EXPENSES

Wages, salaries and other remuneration distributed by members of the Board of Directors and other senior executives and other employees

	2007			2006		
	Board of Directors and other senior executives (of which, bonus)	Other employees	Total	Board of Directors and other senior executives (of which, bonus)	Other employees	Total
Parent Company						
Sweden	26	3,026	3,052	25	2,779	2,805
Total in Parent Company	**26**	**3,026**	**3,052**	**25**	**2,779**	**2,805**
	(6.5)			(6.8)		
Social security expenses			1,373			1,293
– of which, pension costs	9	249	258	8	261	269
Pension commitments	43			45		
Group total	**246**	**8,525**	**8,771**	**226**	**7,958**	**8,184**
	(44.8)			(38.6)		
Social security expenses			2,578			2,366
– of which, pension costs			763			715
Pension commitments	72			61		

The Board of Directors and other senior executive category comprises 13 people (13) in the Parent Company and 167 (169) in the Group.

NOTE 5 | cont. PERSONNEL EXPENSES

Sickness absence

The below figures concerning sickness absence pertain to the NCC Group's Swedish operations

	Group		Parent Company	
%	2007	2006	2007	2006
Total sickness absence as a percentage or ordinary working time	4.0	4.2	4.1	4.4
Percentage of total sickness absence accounted for by uninterrupted sickness absence of 60 days or more	49.4	53.1	49.3	53.8
Sickness absence by gender:				
Men	4.1	4.3	4.3	4.5
Women	2.7	2.3	2.6	2.3
Sickness absence by age category:				
29 years or younger	3.5	3.5	3.5	3.7
Between 30 and 49 years	2.9	2.9	3.0	2.9
50 years or older	5.3	5.7	5.5	5.9

Senior executives' employment conditions and remuneration

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

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

Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions. The term "other senior executives" pertains to the senior executives who, together with the CEO, constitute Group Management, as well as those senior executives who are not members of Group Management but who report directly to the CEO. During 2007, there were 13 such executives, of whom seven were employed by the Parent Company and six by subsidiaries.

Variable compensation

The maximum variable compensation payable to CEO Olle Ehrlén in 2007 amounted to 50 percent of his basic salary. The variable compensation was based on financial targets (35 percent) and individual targets (15 percent) established by the Board. The provision posted for 2007 corresponded to 46 percent of his fixed salary, meaning SEK 2,336,640. Variable compensation for other senior executives in 2007 corresponded to 30 to 50 percent of basic salary based on financial goals and 0 to 10 percent of basic salary based on individual goals, making a maximum of 30 to 50 percent. The provision posted for variable compensation payments to other senior executives during 2007 corresponded to 5–50 percent (5–50) of basic salary.

Remuneration and other benefits in 2007

SEK 000s	Total salary, remuneration and benefits	of which, benefits	of which, variable compensation	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	500				
Deputy Chairman of the Board Fredrik Lundberg	400				
Member of the Board Ulf Holmlund	325				
Member of the Board Antonia Ax:son Johnson	325				
Member of the Board Anders Rydin	325				
Member of the Board Magnus Storch	325				
President and CEO Alf Göransson	1,378	14		336	
President and CEO Olle Ehrlén	8,641	62	2,337	4,270	11,645
Other senior executives employed by NCC AB (6 people)	13,619	124	3,586	4,584	8,488
Total Parent Company	**25,838**	**200**	**5,923**	**9, 190**	**20,133**
Other senior executives employed by subsidiaries (6 people)	21,908	409	5,085	3,458	1,508
Total senior executives	**47,746**	**609**	**11,008**	**12,648**	**21,641**

Remuneration and other benefits in 2006

Chairman of the Board Tomas Billing	500				
Deputy Chairman of the Board Fredrik Lundberg	400				
Member of the Board Ulf Holmlund	325				
Member of the Board Antonia Ax:son Johnson	325				
Member of the Board Anders Rydin	325				
Member of the Board Magnus Storch	325				
President and CEO Alf Göransson	10,334	81	3,300	2,035	
Deputy CEO Olle Ehrlén	4,111	30	1,320	2,512	7,887
Other senior executives employed by NCC AB (5 people)	8,817	81	2,146	3,586	7,265
Total Parent Company	**25,462**	**192**	**6,766**	**8,133**	**15,152**
Other senior executives employed by subsidiaries (6 people)	20,248	393	5,102	3,827	404
Total senior executives	**45,710**	**585**	**11,868**	**11,960**	**15,556**

Remuneration and benefits pertain to vacation compensation, reduced working hours and company cars. Variable remuneration pertains to the amounts expensed during the particular fiscal year.
Olle Ehrlén succeeded Alf Göransson as President on February 12, 2007. As of this date, there are no deputy CEOs in NCC AB.

Pensions

NCC's policy is that, in addition to ITP, pensions paid to senior executives shall comprise defined contribution commitments, which means that after paying the annual premium, NCC has no further commitments. President and Chief Executive Officer Olle Ehrlén's retirement age is 60 years. Between ages 60 and 65 years, NCC pledges to pay old-age pension, including survivor's cover. As of age 65, pension is payable from the ITP plan, plus supplementary pension for salary increments exceeding 20 base amounts. Other senior executives may retire at the age of 60 to 63, in two cases as of 65. In Sweden, NCC provides defined contribution pension that is payable temporarily between ages 60 and 65 years, including survivor's cover. As of age 65, pension is generally payable from the ITP plan, plus in one case from a supplementary pension plan pledged by NCC. Instead of this, two senior executives receive annual payments of pension premiums that correspond to 30 percent of fixed annual salary; this is a defined contribution pension commitment. Pensions payable to other senior executives in other countries are subject to similar terms and conditions.

Severance pay

From the time Olle Ehrlén turns 59 years and six months, NCC and Olle Ehrlén must mutually provide six months notice of employment termination. Other senior executives are subject to 12 months' notice and are entitled to 12 months of severance pay, in two cases 18 months, if their employment is terminated by the employer. In one case, there is no severance pay.

NOTE 5 | cont. PERSONNEL EXPENSES

Option program

The rolling options program of 1999-2001 expired on February 28, 2007, following which there are no options programs.

Other options

Certain of NCC's senior executives have acquired call options in NCC on normal commercial terms.

NOTE 6 | DEPRECIATION

	Group		Parent Company	
	2007	2006	2007	2006
Other intangible assets	–29	–21	–1	–1
Owner-occupied properties	–43	–60	–5	–3
Machinery and equipment	–455	–473	–51	–45
Total depreciation	**–526**	**–555**	**–57**	**–49**

NOTE 7 | FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

	Group		Parent Company	
	2007	2006	2007	2006
Audit firms				
KPMG				
Auditing assignments	14	12	3	3
Other assignments	4	9	1	2
Other auditors				
Auditing assignments	1	2		
Other assignments	1	3		
Total fees and remuneration to auditors and audit firms	**20**	**26**	**4**	**5**

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 8 | RESULT FROM PROPERTY MANAGEMENT

	2007		2006		
GROUP	Other	Total	NCC Property Development	Other	Total
Rental revenues	1	1	5	1	6
Operation and maintenance costs	–1	–1	–10	–1	–11
Operating net	**0**	**0**	**–5**	**0**	**–5**

NOTE 9 | RESULT FROM SALES OF PROPERTIES

	2007			2006		
GROUP	NCC Property Development	Owner-occupied properties	Total	NCC Property Development	Owner-occupied properties	Total
Sales value	46[1]	63	109	40[1]	57	97
Sales expenses				–1	2	1
Carrying amount	–46	–44	–90	–30	–37	–67
Total	**0**	**19**	**19**	**9**	**22**	**31**

[1] Including SEK 0 M (3) for utilization of a previous reserve for rental guarantees.

NOTE 10 | IMPAIRMENT LOSSES AND REVERSAL OF IMPAIRMENT LOSSES

	Group		Parent Company	
	2007	2006	2007	2006
Production costs				
Housing projects	–9	–1		–1
Property projects within NCC Property Development	–4			
Result from participations in associated companies				
Associated companies			–27	
Financial expenses				
Other securities		–10		
Result from participations in subsidiaries				
Shares in subsidiaries			–1,252	–688
Impairment loss, fixed assets				
Owner-occupied properties	–66	–1		
Machinery and equipment	–66			
Goodwill within NCC Roads[1]	–90	–20		
Other intangible assets	–22			
Total	**–257**	**–32**	**–1,279**	**–689**

[1] Goodwill impairment; refer also to Note 21.

Impairment losses have been reported under the following headings in the income statement

	Group		Parent Company	
	2007	2006	2007	2006
Production costs	–13	–1		–1
Impairment loss, fixed assets	–245	–22		
Result from participations in associated companies			–27	
Financial expenses		–10		
Result from participations in Group companies			–1,252	–688
Total	**–257**	**–32**	**–1,279**	**–689**

NOTE 11 | RESULT FROM SALES OF/PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent Company	
	2007	2006	2007	2006
Dividend			2,941	460
Capital gain on sale	415	7	26	
Impairment losses			–1,252	–688
Total	**415**	**7**	**1,715**	**–228**

NOTE 12 | RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2007 Property operations	2007 Other	2007 Total	2006 Property operations	2006 Other	2006 Total
Participation in results of associated companies after taxes	3	5	8	5	12	18
Capital gains on sales		3	3	12		12
Total	**3**	**8**	**11**	**17**	**12**	**29**

PARENT COMPANY	2007	2006
Participation in results of associated companies	21	1
Impairment losses	–27	
Capital gain on sales	1	
Total	**–5**	**1**

NOTE 13 | OPERATING EXPENSES

GROUP	2007	2006
Change in inventories	–857	–494
Personnel costs	11,350	10,550
Depreciation	526	555
Impairment losses	258	32
Reversal of impairment losses	–1	
Total	**11,276**	**10,643**

Purchases of production-related goods and services, as well as raw materials and supplies, are reported as production costs.

NOTE 14 | RESULT FROM OTHER FINANCIAL FIXED ASSETS

PARENT COMPANY	2007	2006
Dividends received	1	
Total	**1**	

NOTE 15 | RESULT FROM FINANCIAL CURRENT ASSETS

PARENT COMPANY	2007	2006
Interest income, Group companies	106	65
Interest income, others	16	7
Exchange-rate differences	–56	36
Total	**66**	**108**

NOTE 16 | INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	2007	2006
Interest expense, Group companies	–44	–49
Interest expense, others	–79	–70
Exchange-rate differences	–61	45
Other financial items		3
Total	**–184**	**–71**

NOTE 17 | NET FINANCIAL ITEMS

GROUP	2007	2006
Interest income on financial assets available for sale	44	22
Interest income on non-impaired investments held to maturity	10	11
Interest income on non-impaired loans and accounts receivable	39	45
Interest income on bank balances	18	19
Net profit on available-for-sale financial assets	1	
Net profit on financial assets/liabilities available for sale	3	8
Net exchange-rate changes	12	
Other financial income	4	12
Financial income	**131**	**116**
Interest expense on financial liabilities recognized at accrued acquisition value	–285	–201
Interest expense on financial liabilities available for sale		–13
Net loss on financial assets/liabilities available for sale	–4	–5
Net loss on available-for-sale financial assets		–10
Other financial expense	–23	–16
Financial expense	**–313**	**–245**
Net financial items	**–182**	**–129**
Of which, changes in value calculated using valuation techniques	12	4

NOTE 18 | EFFECTS ON INCOME STATEMENT OF EXCHANGE-RATE CHANGES

GROUP	2007 Exchange rates 2006[1]	2007	Exchange-rate effect
Net sales	58,352	58,397	45
Operating profit	2,789	2,790	1
Profit after financial items	2,608	2,608	
Net profit for the year	2,251	2,252	1

[1] Figures for 2007 converted at 2006 exchange rates.

Country	SEK	Currency	Average exchange rate Jan.–Dec. 2007	Average exchange rate Jan.–Dec. 2006	Year-end rate Dec. 31 2007	Year-end rate Dec. 31 2006
Denmark	100	DKK	124.18	124.07	126.70	121.38
EU	1	EUR	9.25	9.25	9.45	9.05
Norway	100	NOK	115.47	115.08	118.34	109.63
Poland	1	PLN	2.45	2.38	2.62	2.36
US	1	USD	6.76	7.38	6.43	6.87

NOTE 19 | EARNINGS PER SHARE

GROUP, SEK	2007 Before dilution	2007 After dilution	2006 Before dilution	2006 After dilution
Earnings per share	20.75	20.73	15.80	15.74

The numerator and denominators used in the accompanying calculation of earnings per share were calculated in the manner shown below.

SEK M	2007 Before dilution	2007 After dilution	2006 Before dilution	2006 After dilution
Net profit for the year attributable to Parent Company shareholders	2,247	2,247	1,706	1,706
Weighted average number of shares outstanding				
Thousands of shares				
Total number of shares, January 1	108,084	108,436	107,241	108,436
Sale of treasury shares	330		843	
Total number of shares, December 31	108,415	108,436	108,084	108,436
Weighted average	108,365	108,436	107,972	108,436

NOTE 20 | APPROPRIATIONS AND UNTAXED RESERVES

PARENT COMPANY	Appropriations 2007	Appropriations 2006	Untaxed reserves 2007	Untaxed reserves 2006
Accumulated depreciation in excess of plan				
– machinery and equipment	–15	–5	30	15
Reserve in work in progress	–44	–112	460	416
Total	**–59**	**–117**	**490**	**431**

NOTE 21 | INTANGIBLE ASSETS

	Group					Parent Company
	Acquired intangible assets					
2007	Goodwill	Usufructs	Other	Internally developed intangible assets	Total other	Other
Reported acquisition value on January 1	**1,904**	**103**	**61**	**28**	**192**	**4**
Investments		25	15		40	
Divestment and scrappage	–18	–2	–5		–7	
Reclassifications			–5		–5	
Translation difference during the year	68	4	3		7	
Reported acquisition value on December 31	**1,954**	**130**	**69**	**28**	**227**	**4**
Accumulated amortization on January 1		**–42**	**–26**	**–9**	**–77**	**–2**
Investments		–1			–1	
Divestment and scrappage		2	1		3	
Translation difference during the year		–1	–2		–3	
Amortization according to plan during the year		–10	–13	–6	–29	–1
Accumulated amortization on December 31		**–52**	**–40**	**–15**	**–107**	**–3**
Accumulated impairment losses on January 1	**–204**	**–2**			**–2**	
Divestment and scrappage	1					
Translation differences during the year	–10					
Impairment losses during the year	–90		–22		–22	
Accumulated impairment losses on December 31	**–303**	**–2**	**–22**		**–24**	
Residual value on January 1	**1,700**	**59**	**35**	**19**	**113**	**2**
Residual value on December 31	**1,651**	**76**	**7**	**13**	**96**	**1**

2006	Goodwill	Usufructs	Other	Internally developed intangible assets	Total other	Other
Reported acquisition value on January 1	**2,001**	**56**	**73**	**11**	**140**	**4**
Investments		35	22	7	64	
Divestment and scrappage		–2	–9		–11	
Reclassifications	–37	16	–24	11	3	
Translation difference during the year	**–60**	**–2**	**–1**	**–1**	**–4**	
Reported acquisition value on December 31	**1,904**	**103**	**61**	**28**	**192**	**4**
Accumulated amortization on January 1		**–29**	**–45**	**–3**	**–77**	**–1**
Divestment and scrappage		3	8		11	
Reclassifications		–9	17		8	
Translation difference during the year		1	1		2	
Amortization according to plan during the year		–8	–7	–6	–21	–1
Accumulated amortization on December 31		**–42**	**–26**	**–9**	**–77**	**–2**
Accumulated impairment losses on January 1	**–229**	**–2**			**–2**	
Reclassifications	37					
Translation differences during the year	8					
Impairment losses during the year	–20					
Accumulated impairment losses on December 31	**–204**	**–2**			**–2**	
Residual value on January 1	**1,772**	**25**	**28**	**8**	**61**	**3**
Residual value on December 31	**1,700**	**59**	**35**	**19**	**113**	**2**

Impairment testing of goodwill in cash-generating units

Goodwill totaling SEK 1,651 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2007	2006
NCC's Construction units	647	640
NCC Roads	1,004	1,060
NCC Group	**1,651**	**1,700**

There are goodwill values in NCC's construction units and in NCC Roads. Impairment testing of these units has been conducted by discounting future cash flow after tax and thus calculating their value in use. The future cash flow has been calculated using the following method:

Unless another course of action arises from discussions with the management of the various cash-generating units, a five-year forecast has been prepared. This forecast is based on the assumption that sales will grow at a sustainable rate (1.5 percent) based on the figures for 2007, that tied-up working capital will be the same as in 2007 and that the future margins will be the average of those for the most recent four years.

In certain cases, the profitability of the units has reached a turnaround stage and in others the future market prospects are not the same as the historical track record. In these cases, sales, margin and capital requirements have been adjusted based on a five-year business plan produced by the local management of the cash-generating unit.

Important variables:

Sales: The general socioeconomic trend, the investment plans of other industries, public finances and investment plans, monetary policy and the interest rate trend, local market conditions and the price trend.
Operating expenses: Anticipated wage trends, the cost trend for building materials and at the subcontractor level (mainly applies to NCC's construction units), bitumen and energy prices (mainly applies to NCC Roads) and ongoing internal action programs to boost operational efficiency.
Capital requirements: NCC's construction units often apply pre-invoicing, which means that increased sales do not result in an increased need of working capital. However, the segments that develop housing have a need for working capital that is determined by the forthcoming production and sales rate for new projects.

NCC Roads' operations mainly tie up capital in gravel and rock pits and machinery. The need to reinvest in order to maintain capacity is largely determined by the future capacity utilization rate.

The cash flow that is forecast after five years is based on a sustainable growth rate in terms of both revenues and costs, and a constant capital turnover.

Subsequently, the cash flow is discounted using a weighted capital cost, for which the required return on shareholders' equity is calculated in accordance with the Capital Asset Pricing Model and the interest on net indebtedness is calculated in accordance with the current market cost of NCC's borrowing.

Assumptions regarding required return:

Risk-free interest rate: Ten-year treasury bond, or similar financial investment offering the lowest possible risk.
The market's risk premium: 4.5 percent.
Beta: Since the trend in the construction industry largely tracks the general socioeconomic trend, the beta has been set at one (1).
Interest expense: In accordance with NCC's cost for borrowing with a five-year duration.
Tax rate: Based on the tax rate prevailing in the various countries.
Debt/equity ratio: Company management's estimate of reasonable indebtedness based on a balance sheet with no goodwill. This is in accordance with NCC's internal governance concerning the indebtedness of units. Based on this approach, the equity/assets ratio generally varies from 20 to 30 percent.

Based on the above assumptions, the required return after tax varies from approximately 6 to 12 percent, depending on the level of indebtedness and the total value in use.

The goodwill impairment losses that arose in 2007 and totaled SEK 90 M are based on the following assumptions:

Company management adheres to its assessment, based on the conducted valuations, that NCC Roads' Finnish operations have an impairment requirement of SEK 90 M, because of that the situation of low asphalt prices caused by overcapacity in the market, combined with high energy prices remains. Based on the current structure of the market, NCC Roads' future profitability is not expected to improve.

Sensitivity analysis

The impairment tests that have been conducted and which do not indicate an impairment requirement have been based on such a margin that company management estimates that reasonably possible changes in individual parameters would not cause the value in use to fall below the carrying amount. In the opinion of company management, an impairment requirement would not even arise if certain variations were assumed in the principal parameters.

Other intangible assets

Usufructs include the right to use gravel and rock pits for an indeterminate period. The periods vary but the rights normally pertain to long periods. Amortization occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel.

The other intangible assets consist mainly of software and licenses. The periods of use range from three to five years and amortization is posted on a straight-line basis.

Amortization is included in the following lines in the income statement

	Group		Parent Company	
	2007	2006	2007	2006
Production costs	–21	–15		
Selling and administrative costs	–8	–6	–1	–1
Total	**–29**	**–21**	**–1**	**–1**

Impairment losses are included in the following lines in the income statement

	Group		Parent Company	
	2007	2006	2007	2006
Total on line Impairment of fixed assets	–245	–22		–1
Of which, impairment of goodwill, based on the above	–90	–20		

NOTE 22 | TANGIBLE FIXED ASSETS

2007	Group: Owner-occupied properties	Group: Construction in progress	Group: Machinery and equipment	Group: Total	Parent Company: Owner-occupied properties	Parent Company: Machinery and equipment	Parent Company: Total
Reported acquisition value on January 1	**1,317**	**1**	**6,068**	**7,386**	**77**	**381**	**459**
Investments	50	8	613	671		85	85
Increase through acquisitions	15		67	82			
Transfer within NCC Group					100	28	128
Divestment and scrappage	–75		–466	–541		–26	–26
Decrease through sales of companies	–117	–8	–486	–610			
Reclassifications	–6		–12	–18			
Translation difference during the year	41		186	227			
Reported acquisition value on December 31	**1,226**	**1**	**5,970**	**7,198**	**177**	**469**	**646**
Accumulated impairment losses and depreciation on January 1	**–522**		**–4,127**	**–4,649**	**–53**	**–260**	**–313**
Divestment and scrappage	30		370	400		24	24
Decrease through sales of companies	21		206	227			
Reclassifications	9		5	13			
Translation difference during the year	–16		–128	–144			
Reversed impairment [1]			1	1			
Impairment losses during the year [1]	–66		–67	–133			
Depreciation during the year	–43		–455	–498	–5	–51	–57
Accumulated impairment losses and depreciation on December 31 [2]	**–587**		**–4,196**	**–4,783**	**–58**	**–288**	**–346**
Residual value on January 1	**796**	**1**	**1,940**	**2,736**	**24**	**121**	**146**
Residual value on December 31	**640**	**1**	**1,774**	**2,415**	**119**	**181**	**300**
Whereof reported value of financial lease			**211**	**211**			
Tax assessment value of fixed assets in Sweden							
– Buildings	161			161	14		14
– Land	152			152	12		12
Carrying amount of fixed assets in Sweden assigned tax assessment value	**637**			**637**	**119**		**119**
[2] Accumulated impairment losses at year-end .	–93		–150	–243			

[1] Impairment losses on owner-occupied properties are included in the line "Impairment losses" in the income statement. Impairment losses on machinery and equipment are included in the line "Production costs".

[2] Accumulated impairment losses at year-end .

2006	Group: Owner-occupied properties	Group: Construction in progress	Group: Machinery and equipment	Group: Total	Parent Company: Owner-occupied properties	Parent Company: Machinery and equipment	Parent Company: Total
Reported acquisition value on January 1	**1,330**	**47**	**6,013**	**7,391**	**77**	**353**	**430**
Investments	71	6	623	700	1	58	58
Increase through acquisitions			32	32			
Divestment and scrappage	–76		–429	–504		–30	–30
Decrease through sales of companies			–1	–1			
Reclassifications	27	–51	–7	–31			
Translation difference during the year	–36	–1	–165	–201			
Reported acquisition value on December 31	**1,317**	**1**	**6,068**	**7,386**	**77**	**381**	**459**
Accumulated impairment losses and depreciation on January 1	**–513**		**–4,076**	**–4,589**	**–50**	**–243**	**–293**
Increase through acquisitions			–6	–6			
Divestment and scrappage	39		312	351		28	28
Reclassifications	–1		3	1			
Translation difference during the year	14		114	128			
Impairment losses during the year [1]	–1		–1	–1			
Depreciation during the year	–60		–473	–533	–3	–45	–48
Accumulated impairment losses and depreciation on December 31 [2]	**–522**		**–4,127**	**–4,649**	**–53**	**–260**	**–313**
Residual value on January 1	**818**	**47**	**1,937**	**2,801**	**27**	**110**	**137**
Residual value on December 31	**796**	**1**	**1,940**	**2,736**	**24**	**121**	**146**
Whereof reported value of financial lease			**189**	**189**			
Tax assessment value of fixed assets in Sweden							
– Buildings	183			183	12		12
– Land	136			136	9		9
Carrying amount of fixed assets in Sweden assigned tax assessment value	**795**			**795**	**24**		**24**
[2] Accumulated impairment losses at year-end .	–26		–97	–123			

[1] Impairment losses on owner-occupied properties are included in the line "Impairment losses" in the income statement. Impairment losses on machinery and equipment are included in the line "Production costs."

[2] Accumulated impairment losses at year-end .

NOTE 22 | cont., TANGIBLE FIXED ASSETS

Depreciation is included the following lines in the income statement:

PARENT COMPANY	2007	2006
Production costs	40	33
Selling and administrative costs	17	16
Total depreciation in the income statement	**56**	**48**

NOTE 23 | MANAGED PROPERTIES

GROUP	2007	2006
Fair value on January 1	**65**	**71**
Investment in properties		2
Reclassifications		23
Capital gains on sales		7
Sales revenue, divested properties	–46	–37
Translation differences	2	–2
Fair value on December 31	**21**	**65**
Tax assessment value of managed properties in Sweden		
– Buildings	18	11
– Land	8	4

Managed properties are recognized in accordance with the fair value method. At present, there are no managed properties in the Parent Company.
For information about the effect of managed properties on net profit for the period, see Notes 8 and 9.

NOTE 24 | PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership, share, % 1)	No. of partici-pations 2)	Carrying amount 2007	Carrying amount 2006
Real estate companies:				
NCC Property Development AB, 556080-5631, Solna	100	84	1,131	1,931
Total participations in real estate companies			**1,131**	**1,931**
Other companies:				
Allmänna El Motala AB, 556145-1856, Solna	100	1		
Alsike Utvecklings AB, 556245-9452, Uppsala	100	16	2	2
Anjo Bygg AB, owned by Svelali AB, 556622-7517, Halmstad	100	1	33	33
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1	2	2
Boendeutveckling i Ursvik AB, 556718-5961, Solna	100	1	154	
Dansk Beton Teknik A/S, 62 47 01 19, Danmark	100		1	1
Däldehög AB, 556268-5700, Göteborg	100	9	41	41
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4	4
Elpolerna i Malmö AB, 556720-5934, Malmö	80	1		
Fastighets AB Vikingakullen, 556673-5832, Solna	100			
Frösunda Exploaterings AB, 556430-1876, Solna	100	1		
Frösunda Exploaterings KB, 916636-6451, Stockholm	98 3)		1	1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	36	36
Förseglet Fastighets AB, 556681-8935, Stockholm	100	1	2	
Hercules Grundläggning AB, 556129-9800, Stockholm	100	196	59	59
Hotellus Fastighet 1 AB, 556554-6602, Solna	100	1		
Hydrobudowa S.A., KRS40301, Poland	100	2,853	94	119
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
Kvarntorget Bostad AB, 556729-8541, Uppsala	100	1		
Lava Leasing AB, 556308-2139, Solna	100	660	2	2
Luzern, AB, 556336-4727, Lund	100	1	3	3
Marielund 1:7 AB, 556522-7369, Stockholm	100	1	14	14
Mälarstadens Exploaterings AB, 556336-2135, Södertälje	100	1		
NCC Bau & Holding GmbH, FB-nr 201178a, Austria	100			
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	1
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	115	115
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	160	160
NCC Construction Sverige AB, 556613-4929, Solna	100	500	50	50
NCC Deutschland GmbH (formerly NCC Immobilien GmbH), HRB 8906 FF, Germany	100		409	132
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	307	307
NCC International Danmark A/S, 26 70 86 21, Denmark	100	300		
NCC Knallen Stockholm AB, 556716-8637, Stockholm	100	1		
NCC Komponent AB, 556627-4360, Solna	100	1	4	65
NCC Leasing Alfa AB, 556522-7724, Solna	100	1		
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Property Development BV, 33.213.877, The Netherlands	93		5	
NCC Property Development Nordic AB, 556743-6232, Solna	100	1		
NCC Polska Sp. Z.o.o., KRS20513, Poland	100	65		
NCC Purchasing Group AB, 556104-9932, Stockholm	100	2	1	1
NCC Rakennus Oy, 1765514-2, Finland	100	4	391	391
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 Seminariet i Uppsala AB, 556698-6823, Solna	100	1	4	4
NCC Södra Ekkällan AB, 556679-8780, Solna	100	1	2	2
NCC Treasury AB, 556030-7091, Solna	100	120	17	17
NCC Zinkensdamm AB, 556716-8652, Stockholm	100	1		
Nils P Lundh, AB, 556062-7795, Solna	100	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Portalgatan Förvaltnings AB, 556385-9296, Uppsala	100		1	1
Siab Investment AB, 556495-9079, Stockholm	100	1		
Sintrabergen Holding AB, 556498-1248, Stockholm	100	3		
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	1	1
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1		
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100		10	10
Södertäljebyggare Exploaterings KB, 916635-5900, Södertälje	100	1	1	1
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	1
Total participations in other companies			**4,768**	**4,416**
Total participations in Group companies			**5,899**	**6,347**

1) The ownership share corresponds to the shareholding.

2) Number of shares in thousands.

3) Remaining 2 percent is owned by Frösunda Exploaterings AB.

Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year.

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 159 (168).

A complete specification is available on NCC's website www.ncc.se or may be ordered from NCC AB.

NOTE 25 | PARTICIPATIONS IN ASSOCIATED COMPANIES CONSOLIDATED IN ACCORDANCE WITH THE EQUITY METHOD

GROUP	2007	2006
Carrying amount on January 1	47	44
Divestment of associated companies	–24	
Share in associated company profits [1]	1	4
Translation difference	1	–1
Carrying amount on December 31	**25**	**47**

[1] Share in the associated companies' profit after taxes and minority interest in the associated company.

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership, share, % [1]	No. of partici-pations [2]	Carrying amount 2007	Carrying amount 2006
AS Baltifalt, 10217746, Estonia	35		13	8
Asfalt & Maskin AS, 960 585 593, Norway	50		2	3
Gladökrossen HB, 969615-7917, Uppsala				4
Glysisvallen AB, 556315-5125, Hudiksvall	50	1	1	1
NCC Kral Sp.Z.o.o, KRS0000135789, Poland				13
NCC Wprinz Sp.Z.o.o, KRS0000239197, Poland				4
Rydbokrossen HB, 916609-3956, Solna	50		1	1
Sicione SA, A-48265169, Spain	31		1	7
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 23 (18)			3	2
Total			**25**	**47**

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

[2] Number of shares in thousands.

Figures from the income statements and balance sheets of the principal associated company are presented below.

GROUP, 2007	Country	Revenues	Profit	Assets	Liabilities	Equity	Shareholding, %
AS Baltifalt	Estonia	177	12	59	22	37	35

GROUP, 2006	Country	Revenues	Profit	Assets	Liabilities	Equity	Shareholding, %
AS Baltifalt	Estonia	161	8	43	20	23	35

NOTE 26 | PARTICIPATIONS IN JOINT VENTURES CONSOLIDATED IN ACCORDANCE WITH THE PROPORTIONAL METHOD

The consolidated financial statements include the items below that constitute interests in the joint venture's revenues, costs, assets and liabilities.

GROUP	2007	2006
Revenues	1,145	1,051
Costs	–1,052	–990
Profit	**93**	**61**
Fixed assets	10	117
Current assets	1,138	952
Total assets	**1,148**	**1,069**
Long-term liabilities	493	645
Current liabilities	475	279
Total liabilities	**968**	**924**
Net assets	**180**	**145**

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

Specification of joint ventures

GROUP	Shareholding, %
A2 Bau Development Gmbh	50
AF Cryo Tank	50
AF Isle of Grain	50
AF Lindahlplan	50
Arandur OY	33
Björnö Mark, KB	50
Bolig Interessentskabet Tuborg Nord	50
C825 Circle Line Project	35
Eurogate, HB	50
Fastighets AB Strömstaden	32
Granitsoppen AB	50
Granitsoppen, KB	50
Hercules-Trevi Foundations AB	50
Kallax Cargo AB	33
Langebrokonsortiet - 2 I/S	50
NBV Beckomberga KB	25
Oraser AB	50
PULS Planerad Underhållsservice AB	50
Scanpile AB	50
Taxkärrs Byggnads AB	50
Stora Ursvik KB	50
SWTP Construction OY	33
Tipton Brown AB	33
Valtatie OY	50
Vänerbyggen Taxkärrs Byggnads AB & Co KB	50
Öhusen, KB	50

NOTE 27 | PARTICIPATIONS IN ASSOCIATED COMPANIES

Participations in associated companies included in financial fixed assets

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership, share, % 1)	No. of partici-pations 2)	Carrying amount 2007	Carrying amount 2006
Björnö Mark, KB, 916638-1419, Norrtälje	50		2	2
Fastighets AB Strömstaden, 556051-7202, Norrköping	32	2	2	2
Kallax Cargo AB, 556565-1147, Luleå	33		1	1
Oraser AB, 556293-2722, Stockholm	50	1		7
PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	8	8
Stora Ursvik KB, 969679-3172, Stockholm	50		109	130
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Other 17 (15)				
Total			**139**	**167**

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

2) Number of shares in thousands.

NOTE 28 | FINANCIAL INVESTMENTS

GROUP	2007	2006
Financial investments classified as fixed assets		
Available-for-sale financial assets		
Shares and participations	43	41
Investments held to maturity		
Interest-bearing securities	207	201
Total	**250**	**242**
Short-term investments classified as current assets		
Financial assets that have been fair valued through profit and loss		
Interest-bearing securities	400	60
Investments held to maturity		
Interest-bearing securities	83	113
Total	**483**	**173**

Carrying amount	2007	2006
Other long-term holdings of securities include:		
Unlisted securities		
Tuborg Nord B	15	11
Other, unlisted	28	30
Total	**43**	**41**

Investments held to maturity had an established interest rate ranging from 2.1 to 5.2 percent, and had due dates ranging from 0.5 to 4.5 years.

NOTE 29 | FINANCIAL FIXED ASSETS

PARENT COMPANY, 2007	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables from associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**13,607**	**165**	**443**	**37**	**7**	**235**	**14,494**
Assets added	801	88		7	1	67	964
Transferred within the Group	5						5
Reclassifications						4	4
Assets removed	–33	–60			–2	–25	–120
Reported acquisition value on December 31	**14,380**	**193**	**443**	**44**	**6**	**281**	**15,347**
Accumulated write-ups on January 1	**268**						**268**
Accumulated write-ups on December 31	**268**						**268**
Accumulated impairment losses on January 1	**–7,528**		**–276**	**–1**		**–4**	**–7,809**
Reclassifications						–1	–1
Assets removed	32					3	35
Impairment losses during the year	–1,252		–27				–1,281
Accumulated impairment losses on December 31	**–8,749**		**–303**	**–1**		**–2**	**–9,056**
Residual value on December 31	**5,899**	**193**	**139**	**43**	**6**	**279**	**6,559**

PARENT COMPANY, 2006	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables from associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**13,183**	**25**	**443**	**39**	**7**	**224**	**13,921**
Assets added	454	143		1		28	626
Transferred within the Group	2						2
Reclassifications						–7	–7
Assets removed	–32	–3		–3		–9	–47
Translation difference during the year						–1	–1
Reported acquisition value on December 31	**13,607**	**165**	**443**	**37**	**7**	**235**	**14,494**
Accumulated write-ups on January 1	**268**						**268**
Accumulated write-ups on December 31	**268**						**268**
Accumulated impairment losses on January 1	**–6,858**		**–276**	**–1**		**–4**	**–7,139**
Assets removed	18						18
Impairment losses during the year	–688						–688
Accumulated impairment losses on December 31	**–7,528**		**–276**	**–1**		**–4**	**–7,809**
Residual value on December 31	**6,347**	**165**	**167**	**36**	**7**	**231**	**6,952**

NOTE 30 | LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2007	2006
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	27	32
Receivables from sales of property and housing projects	608	1,520
Pension receivable, net	688	559
Derivatives held for hedging purposes	19	9
Other long-term receivables	348	358
Long-term receivables classified as fixed assets	**1,691**	**2,477**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	32	35
Receivables from sales of property and housing projects	1,464	773
Advance payments to suppliers	16	7
Derivatives held for hedging purposes	23	65
Other current receivables	399	601
Other receivables classified as current assets	**1,935**	**1,481**

NOTE 31 | TAX ON NET PROFIT FOR THE YEAR AND DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Parent Company	
	2007	2006	2007	2006
Tax on net profit for the year				
Current tax cost	–340	–264	–222	–108
Deferred tax cost/revenue	–17	–290	57	28
Total reported tax on net profit for the year	**–357**	**–555**	**–165**	**–80**

NOTE 31 | Cont. TAX ON NET PROFIT FOR THE YEAR AND DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group				Parent Company			
	2007		2006		2007		2006	
Effective tax	Tax %	Profit	Tax %	Profit	Tax %	Profit	Tax %	Profit
Pretax profit		**2,608**		**2,263**		**2,560**		**284**
Tax according to Company's current tax rate	–28	–731	–28	–634	–28	–717	–28	–80
Effect of other tax rates for non-Swedish companies	1	29	2	40				
Impairment loss, Group goodwill	–1	–20		–1				
Other non-tax-deductible costs	–7	–180	–7	–165	–14	–366	–57	–163
Non-taxable revenues	21	536	8	185	36	917	54	154
Tax effect resulting from utilization of non-capitalized tax loss carryforwards		–9		–8		1		
Tax attributable to prior years		–11	1	29		1	3	9
Other		29		–1				
Reported tax	**–14**	**–357**	**–25**	**–555**	**–6**	**–165**	**–28**	**–80**

Tax items recognized directly against shareholders' equity

	Group		Parent Company	
	2007	2006	2007	2006
Current tax in Group contributions received /granted			188	–27
Current tax in hedging instruments	33	–26		
Other	20	–20		
Total	**53**	**–46**	**188**	**–27**

Change in deferred tax in temporary differences and tax loss carryforwards

	Group		Parent Company	
	2007	2006	2007	2006
Opening acquisition value	**–199**	**131**	**170**	**142**
Acquisition of subsidiaries	–10	–5		
Total reported tax on net profit for the year	–17	–290	57	28
Tax items reported directly against shareholders' equity	20	–20		
Translation differences	11	–11		
Other	40	–4		
Closing acquisition value	**–155**	**–199**	**227**	**170**

	Assets		Liabilities		Net	
GROUP	2007	2006	2007	2006	2007	2006
Tangible fixed assets	93	94			93	94
Financial fixed assets			–1	–74	–1	–74
Non-completed projects[1)]			–685	–676	–685	–676
Properties held for future development		39	-91		–91	39
Provisions	677	507	–5	–50	672	457
Personnel benefits/pension provisions	32	35	–193	–156	–160	–121
Tax loss carryforwards	146	153			146	153
Other	62	69	–190	–140	–128	–71
Deferred tax asset/deferred tax liability	**1,011**	**897**	**–1,166**	**–1,096**	**–155**	**–199**
Offsetting	–734	–635	734	635		
Net deferred tax asset/tax liability	**277**	**262**	**–432**	**–461**	**–155**	**–199**

1) Temporary differences between completed contract method and percentage-of-completion method.

PARENT COMPANY						
Provisions	220	163			220	163
Personnel benefits/pension provisions	7	7			7	7
Deferred tax asset/deferred tax liability	**227**	**170**			**227**	**170**

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

Within the Group, there are non-capitalized tax loss carryforwards corresponding to SEK 1.3 billion (1.4). These mainly derive from operations conducted outside Sweden, primarily in Germany, and are not expected to be utilized to offset future profits.

NOTE 32 | PROPERTIES CLASSED AS CURRENT ASSETS

GROUP, 2007	Development properties	Ongoing property projects	Completed property projects	Total property development projects [2]	Properties held for future development, housing	Unsold completed housing	Total housing projects [3]	Total
Reported acquisition value on January 1	**1,189**	**425**	**567**	**2,181**	**4,548**	**405**	**4,952**	**7,134**
Investments	542	895	12	1,449	3,881	154	4,035	5,484
Increase through company acquisitions	25			25	115		115	140
Divestment and scrappage	–95	–698	–732	–1,525	–1,468	–12	–1,480	–3,005
Reclassifications	–277	123	151	–3	–1,241	161	–1,080	–1,083
Translation difference during the year	50	21	12	83	129	23	152	235
Reported acquisition value on December 31	**1,434**	**766**	**10**	**2,210**	**5,963**	**731**	**6,694**	**8,904**
Accumulated impairment losses and depreciation on January 1	**–56**	**–3**	**–167**	**–226**	**–47**	**–1**	**–48**	**–274**
Divestment and scrappage		1	166	167	24		24	191
Reclassifications	–3	11	3	11	–8		–8	3
Translation difference during the year	–2		–2	–4	–1		–1	–5
Impairment losses during the year [4]	–4	–9		–13				–13
Accumulated impairment losses and depreciation on December 31 [1]	**–65**			**–65**	**–32**	**–1**	**–33**	**–98**
Residual value on January 1	**1,133**	**422**	**400**	**1,955**	**4,501**	**404**	**4,905**	**6,860**
Residual value on December 31	**1,369**	**766**	**10**	**2,145**	**5,931**	**730**	**6,662**	**8,807**
Tax assessment value of facilities in Sweden								
– Buildings	11			11	122		122	133
– Land	95	3		98	387		387	485
Carrying amount of facilities in Sweden with tax assessment values	**170**	**141**		**311**	**641**		**641**	**952**
[1] Accumulated impairment losses at year-end.	–27			–27	–31		–31	–58

[2] Pertains to properties classed as current assets reported in NCC Property Development.

[3] Pertains to properties classed as current assets reported in NCC Construction units.

[4] Impairment losses are included in "Production costs" in the income statement.

Ongoing housing projects are reported under Materials and inventories and Worked-up, non invoiced revenues; see Notes 33 and 34, respectively.

GROUP, 2006	Development properties	Ongoing property projects	Completed property projects	Total property development projects [2]	Properties held for future development, housing	Unsold completed housing	Total housing projects [3]	Total
Reported acquisition value on January 1	**1,616**	**34**	**655**	**2,305**	**3,043**	**915**	**3,958**	**6,263**
Investments	558	484	7	1,049	3,862	46	3,908	4,957
Increase through company acquisitions					154		154	154
Divestment and scrappage	–146	–588	–155	–889	–1,535	–536	–2,071	–2,960
Decrease through company divestments	–46			–46				–46
Reclassifications	–749	503	82	–164	–886	1	–885	–1,049
Translation difference during the year	–44	–8	–22	–74	–90	–21	–111	–185
Reported acquisition value on December 31	**1,189**	**425**	**567**	**2,181**	**4,548**	**405**	**4,953**	**7,134**
Accumulated impairment losses and depreciation on January 1	**–129**		**–171**	**–300**	**–55**	**–19**	**–74**	**–374**
Divestment and scrappage					9	3	12	12
Reclassifications	71	–3		68		15	15	83
Translation difference during the year	2		4	6				6
Impairment losses during the year [4]					–1		–1	–1
Accumulated impairment losses and depreciation on December 31 [1]	**–56**	**–3**	**–167**	**–226**	**–47**	**–1**	**–48**	**–274**
Residual value on January 1	**1,487**	**34**	**484**	**2,005**	**2,988**	**896**	**3,884**	**5,889**
Residual value on December 31	**1,133**	**422**	**400**	**1,955**	**4,501**	**404**	**4,905**	**6,860**
Tax assessment value of facilities in Sweden								
– Buildings	8			8	125		125	133
– Land	60	24		84	332		332	416
Carrying amount of facilities in Sweden with tax assessment values	**162**	**172**		**334**	**1,066**		**1,066**	**1,400**
[1] Accumulated impairment losses at year-end.	–19		–167	–186	–45	–1	–46	–232

[2] Pertains to properties classed as current assets reported in NCC Property Development.

[3] Pertains to properties classed as current assets reported in NCC Construction units.

[4] Impairment losses are included in "Production costs" in the income statement.

Ongoing housing projects are reported under Materials and inventories and Worked-up, non invoiced revenues; see Notes 33 and 34, respectively.

NOTE 32 | cont. PROPERTIES CLASSED AS CURRENT ASSETS

PARENT COMPANY	2007 Properties held for future development, housing	2007 Unsold completed housing	2007 Total housing projects	2006 Properties held for future development, housing	2006 Unsold completed housing	2006 Total housing projects
Reported acquisition value on January 1	**341**	**22**	**363**	**393**	**92**	**485**
Investments	20	11	31	4	14	18
Transferred within the Group				11		11
Divestment and scrappage	–4	–6	–10	–12	–27	–39
Reclassifications	–98	–7	–105	–55	–57	–112
Reported acquisition value on December 31	**259**	**20**	**279**	**341**	**22**	**363**
Accumulated impairment losses on January 1	**–27**	**–1**	**–28**	**–26**	**–19**	**–45**
Transferred within the Group				–1		–1
Divestment and scrappage	14		14		3	3
Reclassifications					15	15
Impairment losses during the year[1)]				–1		–1
Accumulated impairment losses on December 31	**–13**	**–1**	**–14**	**–28**	**–1**	**–29**
Residual value on January 1	**313**	**21**	**334**	**367**	**73**	**440**
Residual value on December 31	**246**	**19**	**265**	**313**	**21**	**334**
Tax assessment value of facilities in Sweden						
– Buildings	62		62	89		89
– Land	148		148	255		255
Carrying amount of facilities in Sweden with tax assessment values	**168**		**168**	**313**		**313**

1) Included in the "Impairment losses" row in the Income statement.

NOTE 33 | MATERIALS AND INVENTORIES

	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Aggregates	307	311		
Building materials	90	75	1	2
Unsold portion of ongoing housing projects based on ownership rights	1,891	1,074		
Other	77	57		
Total	**2,365**	**1,517**	**1**	**2**

NOTE 34 | WORKED-UP, NON-INVOICED REVENUES

GROUP	2007	2006
Worked-up revenues from non-completed contracts	9,196	8,463
Invoicing for non-completed contracts	–6,240	–5,623
Total	**2,956**	**2,840**

NOTE 35 | 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
2004 Reduction of share capital[1)]		–1,844
2007 End of year	**108,435,822**	**867**

1) The par value was changed from SEK 25 to SEK 8.

NOTE 35 | cont. SHARE CAPITAL

Holding of Series B shares		Number of shares
2000	Repurchases	2,775,289
2001	Repurchases	699,300
2002	Repurchases	2,560,800
2003	Repurchases	3
2005	Sale	–4,840,998
2006	Sale	–843,005
2007	Sale	–330,251
2007	**End of year**	**21,138**

The share capital is divided into 108,435,822 shares with a par value of SEK 8 each. During 2007, 691,900 (4,877,130) Series A shares were converted into Series B shares.

The shares are distributed as follows by class:

	Series A	Series B	Total
Number of shares	46,914,848	61,520,974	108,435,822

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

A specification of changes in shareholders' equity is presented on pp. 54–55. The Board of Directors proposes an ordinary dividend of SEK 11.00 per share, plus an extraordinary dividend of SEK 10.00 per share, corresponding to total dividends of SEK 2,276,708,364.

Series A and B shares[1)]

	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 2000–2006	–15,504,934	15,504,934	
Shares repurchased during 2000–2003		–6,035,392	–6,035,392
Sale of treasury shares during 2005–2006		5,684,003	5,684,003
No. of shares on Dec. 31, 2006	47,606,748	60,477,685	108,084,433
Conversion of Series A to Series B shares during 2007	–691,900	691,900	
Sale of treasury shares during 2007		330,251	330,251
No. of shares on Dec. 31, 2007[1,2)]	46,914,848	61,499,836	108,414,684
Number of voting rights	469,148,480	61,499,836	530,648,316
Percentage of voting rights	88	12	100
Percentage of share capital	43	57	100
Closing price on Dec. 31, 2007, SEK	137,50	139,00	
Market capitalization, SEK M	6,451	8,548	14,999

1) Between January 1, 2008 and February 28, 2008, no additional Series A shares were converted into Series B shares.

2) The 1999–2001 options program expired on February 28, 2007.

NOTE 36 | INTEREST-BEARING LIABILITIES

GROUP	2007	2006
Long-term liabilities		
Liabilities to credit institutions	1,154	1,606
Financial leasing liabilities	212	191
Other long-term loans	224	226
Total	**1,590**	**2,023**
Current liabilities		
Current portion of liabilities to credit institutions	1,666	511
Other current liabilities	35	41
Total	**1,701**	**552**
Total interest-bearing liabilities	**3,291**	**2,575**

For repayment schedules and terms and conditions, see Note 39.

Financial leasing

For information on payment schedules for financial leasing liabilities, also see Note 44, Leasing.

PARENT COMPANY	2007	2006
Long-term liabilities		
Liabilities to credit institutions	990	990
Group companies	490	711
Total	**1,480**	**1,701**
Current liabilities		
Associated companies	2	2
Group companies	653	98
Other current liabilities	6	8
Total	**661**	**108**
Total interest-bearing liabilities	**2,141**	**1,809**

NOTE 37 | PROVISIONS

GROUP, 2007	Pensions	Taxes	Guarantees	Other	Total
On January 1	**119**	**461**	**1,445**	**712**	**2,738**
Provisions during the year	25	537	843	310	1,715
Amount utilized during the year	–39	–528	–367	–134	–1,068
Reversed, unutilized provisions		–37	–75	–33	–145
Via sold companies		–10	–11	–10	–32
Translation differences	8	9	26	23	64
On December 31	**112**	**431**	**1,860**	**868**	**3,272**

GROUP, 2006	Pensions	Taxes	Guarantees	Other	Total
On January 1	**143**	**199**	**952**	**659**	**1,953**
Provisions during the year	1	320	672	228	1,157
Amount utilized during the year	–2	–33	–109	–115	–194
Reversed, unutilized provisions		–7	–50	–34	–91
Reclassification		–3	–5	–3	–11
Translation differences	–23	–16	–15	–22	–75
On December 31	**119**	**461**	**1,445**	**712**	**2,738**

PARENT COMPANY, 2007	Pensions	Guarantees	Other	Total
On January 1	**13**	**601**	**44**	**657**
Provisions during the year		261	4	265
Amount utilized during the year	–1	–21	–5	–27
On December 31	**12**	**840**	**43**	**895**

PARENT COMPANY, 2006	Pensions	Guarantees	Other	Total
On January 1	**14**	**490**	**63**	**567**
Provisions during the year		111	2	113
Amount utilized during the year	–2		–21	–23
On December 31	**13**	**601**	**44**	**657**

Specification of other provisions and guarantees

	Group		Parent Company	
	2007	2006	2007	2006
Provision for proprietary housing projects, recognized profit	7	4		
Restoration reserve	138	155		
Other	723	553	43	44
Other provisions	869	712	43	44
Guarantee commitments	1,860	1,445	840	601
Total	**2,729**	**2,157**	**883**	**645**

Guarantee commitments

Guarantee provisions pertain to anticipated future costs. To estimate a future guarantee cost, individual assessments are made from project to project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. In order to eliminate various risks, a provision for guarantee claims is posted at the rate at which the risks are expected to arise after having been identified. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years. Guarantee commitments also include rental guarantees issued as part of property transactions implemented by NCC Property Development.

Provision for proprietary housing projects, recognized profit

For proprietary housing projects, provisions are posted for the difference between the completed contract method and the percentage-of-completion method. Only profit corresponding to the completion rate multiplied by the sales rate is recognized.

Restoration reserve

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

Other

The provisions consist of additional costs and for uncertainty in projects, such as outstanding disputes and legal matters. Part of the provisions is intended to cover losses that arise in operations and is utilized gradually as the project is worked up.

NOTE 38 | PENSIONS

Pension costs

GROUP	2007	2006
Defined benefit plans		
Current service cost	135	146
Past service cost	14	
Interest expense	106	123
Expected return on plan assets	–179	–196
Actuarial gains (–) and losses (+) reported during the year	8	23
Losses (+) or gains (–) on reductions and payments	–6	
Total cost of defined benefit plans	**77**	**96**
Total cost of defined contribution plans	**559**	**560**
Payroll taxes and return tax	**75**	**75**
Total cost of remuneration after terminated employment	**711**	**731**

The entire cost during the year of remuneration after terminated employment is included in operating profit.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Financial Reporting Council, UFR 3, this constitutes a defined benefit plan that covers several employers. For the 2007 fiscal year, NCC did not have access to the type of information required for reporting these plans as defined benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are reported as a defined contribution plan. In 2007, the contributions for pension.

NOTE 38 | cont. PENSIONS

insurance arranged by Alecta amounted to SEK 53 M (68). Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of 2007, Alecta's surplus in the form of its collective solvency rate amounted to 152.0 percent (143.1). The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting assumptions, which do not comply with IAS 19.

Defined benefit obligations and the value of plan assets

GROUP	2007	2006
Obligations secured in full or in part in funds:		
Present value of defined benefit obligations	3,632	3,070
Fair value of plan assets	3,349	3,059
Net value of obligations funded in full or in part	283	11
Adjustments:		
Accumulated unrecognised actuarial gains (+) and losses (–)	–825	–432
Net obligation	**–542**	**–421**
Special payroll tax/employer contributions	**–34**	**–19**
Net amount in balance sheet (obligation +, asset –)	**–576**	**–440**
Net amount is reported in the following balance-sheet items:		
Financial fixed assets	–688	–559
Provisions for pensions and similar obligations	112	119
Net amount in balance sheet (obligation +, asset –)	**–576**	**–440**
Net amount is distributed among plans in the following countries:		
Sweden	–660	–521
Norway	84	81
Net amount in balance sheet (obligation +, asset –)	**–576**	**–440**

Change in obligation for defined benefit plans

GROUP	2007	2006
Obligation for defined benefit plans on January 1	**3,070**	**2,920**
Benefits paid	–29	–43
Current service cost plus interest expense	209	265
Decrease through company divestment	–8	
Reductions	–3	–8
Actuarial gains and losses	340	–13
Exchange-rate differences	53	–51
Obligation for defined benefit plans on December 31	**3,632**	**3,070**

Change in plan assets

GROUP	2007	2006
Fair value of plan assets on January 1	**3,059**	**2,631**
Contribution by employer	263	252
Benefits paid	–29	–36
Compensation	–72	–5
Decrease through company divestment	–1	
Reductions	–13	–8
Expected return	179	196
Actuarial gains and losses	–83	67
Exchange-rate differences	46	–38
Fair value of plan assets on December 31	**3,349**	**3,059**
The plan assets comprise:		
Shares	1,021	879
Funds	307	378
Properties	103	88
Interest-bearing securities	1,884	1,686
Others	34	28
Fair value of plan assets on December 31	**3,349**	**3,059**

Return on plan assets

GROUP	2007	2006
Fair value of plan assets	95	263
Expected return on plan assets	179	196
Unrecognised actuarial result for plan assets during the year (gain +)	**–83**	**67**

Historical values

GROUP	2007	2006	2005
Present value of defined benefit obligations	3,632	3,070	2,920
Fair value of plan assets	3,349	3,059	2,631
Surplus (–)/deficit (+) in the plan	**283**	**11**	**289**
Experience-based adjustment of plan assets	–86	15	–49
Experience-based adjustment of benefit obligation	96	45	51

Actuarial assumptions, weighted average values, %

GROUP	2007	2006
Discount interest rate	4.3	4.1
Expected return on plan assets	6.3	6.3
Future salary increases	3.3	3.3
Future pension increases	2.0	2.1
Anticipated inflation	2.0	2.1

Pension liability according to the balance sheet

	Group		Parent Company	
	2007	2006	2007	2006
Provision for pensions, other	112	119	12	13

Cost of pension payments

PARENT COMPANY	2007	2006
Proprietary pension payments		
Proprietary costs, excluding interest expense	186	160
Interest expense	7	6
Cost of proprietary pension payments	193	166
Pension payments through insurance		
Insurance premiums	131	82
Subtotal	**324**	**248**
Special payroll tax on pension costs	66	65
Pension costs during the year	**390**	**313**

Capital value of pension obligations

PARENT COMPANY	2007	2006
Capital value of pension obligations pertaining to proprietary pension payments on January 1	1,763	1,630
Cost, excluding interest expense, charged against profit	186	160
Interest expense	7	6
Pension payments	–23	–33
Capital value of pension obligations pertaining to proprietary pension on December 31	**1,933**	**1,763**

Fair value of especially detached assets

PARENT COMPANY	2007	2006
Fair value of especially detached assets on January 1	**2,231**	**1,961**
Return on especially detached assets	70	148
Payment to/from pension fund	85	122
Fair value of especially detached assets on December 31	**2,386**	**2,231**
Fair value of especially detached assets is divided among:		
Shares	756	631
Funds	282	280
Interest-bearing receivables	1,348	1,320
Fair value of especially detached assets on December 31	**2,386**	**2,231**

The pension funds have an interest-bearing receivable of SEK 990 M (990) from NCC AB. Otherwise, the pension foundations have no financial instruments issued by the Company or assets used by the Company.

NOTE 38 | cont. PENSIONS

Net pension obligations

PARENT COMPANY	2007	2006
Capital value of pension obligations pertaining to proprietary pension payments on December 31	1,933	1,763
Fair value of especially detached assets on December 31	2,386	2,231
Surplus on especially detached assets	465	481
Net reported pension obligation	**12**	**13**

Assumptions underlying defined benefit obligations

PARENT COMPANY	2007	2006
Discount interest rate on December 31	3.64	3.64

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

NOTE 39 | FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Finance policy (Principles for risk management)

Through its business operations, the Group is exposed to financial risks. These financial risks are interest-rate, credit, liquidity, refinancing and currency risks. NCC's finance policy for managing financial risks has been decided by NCC's 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 in order to monitor the Group's overall financial risk positions, to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's exchange and interest rates, credit, refinancing and liquidity are managed by NCC's internal bank, NCC Treasury AB. Customer-credit risks are managed by the business area concerned.

Contractual conditions

NCC has a covenant in the form of the debt/equity ratio that is linked to a credit facility of EUR 200 M that was concluded with a bank syndicate and had a remaining term to maturity of about two years. In early January 2008, the revolving credit facility was refinanced, whereby the amount was raised to EUR 275 M and the maturity was extended to five years, with an option to prolong it for another two years.

Refinancing risk

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

NCC's policy for its refinancing risk is to ensure that the borrowing portfolio has a diversified maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The norm concerning distribution is that the weighted average remaining maturity must be at least 18 months. At December 31, the maturity of loans was 24 months (35).

Maturity structure, capital December 31, 2007

	Interest-bearing liabilities	
Matures	Amount	Proportion, %
2008	2,054	60
2009	118	4
2010	43	1
2011		
2012	1,141	34
2013 –	46	1
Total	**3,402**	**100**

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

	Limit	Utilized SEK M
Commercial paper (CP) program in Finland	EUR 300 M	646
Commercial paper (CP) program in Sweden	SEK 3,000 M	425
Medium Term Note (MTN) in Sweden	SEK 3,000 M	100
Total		**1,171**

Of NCC's total interest-bearing liability, investor-related loans accounted for 34 percent.

Liquidity risks

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, the Group's access to funds consists essentially of committed lines of credit. NCC's credit policy states that the Group's access to funds must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed lines of credit. Access to funds is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed lines of credit, less market-financing programs with a remaining maturity of less than three months. On December 31, the volume of unutilized committed lines of credit amounted to SEK 3.3 billion (3.2), with a remaining average maturity of 17 months. Following the refinancing of the revolving credit facility in January 2008, which increased the limit to EUR 275 M, unutilized committed lines of credit amount to SEK 4.0 billion, with a remaining maturity of 42 months. Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and liquid secondary markets. At year-end, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 2.2 billion (1.4). Access to funds on December 31, 2007 corresponded to 8 percent (8) of sales.

Analysis of maturities (amounts including interest)

	2007						2006					
	Total	>3 months	3 months –1 year	1–3 years	3–5 years	>5 years	Total	>3 months	3 months –1 year	1–3 years	3–5 years	>5 years
Bank loans	583	5	496	60	14	7	909	11	317	512	55	14
Commercial paper	1,111	1,111					227	227				
MTN loans	108	1	4		103		112	1	3	108		
Effect of interest-rate swaps	5	2		2			6	3	1	2		
Effect of currency forward contracts	96	96					320	274	46			
Financial leasing liabilities	212	3	209				202	1	8	193		
Lending back from the pension foundation	1,312		64	129	1,119		1,292		60	121	1,111	
Pension liabilities	137		5	10	122		146		5	11	130	
Other interest-bearing liabilities	341	89	172	22	15	43	279	17	171	32	15	44
Accounts payable	4,974	4,974					4,874	4,874				
Dividend	2,276		2,276				1,951		1,951			
Total	**11,154**	**6,281**	**3,226**	**224**	**1,373**	**50**	**10,318**	**5,408**	**2,562**	**979**	**1,311**	**58**

Interest-rate risks

The interest-rate risk is the risk that changes in interest rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy for the interest-rate risk is that the weighted average remaining maturity of net borrowing should normally be 12 months, subject to a mandate to deviate from this figure by +/– 6 months, and that the interest-rate maturity structure of the borrowing portfolio should be adequately spread over time. If the interest-rate terms of available borrowing vehicles are not compatible with the desired structure for the loan portfolio, interest swaps are the main instruments used to adapt the structure. In the financial accounts, hedge accounting is applied when there is an effective connection between the hedged loan and interest-rate swaps.

At the end of 2007, NCC's net debt, defined as interest-bearing liabilities less cash and cash equivalents and short-term investments, amounted to SEK 1,234 M (1,268) and the average interest-rate maturity was 16 months (18). Gross interest-bearing liabilities amounted to SEK 3,402 M (2,694) and the average maturity was 21 months (31). Short-term investments and cash and cash equivalents amounted to SEK 2,168 M (1,426) and the average interest-rate maturity for these assets was 2 months (4).

On December 31, 2007, NCC had interest-rate swaps with a nominal value of SEK 882 M (948). The fair value of the interest-rate swaps at the same date was SEK 18 M (3) net, comprising assets of SEK 21 M (9) and liabilities of SEK 3 M (6). The interest-rate swaps have expiration dates ranging from 0.5 to 9.7 years.

Interest-rate maturity structure at Dec. 31, 2007

Maturity	Interest-bearing liabilities, incl. interest-rate swaps: Amount	Proportion, %
2008	2,598	76
2009	225	7
2010		
2011	152	4
2012		
2013 –	427	13
Total	**3,402**	**100**

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. In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known. Contracted and highly probable forecast flows are hedged, mainly by using currency forward contracts. In the financial accounts, hedge accounting is applied when the requirements for hedge accounting are fulfilled. Exposure affecting financial flows, such as loans and investments, is mainly hedged by means of currency swaps. The Group's translation exposure is covered in accordance with the instructions in NCC's finance policy, which state that 80–100 percent of net assets are to be hedged.

Borrowing in the NCC Group primarily occurs through the central treasury unit and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while financing largely occurs in SEK and EUR. The currency risk that thus arises is managed by means of currency swaps. The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying capital amounts

Interest-bearing liabilities at Dec. 31, 2007

Counter-value in SEK M	Interest-bearing liabilities, excl. interest-rate swaps: Amount	Proportion, %
DKK	260	8
EUR	1,219	36
NOK	88	0
SEK	1,835	56
Total	**3,402**	**100**

Currency swap agreements for financing at Dec. 31, 2007

Counter-value in SEK M	
Sell DKK	–828
Sell EUR	–1,386
Buy NOK	447
Sell PLN	–2
Sell RUB	–75
Sell SGD	–128
Net	**–1,972**

Transaction exposure

The Group's transaction exposure during 2007 was distributed as follows by currency:

Counter-value in SEK M	DKK	EUR	NOK	PLN	USD	Total
Purchasing	94	983	32	63	98	1,270
Of which, hedged	32	819	0	31	88	970

Transaction exposure has been hedged through currency forward contracts. The forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK 7 M (neg: 4). Of this amount, assets of SEK 7 M (1) and liabilities of SEK 0 M (5) have been recognized in the balance sheet.

The table below, at December 31, 2007, shows the periods during which the hedged cash flows are expected to occur and when they are expected to affect the income statement.

	1–3 months	3–6 months	6–9 months	9–12 months	>12 months	Total
Closing cash flows	165	124	42	29	5	365
Income statement	165	124	42	29	5	365

During 2007, no cash flow hedges were closed because it was no longer probable that the expected cash flow could be achieved.

Translation exposure

Foreign net assets in the Group were distributed as follows by currency:

Counter-value in SEK M	2007				2006			
Currency	Net assets	%	Of which, hedged	%	Net assets	%	Of which, hedged	%
DKK	1,751	34	1,518	87	1,694	35	1,405	83
EUR	2,170	42	1,917	88	2,003	41	1,653	83
NOK	1,090	21	910	83	874	18	767	88
PLN	116	2	105	91	307	6	246	80
Total	**5,127**	**100**	**4,450**	**87**	**4,878**	**100**	**4,071**	**83**

Net assets are hedged through the raising of loans and through currency forward contracts. The carrying amount of loans and currency forward contracts (including underlying capital amounts) used as hedging instruments at December 31, 2007 was SEK 450 M and SEK 4,000 M, respectively. Hedge reporting is applied when the criteria for hedge reporting are met. A negative exchange-rate difference of SEK 216 M was recognized in shareholders' equity in connection with the recalculation of loans and currency forward contracts into SEK. For more information on hedge reporting, refer to Note 1 Accounting principles, Hedging of net investments.

Credit risks

Credit risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and characterized by caution. Transactions are only entered into with creditworthy counterparties and on the basis of compliance with the ISDA's (International Swaps and Derivatives Association) framework agreement on netting with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 6,201 M at the end of 2007. Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 2,168 M.

Credit risks in accounts receivable

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

NCC's exposure to credit risks associated with accounts receivable is monitored continuously within the Group. On the balance-sheet date, there was no significant concentration of credit-risk exposure. The maximum exposure to credit risk is apparent from the carrying amount in the balance sheet.

Age analysis of accounts receivable including receivables for divested property projects

	2007		2006	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	8,854	2	8,625	1
Past-due accounts receivable 1–30 days	853	2	897	8
Past-due accounts receivable 31–60 days	52	2	111	4
Past-due accounts receivable 61–180 days	200	15	541	108
Past-due accounts receivable > 180 days	701	244	386	218
Total	**10,660**	**264**	**10,560**	**339**

Collateral for accounts receivable was received in an amount of SEK 2,234 M (2,284).

Provision for doubtful receivables

	2007	2006
Opening balance	339	207
Provision for the year	102	182
Reversal of previously posted impairment losses	–190	–42
Translation differences	13	–8
Closing balance	**264**	**339**

Carrying amount and fair value of financial instruments

The carrying amount and the fair value of interest-bearing financial instruments are presented in the table below. For financial assets, the fair value has been established through a discounting of future payment flows to the market interest rate prevailing on the balance-sheet date. It is considered that the carrying amount for accounts receivable and accounts payable matches the fair value.

The fair value of currency derivatives is calculated by means of a discounting of the difference between the agreed forward rate and the forward rate that can be attained on the balance-sheet date for the remaining contractual period. The fair value of interest-rate swaps is calculated by means of a discounting of future cash flows. The interest rate used for discounting is the market-based interest rate for similar instruments at year-end.

CLASSIFICATION OF FINANCIAL INSTRUMENTS, fair value and carrying amount

GROUP, 2007	Financial assets fair valued through profit and loss*	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities fair valued through profit and loss*	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				207	43			250	247
Long-term receivables	3	16	840					859	859
Accounts receivable			8,323					8,323	8,323
Prepaid expenses and accrued income	1		18					18	18
Other receivables	5	18	1,558					1,581	1,581
Short-term investments	400			83				483	482
Total assets	**409**	**34**	**10,738**	**290**	**43**	**0**	**0**	**11,514**	**11,510**
Long-term interest-bearing liabilities[1)]							1,590	1,590	1,590
Other long-term liabilities							816	816	816
Provisions for pensions and similar obligations							112	112	112
Current interest-bearing liabilities							1,701	1,701	1,701
Accounts payable							4,974	4,974	4,974
Accrued expenses and deferred income						3	14	17	17
Other current liabilities		88				27	2	117	117
Total liabilities	**0**	**88**	**0**	**0**	**0**	**30**	**9,209**	**9,327**	**9,327**

1) Reloaning of SEK 990 M (990) from NCC's Pension Fund is included.

* Available for sale.

NOTE 39 | cont. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

CLASSIFICATION OF FINANCIAL INSTRUMENTS, fair value and carrying amount

GROUP, 2006	Financial assets fair valued through profit and loss*	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities fair valued through profit and loss*	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				201	41			242	238
Long-term receivables	7	1	1,753					1,762	1,762
Accounts receivable			7,934					7,934	7,934
Prepaid expenses and accrued income			8					9	9
Other receivables	11	54	1,075					1,140	1,140
Short-term investments	60			114				173	173
Total assets	**79**	**55**	**10,770**	**314**	**41**	**0**	**0**	**11,259**	**11,256**
Long-term interest-bearing liabilities 1)							2,023	2,023	2,023
Other long-term liabilities		1				1	558	561	561
Provisions for pensions and similar obligations							119	119	119
Current interest-bearing liabilities							552	552	552
Accounts payable							4,874	4,874	4,874
Accrued expenses and deferred income						4	13	16	16
Other current liabilities		10				9	4	24	24
Total liabilities	**0**	**12**	**0**	**0**	**0**	**14**	**8,143**	**8,169**	**8,169**
PARENT COMPANY, 2007									
Receivables from Group companies			183					183	183
Receivables from associated companies			43					43	43
Other long-term holdings of securities					6			6	6
Other long-term receivables			41					41	41
Accounts receivable			3,299					3,299	3,299
Current receivables from Group companies		7	2,502					2,510	2,516
Current receivables from associated companies			10					10	10
Other current receivables			16					16	16
Short-term investments			1,100					1,100	1,100
Total assets	**0**	**7**	**7,194**	**0**	**6**	**0**	**0**	**7,207**	**7,213**
Long-term liabilities to credit institutions 1)							1,340	1,340	1,340
Long-term liabilities to Group companies							1,626	1,626	1,626
Accounts payable							1,821	1,821	1,821
Current liabilities to Group companies		46					1,353	1,400	1,400
Current liabilities to associated companies							8	8	8
Other current liabilities							5	5	5
Accrued expenses and deferred income							2	2	2
Total liabilities	**0**	**46**	**0**	**0**	**0**	**0**	**6,156**	**6,202**	**6,202**
PARENT COMPANY, 2006									
Receivables from Group companies			154					154	154
Receivables from associated companies			36					36	36
Other long-term holdings of securities					7			7	7
Other long-term receivables			44					44	44
Accounts receivable			2,925					2,925	2,925
Current receivables from Group companies		21	850					872	873
Current receivables from associated companies			9					9	9
Other current receivables			24					24	24
Short-term investments			2,096					2,096	2,096
Total assets	**0**	**21**	**6,138**	**0**	**7**	**0**	**0**	**6,166**	**6,167**
Long-term liabilities to credit institutions 1)							990	990	990
Long-term liabilities to Group companies							2,042	2,042	2,042
Accounts payable							1,773	1,773	1,773
Current liabilities to Group companies		2					408	410	415
Current liabilities to associated companies							14	14	14
Other current liabilities							8	8	8
Accrued expenses and deferred income							1	1	1
Total liabilities	**0**	**2**	**0**	**0**	**0**	**0**	**5,236**	**5,238**	**5,243**

1) Reloaning of SEK 990 M (990) from NCC's Pension Fund is included.

* Available for sale.

No reclassification of financial assets and liabilities among the above categories was effected during the year. .

NOTE 40 | INVOICED REVENUES, NOT WORKED-UP

GROUP	2007	2006
Invoicing for non-completed contracts	37,412	34,890
Accrued revenues from non-completed contracts	–32,441	–30,067
Total	**4,971**	**4,823**

NOTE 41 | OTHER LIABILITIES

GROUP	2007	2006
Other long-term liabilities		
Liabilities to associated companies	23	19
Derivative instruments held for hedging		3
Other long-term liabilities	793	539
Total	**816**	**561**
Other current liabilities		
Advance payments from customers	351	257
Liabilities to associated companies	2	4
Derivative instruments held for hedging	115	19
Other current liabilities	3,763	3,120
Total	**4,231**	**3,400**

NOTE 42 | WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2007	2006
Invoicing excluding withheld amount	18,850	18,147
Withheld amount	330	296
Total invoicing	**19,180**	**18,443**
Costs incurred excluding reserve for losses	–16,858	–15,703
Reserve for losses	45	54
Total costs incurred	**–16,813**	**–15,649**
Total work in progress on another party's account	**2,367**	**2,794**
Profit-recognized invoicing		
Invoicing during the year	23,475	21,700
Invoiced but not recognized as profit on January 1	18,443	13,826
Less: Invoiced but not recognized as profit on December 31	–19,180	–18,443
Total revenues	**22,738**	**17,083**

NOTE 43 | ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2007	2006	2007	2006
Salary-related costs	1,664	1,467	929	845
Financial expense	17	16	2	1
Prepaid rental revenues	7	9	2	3
Project-related costs	2,945	2,586	423	306
Administrative costs	137	175	1	14
Guarantee costs	46	59		
Operating and sales costs	255	197		
Other expenses	106	83	51	56
Total	**5,177**	**4,592**	**1,407**	**1,226**

NOTE 44 | LEASING

In Finland, Norway and Denmark, framework agreements have been concluded for the operational leasing of cars and light goods vehicles, including relating administrative services. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased objects and the extension of leasing agreements.

In Sweden, framework agreements have been concluded for the financial leasing of cars and light goods vehicles. The agreement is based on variable interest rates. NCC recommends purchasers and leasing agreements for individual vehicles can be extended. Within NCC Roads, framework agreements have been concluded for the operational leasing of production equipment for road maintenance operations. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland. During 2005, NCC took over an operational leasing agreement on a property in Norway that runs until December 31, 2011. The property is leased to a number of other tenants on operational leasing contracts.

In 2006, a sale-leaseback agreement was concluded with the German finance group HSH Nordbank and its associated company AGV pertaining to properties in the Sonnengarten area of Berlin. At the same time, an 18-year lease was signed, which is recognized as an operational lease.

GROUP	2007	2006
Financial lessor		
Leasing contracts that expire:		
Later than one year but earlier than five years	20	26
Financial lessee		
Leasing contracts that expire:		
Within one year	34	31
Later than one year but earlier than five years	180	166
Future minimum leasing fees		
Within one year	36	32
Later than one year but earlier than five years	208	163
Present value of future minimum leasing fees		
Within one year	34	30
Later than one year but earlier than five years	191	152
Reconciliation of future leasing fees and their present value		
Future minimum leasing fees	244	195
Less interest charge	–20	–13
Present value of future minimum leasing fees	**224**	**182**
Variable fees included in net profit for the year:		
Interest		
Leased machinery and equipment	7	6
Leased buildings	1	1
Total	**8**	**7**

Operational leasing

	Group		Parent Company	
	2007	2006	2007	2006
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	2	2		
Later than one year but earlier than five years	18	49	11	39
Later than five years	22	2	19	
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	505	471	1	5
Later than one year but earlier than five years	740	689	21	9
Later than five years	666	805		24
The year's cost for operational leasing amounts to	612	506	9	12

NOTE 45 | TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to NCC are the Nordstjernan Group, companies in the Axel Johnson Group and the Lundberg Group, associated companies and joint ventures. The Parent Company has a close relationship with its subsidiaries; see Note 24, Participations in Group companies. For information on NCC's senior executives, see Note 5, Personnel expenses. Transactions involving NCC's associated companies and joint ventures were of a production nature. The transactions were conducted on a purely commercial basis.

GROUP	2007	2006
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	148	160
Purchases from associated companies and joint ventures	92	105
Dividend from associated companies	2	
Long-term receivables from associated companies and joint ventures	27	32
Current receivables from associated companies and joint ventures	42	49
Interest-bearing liabilities to associated companies and joint ventures	22	18
Current liabilities to associated companies and joint ventures	31	36
Transactions with the Nordstjernan Group		
Sales to Nordstjernan Group	11	27
Purchases from Nordstjernan Group	1,006	894
Current receivables from Nordstjernan Group	6	6
Current liabilities to Nordstjernan Group	89	89
Transactions with the Axel Johnson Group		
Sales to Axel Johnson Group		1
Purchases from Axel Johnson Group	6	3
Current liabilities to Axel Johnson Group	1	1
Transactions with the Lundberg Group		
Sales to Lundberg Group	99	78
Purchases from Lundberg Group	1	1
Current receivables from Lundberg Group	22	32

PARENT COMPANY	2007	2006
Transactions with Group companies		
Sales to Group companies	73	105
Purchases from Group companies	1,142	977
Interest income from Group companies	106	64
Interest expense to Group companies	44	49
Dividend from Group companies	2,941	460
Long-term receivables from Group companies	193	165
Current receivables from Group companies	3,789	3,938
Interest-bearing liabilities to Group companies	1,143	809
Current liabilities to Group companies	1,883	1,642
Contingent liabilities to Group companies	12,909	10,919
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	39	61
Purchases from associated companies and joint ventures	75	84
Dividend from associated companies and joint ventures	1	1
Long-term receivables from associated companies and joint ventures	43	36
Current receivables from associated companies and joint ventures	10	9
Interest-bearing liabilities to associated companies and joint ventures	2	2
Current liabilities to associated companies and joint ventures	6	12
Contingent liabilities to associated companies and joint ventures	7	8
Transactions with the Nordstjernan Group		
Sales to Nordstjernan Group	8	24
Purchases from Nordstjernan Group	612	567
Current receivables from Nordstjernan Group	3	6
Current liabilities to Nordstjernan Group	69	63
Transactions with the Axel Johnson Group		
Sales to Axel Johnson Group		1
Purchases from Axel Johnson Group	5	2
Current liabilities to Axel Johnson Group	1	1
Transactions with the Lundberg Group		
Sales to Lundberg Group	97	76
Purchases from Lundberg Group	1	1
Current receivables from Lundberg Group	11	32

NOTE 46 | PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group		Parent Company	
	2007	2006	2007	2006
Pledged assets				
For own liabilities:				
Property mortgages	23	22		
Chattel mortgages	8	18		
Promissory note receivables	18	18		
Assets subject to liens, etc.	215	189		
Restricted bank deposits	95	90	12	12
Total pledged assets	**359**	**338**	**12**	**12**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies			12,909	10,919
Deposits and concession fees	2,357	1,643	2,357	1,643
Construction loans	2,284	2,386	1,642	2,255
Other guarantees and contingent liabilities	981	1,416	1,591	1,012
Held jointly with other companies:				
Liabilities in consortiums, partnerships and limited partnerships	127	112	7	7
Total contingent liabilities	**5,749**	**5,557**	**18,506**	**15,836**

There are no contingent assets.

Assets subject to liens
Pertains to leased equipment in the form of vehicles and computers.

Sureties on behalf of Group companies
Sureties on behalf of subsidiaries have mainly been issued as collateral for utilized guarantee limits with banks and insurance companies, NCC Treasury AB's borrowing and for the fulfillment of construction-contract agreements.

Deposits and concession fees
Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by NCC. Such guarantees shall be relinquished as soon as one month has passed after the final acquisition cost for the tenant-owner association's building has been established.

Building loans
Security provided as collateral for a building loan raised from a tenant-owner association applies until loans are transferred from the agreed long-term financing.

Other sureties and contingent liabilities
In 2006, a contingent liability was recognized concerning demands made in connection with investigations pursued by competition authorities in Sweden and Finland. The verdicts on these cases were announced in 2007 and they have been appealed. The competition-infringement fees that NCC was sentenced to pay were charged against net profit for 2007.

Nine municipal authorities have sued companies, including NCC, for damages due to cartel collusion. The combined claim for damages from all of the companies involved totals approximately SEK 57 M. A verdict has been passed to the effect that parties other than contractual parties with municipalities could be sued. The process is pending the verdicts in the trial mentioned above gaining legal effect.

In February 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to the Norwegian economic crimes agency (Økokrim) for alleged breach of competition legislation. In July 2006, Økokrim submitted its demands for fines of NOK 3 M and NOK 2 M to be imposed on NCC Construction Norway and NCC Roads, respectively. The discussions with Økokrim have yet to be completed.

NOTE 47 | CASH FLOW STATEMENT

Cash and cash equivalents

GROUP	2007	2006
Cash and bank balances	1,382	1,040
Short-term investments	303	213
Total according to balance sheet and cash flow statement	**1,685**	**1,253**

PARENT COMPANY	2007	2006
Cash and bank balances	1,319	989
Short-term investments	1,100	2,096
Total according to cash flow statement	**2,419**	**3,085**

The short-term investments have been classified as cash and cash equivalents based on the following considerations:

– They are subject to an insignificant risk of value fluctuation.
– They can easily be converted into cash funds.
– They have a maturity of not more than three months from the date of acquisition.

Acquisition of subsidiaries

According to acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	2007	2006
Intangible fixed assets	–6	–10
Buildings and land	–16	–9
Tangible fixed assets	–41	–26
Properties classed as current assets	–30	–5
Inventories	–7	–2
Accounts receivable and other current receivables	–51	–16
Cash and cash equivalents		–14
Long-term liabilities	15	22
Accounts payable and other current liabilities	25	11
Current interest-bearing liabilities	22	11
Minority interest	2	
Deferred tax liability	4	6
Purchase considerations paid	**–83**	**–32**
Acquired cash and cash equivalents		14
Impact on the Group's cash and cash equivalents	**–83**	**–18**

Sale of subsidiaries

GROUP	2007	2006
Intangible fixed assets	7	
Buildings and land	94	
Tangible fixed assets	312	
Financial fixed assets	55	
Inventories	92	
Accounts receivable and other current receivables	365	
Cash and cash equivalents	107	
Long-term liabilities	–30	
Accounts payable and other current liabilities	–181	
Current interest-bearing liabilities	–379	
Minority interest	–45	
Deferred tax liability	–18	
Capital gains	475	
Purchase considerations	**854**	
Sold cash and cash equivalents	–107	
Impact on the Group's cash and cash equivalents	**747**	

No companies were sold in 2006. The income statement amount called Result from sales of Group companies pertains to utilization of a reserve relating to sales completed in 2005.

Acquisition of tangible fixed assets

Group

Acquisitions of tangible fixed assets during the year amounted to SEK 553 M (619), of which SEK 0 M (0) was financed through loans.

Acquisitions of subsidiaries amounted to SEK 83 M (32), of which SEK 0 M (14) had no effect on cash flow. Sales of subsidiaries amounted to SEK 854 M (0), of which SEK 107 M (0) had no effect on cash flow.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 213 M (58), of which SEK 0 M (0) was financed through loans.

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

Information about interest paid/received

Group

Interest received during the year amounted to SEK 93 M (88). Interest paid during the year amounted to SEK 261 M (185).

Parent Company

Interest received during the year amounted to SEK 122 M (72). Interest paid during the year amounted to SEK 118 M (111).

Cash flow attributable to joint ventures consolidated in accordance with the proportional method

GROUP	2007	2006
Operating activities	187	104
Change in working capital	175	–205
Investing activities	–24	–4
Financing activities	–120	128
Total cash flow	**218**	**23**

Cash and cash equivalents unavailable for use

GROUP	2007	2006
Restricted bank deposits	95	90
Cash and cash equivalents in joint ventures	296	76
Total cash and cash equivalents unavailable for use	**391**	**166**

Transactions that do not give rise to disbursements

GROUP	2007	2006
Sales of assets through receipt of promissory note		146
Acquisition of an asset through financial leasing	108	89

NOTE 48 | DIVESTED OPERATIONS

The divested operations pertain to NCC Roads' Polish asphalt and aggregates operations that were sold to Strabag SE in April 2007.

	Remaining operation		Divested operation		Group total	
	2007	2006	2007	2006	2007	2006
Income statement						
Net sales	58,270	54,350	127	1,526	58,397	55,876
Operating expenses	–55,814	–52,033	208	–1,451	–55,607	–53,484
Operating profit	**2,455**	**2,317**	**335**	**75**	**2,790**	**2,392**
Net financial items	–194	–111	12	–19	–182	–129
Profit after financial items	**2,261**	**2,207**	**347**	**56**	**2,608**	**2,263**
Tax	–367	–542	10	–13	–357	–555
Net profit	**1,894**	**1,664**	**357**	**44**	**2,252**	**1,708**
Attributable to NCC's shareholders	1,888	1,670	359	37	2,247	1,706
Minority interests	6	–6	–2	7	4	1
Net profit	**1,894**	**1,664**	**357**	**44**	**2,252**	**1,708**
Balance sheet						
Fixed assets	6,424	7,233		409	6,424	7,642
Current assets	27,645	22,379		581	27,645	22,961
Total assets	**34,069**	**29,613**	**0**	**990**	**34,069**	**30,603**
Total liabilities	**26,832**	**22,989**	**0**	**743**	**26,832**	**23,732**
Net assets	**7,237**	**6,624**	**0**	**247**	**7,237**	**6,870**
Cash flow						
Cash flow from operating activities	1,078	2,134	–47	37	1,031	2,171
Investing activities	–539	–441	673	–72	134	–514
Financing activities	–743	–2,424	–20	117	–763	–2,307
Cash flow for the year	**–204**	**–731**	**606**	**82**	**402**	**–649**

NOTE 49 | INFORMATION ABOUT THE PARENT COMPANY

NCC AB, Corp. Reg. No: 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC's shares are listed on the OMX Exchange Stockholm/ Large Cap List.
The address to the Head Office is:
NCC AB, Vallgatan 3, SE-170 80 Solna

The consolidated accounts for 2007 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

NCC AB is consolidated as a subsidiary in Nordstjernan AB's consolidated accounts. Nordstjernan AB accounts for 26.7 percent of the share capital and 54.6 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 50 | CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting principles have been made on the basis of what is known when the Annual Report was issued. The estimates and assessments may, at a later date, be changed because of, for example, changes in factors in the business environment. The assessments that are most critical to NCC are reported below.

Percentage-of-completion profit recognition

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills. Project control also includes a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion.

Valuation of properties classed as current assets

Several assumptions are made about future conditions that form the basis for calculations of the return requirement determining the net realizable value that is compared with the estimated project cost, which in turn determines the size of any impairment loss. If these conditions change, the value of the remaining properties could change.

Impairment of goodwill

Several assumptions and assessments are made about the future conditions that form the basis for calculations of the cash flow that determines the recoverable value. Based on the recoverable value, the size of any impairment losses is then calculated. If these conditions change, the value of the remaining goodwill could also change. Also refer to Note 21, Intangible assets.

Exposure to foreign currencies

Changes in exchange rates in markets in which NCC is active could have an impact on NCC. NCC's exposure to exchange rates is described in Note 18.

Guarantee commitments

The provisions for guarantee commitments are based on calculations, assessments made by company management and experience of similar transactions. A prerequisite for the reliability of these assessments is that NCC's production and materials maintain the same quality and standard as in prior years.

Pension obligations

Changes in the actuarial assumptions that form the basis for the calculations made of, for example, the value of plan assets, as well as the trend in the pension obligation, could have an impact on NCC. Major effects could fall outside the "corridor" and thus affect the income statements. The actuarial assumptions are described in Note 38, Pensions.

Sureties and contingent liabilities

NCC's management has arrived at conclusions about the probability of the outcome of significant ongoing legal disputes on the basis of the information and knowledge that NCC currently possesses. The final outcome may differ from the assessed outcome.

NOTE 51 | EVENTS AFTER THE BALANCE-SHEET DATE

NCC Treasury AB and a group of banks signed a revolving credit facility totaling EUR 275 M, corresponding to approximately SEK 2,600 M. The transaction replaces an existing revolving credit facility of EUR 200 M that was signed in January 2005. The duration of the credit facility is five years with an option to extend it for an additional two years.

NCC Roads Oy has acquired the operations of Valtatie Oy, the previously 50-percent owned asphalt company in Finland, from the Colas Group of France. The operation will be integrated into NCC's Finnish operations, which will consequently become one of the major players in the Finnish asphalt and paving market. The merged operation will have annual sales of approximately SEK 950 M, employ nearly 400 people and have a market share of slightly more than 20 percent within asphalt and paving. The purchase consideration is not being published and the transaction was approved by the Finnish Competition Authority (FCA) in February 2008.

The Board of Directors and President hereby give their assurance that the Annual Report and the consolidated accounts have been compiled in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and with generally acceptable accounting practices for listed companies and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated accounts were approved for issue by the Board of Directors on February 7, 2008. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 8, 2008 for adoption.

Solna, February 7, 2008

Tomas Billing
Chairman of the Board

Antonia Ax:son Johnson
Member of the Board

Ulf Holmlund
Member of the Board

Fredrik Lundberg
Member of the Board

Anders Rydin
Member of the Board

Marcus Storch
Member of the Board

Lars Bergqvist
Member of the Board representing employees

Sven Frisk
Member of the Board representing employees

Ruben Åkerman
Member of the Board representing employees

Olle Ehrlén
President and CEO

Our audit report was submitted on February 20, 2008

KPMG Bohlins AB

Per Bergman

Authorized Public Accountant

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF NCC AB, 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 2007 fiscal year. The Company's Annual Report is included in the printed version of this document on pages 38–93. The Board of Directors and the President are responsible for these accounts and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when the Annual Report is compiled, and that the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act are applied for compiling the consolidated accounts. Our responsibility is to express an opinion on the Annual Report, consolidated 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 Annual Report and 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, evaluating the material estimations made by the Board of Directors and President when compiling the Annual Report and the consolidated financial statements, and evaluating the overall presentation of information in the Annual Report and consolidated financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the 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 Report has been prepared in accordance with the Annual Accounts Act and provides a true and fair picture of the Company's and the Group's earnings and financial position in accordance with Generally Accepted Accounting Standards in Sweden. The consolidated accounts have been compiled in compliance with the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act and provide an accurate impression of the Group's earnings and financial position. The Report of the Board of Directors is compatible with the other parts of the Annual Report and consolidated financial statements.

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 20, 2008
KPMG Bohlins AB

Per Bergman
Authorized Public Accountant

DEFINITIONS/GLOSSARY

FINANCIAL DEFINITIONS

Average interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average of the balances at January 1, March 31, June 30, September 30 and December 31.

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

Capital turnover rate: Net sales divided by average capital employed.

Debt/equity ratio: Net indebtedness divided by shareholders' equity.

Dividend yield: The dividend as a percentage of the market price at year-end.

Earnings per share, after taxes: Net profit for the year attributable to NCC shareholders divided by the weighted number of shares during the year in question.

Equity/assets ratio: Shareholders' equity 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.

Interest-coverage ratio: Profit after financial items plus financial expense divided by financial expense.

Net indebtedness: Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net investments: Closing balance less opening balance plus depreciation and impairment losses 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.

Operating net: Result from property management before depreciation.

Order backlog: Value at the end of the year of the remaining non-worked-up project revenues for projects received, including proprietary projects for sale that have not been completed.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale, if a decision to initiate the assignment has been taken, are also included among assignments received.

P/E ratio: Market price of the shares at year-end, divided by earnings per share after taxes.

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

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 capital employed: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed.

Return on equity: Net profit for the year according to the income statement excluding minority share as a percentage of average shareholders' equity.

Return on total capital: Profit after financial items including result from participations in associated companies plus financial expense as a percentage of average total assets.

Share of risk-bearing capital: The total of shareholders' equity and deferred tax liabilities as a percentage of total assets.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

SECTOR-RELATED TERMS

Aggregates: Rock materials resulting from the disintegration of rock through crushing; also called macadam.

Ballast: Normal term for gravel, disintegrated materials, mainly rock materials, used for construction and civil engineering purposes.

Buildings/other buildings: In descriptions of operations, this term pertains to commercial buildings, mainly offices, retail outlets, shopping malls and garages.

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.

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 building design. 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 building design stage right through to completion.

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.

LNG: Liquefied Natural Gas.

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 EcoConcept: Customer offering based on a calculation of the lifecycle costs of projects.

NCC Partnering: A cooperation format applied in the construction and civil engineering industry, whereby the client, consultants and contractor establish open and trusting cooperation at an early stage of the process based on shared goals, joint activities and joint financial targets in order to optimize the project.

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. Pertains to both housing projects and commercial property projects.

Required yield: The property yield required by NCC Property Development's investors for their investment, which is to be achieved through rental guarantees.

Total-package project: When NCC is responsible for the entire chain of services, from concept to project sale.

MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006	2007
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	45,437	46,534	49,506	55,876	58,397
Production costs	–30,832	–33,446	–34,641	–45,232	–40,950	–41,739	–41,809	–42,749	–45,158	–50,729	–52,572
Gross profit	**3,328**	**4,014**	**4,087**	**2,289**	**4,215**	**3,513**	**3,628**	**3,785**	**4,347**	**5,147**	**5,825**
Selling and administrative costs	–2,587	–3,062	–2,545	–4,004	–3,157	–2,717	–2,523	–2,577	–2,677	–2,795	–3,059
Result from property management				254	103	50	29	45	17	–5	
Result from sales of managed properties	323	163	640	229	322	–26	51	–60	92	9	
Result from sales of owner-occupied properties						16	6	6	19	22	19
Impairment losses on fixed assets			–16	–282	–6	–64	–138	–149	–94	–22	–245
Impairment losses/reversal of impairment losses on properties, NCC Property Development [1)]		31	–44	–77	–4	–782	–69				
Result from sale of Group companies	1	7	–1	8	303	4	73	64	–5	7	415
Competition-infringement fee											–175
Result from participations in associated companies	36	211	294	47	44	11	60	33	49	29	11
Operating profit/loss	**1,101**	**1,364**	**2,415**	**–1,536**	**1,820**	**5**	**1,117**	**1,147**	**1,748**	**2,392**	**2,790**
Financial income	190	363	503	529	327	219	148	209	116	116	131
Financial expense	–561	–476	–765	–1123	–841	–547	–310	–412	–284	–245	–313
Net financial items	**–371**	**–113**	**–262**	**–595**	**–514**	**–328**	**–162**	**–203**	**–168**	**–129**	**–182**
Profit/loss after net financial items	**730**	**1,251**	**2,153**	**–2,130**	**1,306**	**–323**	**955**	**945**	**1,580**	**2,263**	**2,608**
Tax on profit for the year	–184	–408	–655	–121	–461	–77	–96	–68	–393	–555	–357
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**859**	**876**	**1,187**	**1,708**	**2,252**
Attributable to:											
NCC's shareholders	543	838	1,494	–2,269	821	–421	856	873	1,178	1,706	2,247
Minority interests	3	5	4	18	24	21	3	3	9	1	4
Net profit/loss for the year	**546**	**843**	**1,498**	**–2,251**	**844**	**–400**	**859**	**876**	**1,187**	**1,708**	**2,252**

1) As of 2004, Impairment losses/reversal of impairment losses on properties, NCC Property Development are reported as production costs.

1998 Earnings improved as a result of coordination gains from the merger with SIAB, an increase in project development and the sale of properties.

1999 The main reason for the increase in earnings was an improvement in the construction operations of foreign subsidiaries. The sale of the Neptun Maritime and BPA shareholdings contributed a capital gain of SEK 201 M. Asphalt and ballast operations were acquired from Superfos, a Danish construction group.

2000 Earnings for 2000 included surplus pension funds from Alecta amounting to SEK 912 M. The main reason for the improved earnings was a high rate of activity within real estate operations. Rieber & Søn's asphalt and aggregate operations were also acquired.

2001 Earnings for 2001 were charged SEK 1,740 M for write-downs and provisions. A comprehensive restructuring and action program was introduced to improve profitability. As of 2001, sales of NCC Property Development's property projects were reported as part of net sales. The effect for 2001 was an approximately SEK 1.5 billion increase in sales.

2002 Operations were affected by the action program initiated in 2001. Restructuring measures were implemented in the Nordic countries. The phase-out of non-core operations was initiated. The sale of the subsidiary NVS generated a capital gain of SEK 301 M.

2003 Earnings for 2003 were charged SEK 782 M for impairment losses within NCC Property Development and SEK 195 M for impairment losses within NCC Roads, including restructuring measures. The subsidiary Altima was spun off. Altima's earnings for full-year 2003 are included.

2004 Properties were sold for nearly SEK 5 billion and net indebtedness was reduced by SEK 3.7 billion to SEK 1.1 billion. Profit after financial items improved to SEK 0.9 billion (loss: 0.3)

2005 NCC achieved all of its financial objectives. The return on equity was 18 percent. Net indebtedness was reduced by SEK 0.5 billion.

2006 All of NCC's financial objectives were surpassed.

2007 Another strong year, with the best earnings in NCC's history, despite costs for discontinuing NCC Complete and competition-infringement fees. The Polish asphalt and aggregates operations were sold during the year.

BALANCE SHEET, SEK M	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006	2007
ASSETS											
Fixed assets											
Goodwill	1,313	2,193	3,210	2,787	2,538	2,045	1,597	1,790	1,772	1,700	1,651
Other intangible assets	31	41	87	146	130	82	31	31	61	113	96
Managed properties	7,557	5,950	4,570	3,895	1,306	897	41	449	71	65	21
Owner-occupied properties and construction in progress	479	723	1,057	1,072	1,190	868	821	830	865	796	640
Machinery and equipment	1,440	1,961	3,218	3,242	3,055	1,926	1,803	1,848	1,937	1,940	1,774
Participations in associated companies	1,500	1,076	833	872	805	694	609	200	44	47	25
Other long-term holdings of securities	590	278	384	236	201	167	311	311	265	242	250
Long-term receivables	1,514	1,183	1,203	670	1,253	1,217	1,392	1,363	1,246	2,739	1,968
Total fixed assets	**14,424**	**13,405**	**14,562**	**12,920**	**10,478**	**7,896**	**6,605**	**6,822**	**6,263**	**7,642**	**6,424**
Current assets											
Property projects	2,174	3,276	4,036	5,477	4,215	3,755	2,002	2,105	2,005	1,955	2,145
Housing projects	1,154	1,870	3,152	3,335	3,358	3,510	3,495	4,005	3,884	4,905	6,662
Materials and inventories	428	495	721	669	727	575	604	949	1,013	1,517	2,365
Participations in associated companies				120	132	116	53				
Accounts receivable	5,460	5,291	7,140	6,880	6,401	6,167	6,185	6,476	7,137	7,934	8,323
Worked-up, non-invoiced revenues			1,135	3,507	2,683	2,420	2,696	2,998	2,737	2,840	2,956
Prepaid expenses and accrued income	574	1,411	909	689	884	692	582	587	638	852	1,048
Other receivables	1,110	911	2,831	2,551	2,620	2,399	1,912	1,819	1,361	1,532	1,979
Short-term investments	9	3	1			2	32	113	153	173	483
Cash and cash equivalents	3,126	2,368	2,206	3,164	3,717	2,463	2,574	2,514	1,919	1,253	1,685
Total current assets	**14,035**	**15,625**	**22,131**	**26,392**	**24,737**	**22,101**	**20,133**	**21,567**	**20,848**	**22,961**	**27,645**
TOTAL ASSETS	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**	**28,389**	**27,110**	**30,603**	**34,069**
SHAREHOLDERS' EQUITY											
Shareholders' equity	9,671	9,795	9,971	7,322	7,597	6,188	6,728	6,715	6,785	6,796	7,207
Minority interests	25	30	20	94	83	78	84	84	94	75	30
Total shareholders' equity	**9,696**	**9,825**	**9,991**	**7,416**	**7,680**	**6,266**	**6,812**	**6,799**	**6,879**	**6,870**	**7,237**
LIABILITIES											
Long-term liabilities											
Long-term interest-bearing liabilities	2,260	3,878	4,757	4,826	4,924	4,267	3,148	3,485	2,004	2,023	1,590
Other long-term liabilities	20	20	2,212	24	20	38	34	343	392	561	816
Deferred tax liabilities	334	513	858	504	687	659	502	481	199	461	431
Provisions for pensions and similar obligations	1,356	1,445	884	1,022	1,168	20	180	180	143	119	112
Other provisions	651	657	714	1,370	1,475	1,472	1,641	1,683	1,611	2,157	2,729
Total long-term liabilities	**4,621**	**6,513**	**9,425**	**7,746**	**8,274**	**6,456**	**5,506**	**6,172**	**4,348**	**5,321**	**5,678**
Current liabilities											
Current interest-bearing liabilities	4,801	3,505	6,073	8,904	4,987	4,125	1,107	1,187	1,052	552	1,701
Accounts payable	3,743	3,124	4,463	4,890	4,460	3,855	3,891	3,908	4,520	4,874	4,974
Tax liabilities	48	193	333	398	292	118	261	260	137	170	101
Invoiced, non-worked-up revenues	1,351	1,466	2,632	3,468	3,486	3,521	3,563	4,375	4,367	4,823	4,971
Accrued expenses and deferred income	2,236	2,511	2,472	3,548	3,003	3,161	3,231	3,305	3,271	4,592	5,177
Other current liabilities	1,963	1,893	1,304	2,942	3,033	2,497	2,368	2,383	2,535	3,400	4,231
Total current liabilities	**14,142**	**12,692**	**17,277**	**24,150**	**19,261**	**17,276**	**14,421**	**15,418**	**15,883**	**18,411**	**21,154**
Total liabilities	**18,763**	**19,205**	**26,702**	**31,896**	**27,535**	**23,732**	**19,926**	**21,590**	**20,231**	**23,732**	**26,832**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**	**28,389**	**27,110**	**30,603**	**34,069**

cont. MULTI-YEAR REVIEW

KEY FIGURES	1998	1999	2000	2001	2002	2003	2004	IFRS 2004	2005	2006	2007
Accounts, SEK M											
Net sales	34,160	37,460	38,728	47,521	45,165	45,252	45,437	46,534	49,506	55,876	58,397
Operating profit/loss	1,101	1,364	2,415	–1,536	1,820	5	1,117	1,147	1,748	2,392	2,790
Profit/loss after net financial items	730	1,251	2,153	–2,130	1,306	–323	955	945	1,580	2,263	2,608
Profit/loss for the year	546	843	1,498	–2,251	844	–400	859	876	1,187	1,708	2,252
Investments in fixed assets	1,315	2,761	4,298	2,269	1,662	1,102	850	866	901	798	780
Cash flow, SEK M											
Cash flow from operating activities	881	–63	279	916	2,747	959	3,399	4,161	2,046	2,171	1,031
Cash flow from investing activities	–289	–542	–2,635	–1,662	2,308	–196	1,097	1,083	69	–514	134
Cash flow before financing	592	–605	–2,356	–746	5,055	762	4,517	5,244	2,115	1,657	1,165
Cash flow from financing activities	–1,066	–159	2,161	1,617	–4,452	–1,962	–4,380	–5,264	–2,745	–2,307	–763
Change in cash and cash equivalents	–474	–764	–195	871	603	–1,199	115	–20	–596	–666	432
Profitability ratios											
Return on shareholders' equity, %	6	9	15	neg	11	neg	14	14	18	27	34
Return on capital employed, %	7	10	13	neg	10	1	10	9	17	24	28
Financial ratios at year-end											
Interest-coverage ratio, %	2,3	3,3	4,8	–1,1	2,4	0,5	3,6	3,6	6,9	11,5	10,2
Equity/assets ratio, %	34	34	27	19	22	21	25	24	25	22	21
Interest-bearing liabilities/total assets, %	29	30	32	37	31	28	16	17	12	9	10
Net indebtedness	3,627	5,296	8,118	10,306	5,816	4,891	679	1,149	496	430	744
Debt/equity ratio, times	0,4	0,5	0,8	1,4	0,8	0,8	0,1	0,2	0,1	0,1	0,1
Capital employed at year-end	18,077	18,628	21,705	22,153	18,759	14,678	11,098	11,503	10,032	9,565	10,639
Capital employed, average	17,745	18,974	19,797	22,999	20,770	17,770	13,152	14,054	10,930	10,198	10,521
Capital turnover rate	1,9	2,0	1,8	2,1	2,2	2,5	3,5	3,3	4,5	5,5	5,6
Share of risk-bearing capital, %	35	36	30	20	24	23	27	26	26	24	23
Average interest rate, %	6.1	5.3	5.5	5.6	5.3	4.6	4.8	4.8	4.8	4.8	5.2
Average period of fixed interest, years	1.6	2.3	1.6	1.2	1.3	0.9	1.3	1.3	1.1	2.6	1.8
Order status, SEK M											
Orders received	33,124	37,500	46,316	50,647	43,098	40,941	45,362	45,624	52,413	57,213	63,344
Order backlog	18,460	19,380	25,835	30,750	23,788	23,752	27,077	27,429	32,607	36,292	44,740
Per share data, SEK											
Profit/loss after taxes, before dilution	5.00	7.70	14.00	–21.60	7.95	–4.10	8.36	8.53	11.07	15.80	20.75
Profit/loss after taxes, after dilution	5.00	7.70	13.80	–21.60	7.55	–4.10	7.89	8.05	10.86	15.74	20.73
Cash flow from operating activities, after dilution	8.13	–0.58	2.57	8.45	25.34	8.84	31.25	38.39	18.88	20.03	9.51
Cash flow before financing, after dilution	5.46	–5.58	–21.73	–6.88	46.63	7.03	41.67	48.38	19.52	15.29	10.75
P/E ratio, before dilution	12	13	5	neg	7	neg	10	10	13	12	7
Ordinary dividend [3]	2.50	4.00	4.50	2.25	2.75	2.75	4.50	4.50	5.50	8.00	11.00
Extraordinary dividend [2,3]	3.00	7.00				6.70 [2]	10.00	10.00	10.00	10.00	10.00
Dividend yield, %	8.9	11.2	6.5	3.2	5.2	17.0	16.5	16.5	10.9	9.6	15.1
Dividend yield excl. extraordinary dividend, %	4.1	4.1	6.5	3.2	5.2	5.0	5.1	5.1	3.9	4.3	7.9
Shareholders' equity before dilution	89.20	90.30	93.90	69.75	74.20	60.45	65.70	65.58	63.30	62.86	66.48
Shareholders' equity after dilution	89.20	90.30	91.98	67.55	70.08	57.08	62.07	61.95	62.60	62.69	66.48
Share price/shareholders' equity, %	69	108	73	100	71	92	134	134	225	298	209
Share price at year-end, NCC B	61.50	98.00	69.00	70.00	53.00	55.50	88.00	88.00	142.50	187.50	139.00
Number of shares, millions											
Total number of issued shares [4]	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end			2.7	3.4	6.0	6.0	6.0	6.0	1.2	0.3	0.0
Total number of shares outstanding at year-end before dilution	108.4	108.4	105.7	105.0	102.4	102.4	102.4	102.4	107.2	108.1	108.4
Average number of shares outstanding before dilution during the year	108.4	108.4	107.0	105.0	103.6	102.4	102.4	102.4	106.4	108.0	108.3
Market capitalization before dilution, SEK M	6,669	10,564	7,353	7,347	5,366	5,625	8,984	8,984	15,282	20,242	14,999
Personnel											
Average number of employees	21,645	24,122	25,192	28,170	25,554	24,076	22,214	22,375	21,001	21,784	21,047

[1] Pertains to the carrying amount for development and managed properties.
[2] Extraordinary dividend in 2003 pertains to all shares in Altima.
[3] Board of Directors' motion to the Annual General Meeting.
[4] All shares issued by NCC are common shares.

Figures for 1998 to 2004 are not IFRS adjusted.
Figures for 2004 are not adjusted for IAS 39, Financial Instruments.
For definitions of key figures, see page 95.

QUARTERLY DATA

SEK M	Quarterly amounts, 2007 Q 1	Q 2	Q 3	Q 4	Full year 2007	Quarterly amounts, 2006 Q 1	Q 2	Q 3	Q 4	Full year 2006
NCC Group										
Orders received	12,209	18,105	16,782	16,247	63,344	13,157	14,990	12,455	16,612	57,213
Order backlog	38,456	42,559	45,599	44,740	44,740	35,950	37,077	36,157	36,292	36,292
Net sales	11,816	15,109	14,177	17,295	58,397	9,965	13,500	14,483	17,928	55,876
Operating profit/loss	–53	1,315	866	662	2,790	–49	758	906	778	2,392
Operating margin, %	–0.4	8.7	6.1	3.8	4.8	–0.5	5.6	6.3	4.3	4.3
Profit/loss after financial items	–85	1,271	814	608	2,608	–82	710	901	733	2,263
Net profit/loss attributable to NCC shareholders	–66	1,027	744	542	2,247	–52	499	670	589	1,706
Earnings per share after dilution, SEK	–0.61	9.48	6.86	5.00	20.73	–0.48	4.61	6.18	5.43	15.74
Average number of shares outstanding after dilution during the year, millions	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
NCC Construction Sweden, excl. NCC Complete										
Orders received	5,333	6,763	9,015	8,806	29,917	4,451	6,045	5,235	7,652	23,382
Order backlog	17,336	18,175	21,593	22,473	22,473	15,570	16,289	16,543	17,152	17,152
Net sales	5,137	5,902	5,578	8,265	24,881	4,473	5,402	4,986	7,151	22,098
Operating profit	244	364	330	486	1,424	243	267	300	425	1,235
Operating margin, %	4.8	6.2	5.9	5.9	5.7	5.4	4.9	6.0	5.9	5.6
Capital employed	1,302	1,503	1,769	2,200	2,200	1,127	1,239	1,499	1,753	1,753
NCC Construction Denmark										
Orders received	1,451	1,699	728	1,093	4,971	1,800	2,438	1,027	1,558	6,822
Order backlog	4,881	4,976	4,391	3,848	3,848	4,612	5,290	4,945	4,604	4,604
Net sales	1,330	1,558	1,287	1,735	5,910	1,639	1,669	1,396	1,789	6,493
Operating profit/loss	15	20	–17	17	36	15	8	–59	1	–35
Operating margin, %	1.2	1.3	–1.3	1.0	0.6	0.9	0.5	–4.2	0.1	–0.5
Capital employed	1,410	1,518	1,320	1,778	1,778	705	752	841	1,032	1,032
NCC Construction Finland										
Orders received	2,134	2,496	2,518	1,914	9,062	1,795	2,092	1,397	1,792	7,076
Order backlog	5,348	5,834	6,587	6,423	6,423	4,466	4,864	4,629	4,525	4,525
Net sales	1,485	1,967	1,742	2,237	7,432	1,337	1,624	1,642	1,847	6,450
Operating profit	80	159	99	96	434	73	104	108	105	390
Operating margin, %	5.4	8.1	5.7	4.3	5.8	5.4	6.4	6.6	5.7	6.0
Capital employed	1,352	1,475	1,500	1,516	1,516	1,126	1,264	1,254	1,187	1,187
NCC Construction Norway										
Orders received	1,497	2,873	1,241	1,508	7,118	2,990	1,834	1,299	1,860	7,982
Order backlog	6,081	7,461	7,355	6,871	6,871	5,617	5,772	5,442	5,621	5,621
Net sales	1,329	1,565	1,528	1,913	6,335	1,422	1,571	1,462	1,547	6,002
Operating profit/loss	–42	47	55	16	76	30	70	53	25	179
Operating margin, %	–3.1	3.0	3.6	0.8	1.2	2.1	4.5	3.6	1.6	3.0
Capital employed	614	570	627	657	657	562	603	628	608	608
NCC Construction Germany										
Orders received	314	843	765	843	2,764	308	255	745	1,036	2,344
Order backlog	1,842	2,125	2,225	2,374	2,374	1,390	1,046	1,463	1,818	1,818
Net sales	349	541	655	755	2,301	213	581	330	640	1,763
Operating profit/loss	2	28	23	65	117	–3	34	14	40	85
Operating margin, %	0.5	5.1	3.4	8.7	5.1	–1.6	5.9	4.3	6.3	4.8
Capital employed	1,497	1,632	1,663	1,621	1,621	1,470	972	1,120	1,257	1,257
NCC Property Development										
Net sales	1,287	1,496	658	143	3,583	30	212	1,326	2,206	3,773
Operating profit/loss	47	353	102	278	780	–12	23	171	291	472
Capital employed	2,343	2,476	2,219	2,160	2,160	2,715	2,335	2,525	2,123	2,123
NCC Roads										
Orders received	1,495	3,381	2,510	2,892	10,278	1,689	2,486	2,722	2,835	9,733
Order backlog	1,888	2,784	2,125	1,852	1,852	2,749	2,596	1,863	1,426	1,426
Net sales	1,062	2,490	3,171	3,171	9,893	733	2,604	3,451	3,256	10,044
Operating profit/loss	–337	558	411	46	679	–342	285	429	43	415
Operating margin, %	–31.7	22.4	13.0	1.5	6.9	–46.6	10.9	12.4	1.3	4.1
Capital employed	2,841	2,755	2,856	2,027	2,027	3,077	3,822	3,827	3,075	3,075
NCC Roads, excl. Polish asphalt and aggregate operations										
Orders received	1,372	3,379	2,510	2,892	10,151	1,652	2,135	2,164	2,255	8,206
Order backlog	1,888	2,784	2,125	1,852	1,852	2,749	2,596	1,863	1,426	1,426
Net sales	940	2,488	3,171	3,171	9,766	696	2,253	2,893	2,676	8,518
Operating profit/loss	–289	176	411	46	344	–304	272	377	–4	340
Operating margin, %	–30.8	7.1	13.0	1.5	3.5	–43.7	12.1	13.0	–0.2	4.0
Capital employed	2,277	2,755	2,856	2,027	2,027	2,618	3,298	3,246	2,453	2,453

The operations of NCC Roads and certain activities within NCC's Construction units are affected by seasonal variations in their production caused by cold weather conditions. The first and final quarters are normally weaker than the rest of the year.

CORPORATE GOVERNANCE

NCC AB is a Swedish public limited liability company whose shares are listed on the OMX Nordic Exchange Stockholm/Large Cap. NCC AB is governed in accordance with Swedish company law. NCC also complies with other applicable Swedish and international laws and regulations. In addition, NCC complies with the Nordic Exchange's listing agreement, which since July 1, 2005 also includes the Swedish Code of Corporate Governance. NCC applies the Code, with the exception of the need to form an audit committee and remuneration committee within the Board. The reasons for these deviations are described below. This report is not part of the formal annual report documentation and has not been examined by the Company's auditors.

GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Notice of meetings shall be made in the form of an announcement in *Post- och Inrikes Tidningar* and *Dagens Nyheter*. 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 convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the Company prior notice of this.

The 2007 Annual General Meeting was held on April 11 and was attended by 210 shareholders representing 51 percent of the share capital and 84 percent of the total number of voting rights.

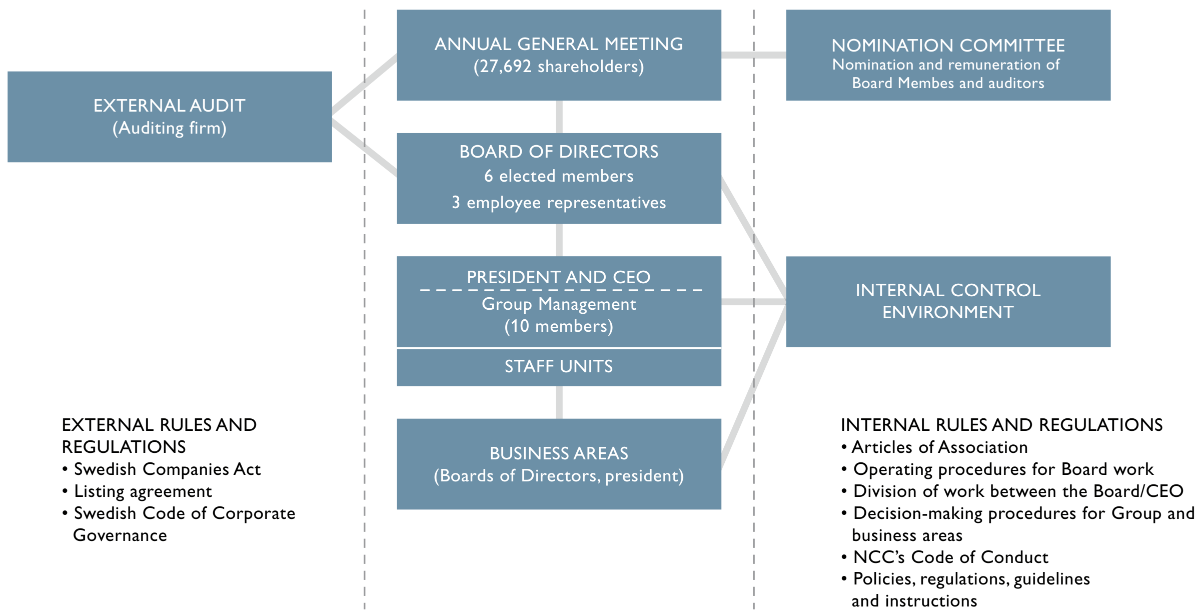
OWNERSHIP STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share one vote. All of the shares carry identical rights to participation in the Company's assets and profits and identical entitlement to dividends. The distribution of shares and voting rights is shown on p. 111, as is the ownership structure. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the Company's Board, which makes continuous decisions on such matters. Following a conversion decision, the matter is reported to VPC for registration. Conversions become effective when the shares are registered.

COMPOSITION OF THE BOARD

The Board shall consist of not fewer than five and not more than ten members elected by the Annual General Meeting. The employees are represented on the Board. The Board Members are elected for a period of one year. During 2007, there were six elected Board Members. The Board also included three representatives and two deputies for the employees. Three of the Board members (Antonia Ax:son Johnson, Tomas Billing and Marcus Storch) were dependent on the principal owner Nordstjernan and one member (Fredrik Lundberg) was dependent on the second largest shareholder L E Lundbergföretagen. Ulf Holmlund and Anders Rydin are independent in relation to NCC's major shareholders. Information on individual Board Members is presented on pp. 106–107.

NCC'S CONTROL STRUCTURE



NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee, which nominates candidates to the Annual General Meeting for election as Board members, proposes the fees to be paid to Board members and nominates auditors and the fees to be paid to them. The Annual General Meeting held on April 11, 2007 re-elected Viveca Ax:son Johnson (Chairman of Nordstjernan), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen) and Mats Lagerqvist (President of Robur) to the Nomination Committee, with Viveca Ax:son Johnson as chairman. Tomas Billing, Chairman of the NCC Board, was a co-opted member of the Committee, but had no voting right. No remuneration was paid to members of the Nomination Committee, which held total two meetings to address nominations of Board members, the auditor and fees ahead of the 2008 Annual General Meeting.

A report on the Nomination Committee's work ahead of the Annual General Meeting is presented on NCC's website www.ncc.se under the "Corporate Governance" tab.

BOARD DUTIES

In 2007, NCC's Board held six scheduled meetings, two extraordinary meetings plus the statutory meeting held directly after the Annual General Meeting, making a total of nine meetings. The number of meetings complied with a pre-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. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. 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. The Board made several worksite visits in connection with Board meetings. Other senior executives within NCC participated in Board meetings in order to present matters. NCC's senior legal counsel was secretary of the Board.

On several occasions, NCC has evaluated the matter of establishing separate Board committees to deal with remuneration and audit-related issues. NCC has decided not to establish such committees and instead to address remuneration and audit-related issues within the framework of ordinary Board work (also see the section entitled "Work involving accounting and audit matters" below).

CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains regular contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters.

WORK INVOLVING ACCOUNTING AND AUDIT MATTERS

According to the Swedish Code of Corporate Governance, the Board must document and disclose information about the manner in which the Board assures the quality of financial reporting and communicates with the Company's auditors. This information is contained in the "Board report on internal controls pertaining to financial reporting for the 2007 fiscal year."

Composition and attendance 2007

	Feb. 7	April 11	April 25	June 26	Aug. 23	Oct. 30	Nov. 21	Dec. 4
Board Members elected by the Annual General Meeting								
Tomas Billing	✓	✓	✓	✓	✓	✓	✓	✓
Antonia Ax:son Johnson	✓	✓	✓	✓	✓	✓	✓	–
Ulf Holmlund	✓	✓	✓	✓	✓	✓	✓	✓
Fredrik Lundberg	✓	✓	✓	✓	✓	✓	✓	✓
Anders Rydin	–	✓	✓	✓	✓	✓	✓	✓
Marcus Storch	✓	✓	✓	✓	✓	✓	–	✓
Alf Göransson*	✓							
Regular employee representatives								
Lars Bergqvist	✓	✓	✓	✓	✓	✓	✓	✓
Sven Frisk	✓	✓	✓	✓	✓	✓	✓	✓
Ruben Åkerman	✓	✓	✓	✓	✓	✓	–	–

* Retired from the Board at the Annual General Meeting on April 11, 2007.

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 and year-end reports constitute the Company's fundamental financial reporting, which is supplemented by business unit information from NCC's internal reporting system. Each scheduled Board Meeting also addresses matters of material significance in terms of principle or major financial importance.

According to the Swedish Code of Corporate Governance, the Board must establish an audit committee. NCC does not comply with the Code on this point. The Board's reasons for deviating from the Code are that financial accounting and the audit are important matters that appropriately should be prepared by the Board as a whole, including the CEO in respect of certain matters. The fact that the Board is relatively small facilitates its work. The Board meets the auditors twice a year, including one occasion without the presence of executive management. In addition, the Chairman of the Board has direct contact with the auditors on a number of occasions during the year.

The Board of Directors is evaluated within the framework of the Nomination Committee's work. In addition, the Board performs an annual evaluation of its work and the format for performing Board work, which constitutes part of the Nomination Committee's evaluation. For the purpose of examining the Company's Annual Report, financial statements and internal controls, as well as the Company's management by the Board of Directors and President, the Annual General Meeting appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the Company. The Nomination Committee evaluates the audit work and nominates auditors. Auditors are appointed for a period of four years. The Annual General Meeting on April 5, 2006 addressed the matter of the election of auditors, and elected the KPMG Bohlins AB firm of accountants as the Company's auditors up to the Annual General Meeting in 2008. Authorized Public Accountant Per Bergman was appointed KPMG Bohlins AB's auditor in charge. For more information about auditors, see p. 107.

REMUNERATION OF THE BOARD OF DIRECTORS

The Nomination Committee proposes the fees to be paid to the Board of Directors. The Annual General Meeting on April 11, 2007 resolved that the director fees for Board work in 2007 would total SEK 2,200,000 to be distributed among the Board Members elected by the Annual General Meeting. The Chairman received SEK 500,000, the Deputy Chairman SEK 400,000 and the four other Board Members received SEK 325,000 each. The employee representatives do not receive director fees.

REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance, the Board must establish a remuneration committee to prepare matters relating to remuneration and other terms of employment for executive management. NCC does not comply with the Code on this point. The Board's reason for deviating from the Code is that the Board believes that remuneration matters should be addressed by the Board as a whole, including participation by the CEO in certain of its duties. Guidelines for salary and other remuneration for the Company's senior executives are resolved by the Annual General Meeting. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. The CEO does not participate in this decision. Remuneration to other senior executives is proposed by the CEO and approved by the Chairman of the Board. Remuneration to the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Framework conditions for variable remuneration are decided by the Board. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise Group Management. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, Personnel expenses.

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 (also refer to "Work involving accounting and audit matters" above). Alf Göransson was President and Chief Executive Officer up to February 12, 2007, when he was succeeded by Olle Ehrlén.

DEPUTY CHIEF EXECUTIVE OFFICERS

Effective February 12, 2007, Olle Ehrlén became President and Chief Executive Officer of NCC AB. Olle Ehrlén was previously Deputy Chief Executive Officer of NCC and President of NCC Construction Sweden. No new Deputy Chief Executive Officers have been appointed.


Swedish Television, Gothenburg, Sweden.

GROUP MANAGEMENT

In 2007, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Norway, NCC Construction Finland, NCC Property Development and NCC Roads, plus the Chief Financial Officer and the Senior Vice Presidents for Corporate Communications and Corporate Legal Affairs. Further information on members of Group Management is presented on pp. 108–109.

Group Management mainly focuses on strategic matters and generally meets once per month.

INTERNAL 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 at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements.

The number of projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the CEO and the Financial Director. 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 confirmed by NCC AB's Board. Proprietary housing and property projects representing an investment exceeding SEK 20 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 (the heads of NCC's Construction units in each country) are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include the Group's brands and image, utilizing synergism, maintaining uniform systems for salaries, accounting and IT, and coordinating salary-setting and personnel policies.

CODE OF CONDUCT

A comprehensive program to formulate and implement 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. They were summarized in a document that was adopted by Group Management in 2003 and was revised in 2006 under the name Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

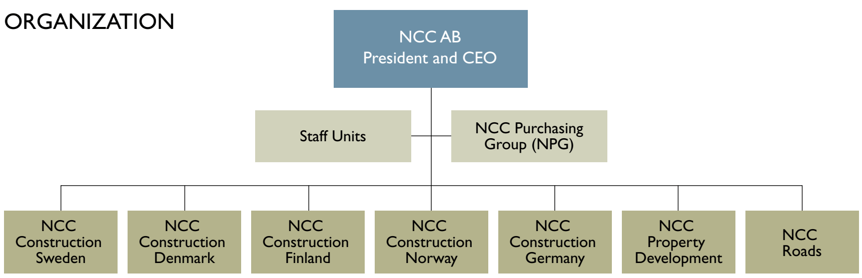
Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and urged to observe them. Managers within NCC must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

Repeated and serious violation of the Code of Conduct results in corrective action. If any of NCC's business partners repeatedly and seriously violates NCC's Code of Conduct, cooperation is discontinued.

The Compliance Program, consisting of a comprehensive training program in business ethics and competition law, was introduced in 2002. The program is now an integral part of NCC's ordinary training of newly appointed managers and has been received by approximately 2,500 managers within the Group since 2002. The program is a part of the employment relationship.

Further information on control and corporate governance within NCC is presented on the Group's website – www.ncc.se – where the Articles of Association and the Code of Conduct are also available.

ORGANIZATION



INTERNAL CONTROL REPORT

The Board of Director's Report on internal control pertaining to financial reporting for the 2007 fiscal year

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been prepared pursuant to Sections 3.7.2 and 3.7.3 of the Swedish Code of Corporate Governance and is thus limited to the internal control of financial reporting. NCC applies "Regulation No. 1 – 2006" from the Swedish Corporate Governance Board pertaining to "Application of the code's rules relating to internal control reporting."

This report does not represent part of the formal annual report documentation.

The NCC Group is a decentralized international organization with business areas structured in a corporate format based on rules concerning the companies' governance in accordance with company law. Each year, the Board of Directors establishes rules of procedure for the work of the Board of Directors and an instruction concerning the division of work between the Board and the Chief Executive Officer. Operational management of the Group is based on decision-making within the NCC Group that is adopted annually by the Board. The decision-making regulations stipulate the matters that require the Board's approval or confirmation. In turn, this is reflected in the decision-making regulations and attestation regulations applying for the subsidiaries. At Board meetings, the CEO and, where applicable, subsidiary presidents present the matters that require treatment by the Board.

The CEO must ensure that the Board receives factual, exhaustive and relevant information to enable the Board to make well-founded decisions, and to keep the Board continuously informed of the development of the Company's operations and its financial position.

In addition, NCC's auditor, KPMG Bohlins AB, must report the results of its examination and proposed measures to the NCC Board on two occasions per year (in December and February), including one occasion without the attendance of Company management. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. Actions must be taken concerning the views that arise and these actions must be followed up systematically within the particular unit.

The control environment, organization, decision-making paths, authorities and responsibilities that are documented and communicated in control documents, as well as internal policies, guidelines and manuals, form the basis for the internal control pertaining to financial reporting.

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject is available on NCC Starnet Ekonomi (NCC's Intranet). Starnet Ekonomi is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning the IFRS and the listing agreement with the OMX Nordic Exchange. NCC's Chief Financial Officer has principal responsibility for Starnet Ekonomi which, among other documents, contains the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and costs.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- The organization of the financial control function.
- Time schedules for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions.

All financial reporting must comply with the rules and regulations found on Starnet Ekonomi.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with a specially formulated template. Instructions and regulations concerning both written and figure-based reporting are available on Starnet Ekonomi. The rules and regulations are updated under the auspices of the Chief Financial Officer. In addition, regular training programs and conferences are arranged for management and financial control personnel to ensure that they receive continuous information about the Group-wide


Toftanäs, Malmö, Sweden.

principles that apply and the requirements to which the internal control is subject. This is within the Chief Financial Officer's sphere of responsibility.

NCC applies a risk-assessment and risk-management policy to ensure that the risks to which the Company is exposed are managed within the established framework. The material risks that have to be taken into account are operating risks, development risks, seasonal risks, the risk of errors in profit recognition, financial risks and insurance risks. Within NCC, this is done in several different ways:

- **Monthly meetings** with the president and financial manager of each particular business area. These meetings are always attended by the CEO and the Chief Financial Officer. The monthly meetings address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- **Board meetings** in the various business areas, which are held at least five times per year. Minutes are taken of these meetings. The members of each particular board include NCC AB's CEO and the Chief Financial Officer, as well as the Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome and forecast, alternatively budget. These meetings also address tenders and investments, in accordance with the decision-making regulations. Investments and divestments of real estate exceeding SEK 100 M must be approved by NCC AB's Board. All investments exceeding SEK 20 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be specially approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board.
- NCC AB's Board receives monthly **financial reports** and the current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and financing risks, are managed by the specialist function, NCC Corporate Finance. NCC's **finance policy** stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, must manage financial matters.

The financial reporting and management of risks within NCC is also based on ensuring that a number of **control activities** are conducted at various levels of the companies and business areas. This occurs in part via the IT systems that support the various operational processes and in part through appropriately designed manual controls intended to prevent, discover and correct faults and nonconformities. Great importance is attached to ensuring that only approved transactions are included in the financial reporting. NCC also attaches considerable weight to the follow-up of projects.

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. Since the introduction of the Swedish Code of Corporate Governance, NCC has developed a system (framework) for documented self-evaluation of internal controls. Such self-evaluation is performed regularly for NCC's business areas and Group office, and constitutes part of the basis for the Board's assessment of the internal controls. Controls to ensure that projects are running smoothly are evaluated through operational audits, which lead to continuous evaluations and follow-ups to check that any shortcomings are being rectified. The internal controls are also followed up via Board work within the various business areas and, in cases where it is considered that targeted action is required, the financial control and controller organization is utilized.

NCC's auditor, KPMG Bohlins AB, also examines a selection of NCC's controls as part of its audit process.

In view of the follow-ups conducted via the operational audits and through the financial control and controller organization, the Board is of the opinion that there is no need for a special internal examination function.

In the light of the above, the Board of Directors considers that NCC has a well-balanced control structure.

This report has not been examined by the company's auditors.

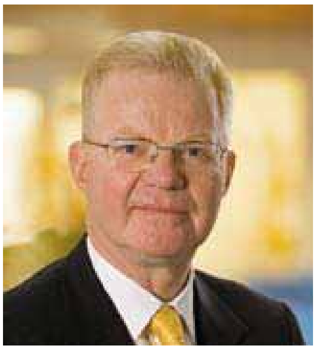

Kaggen, Malmö, Sweden.

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Tomas Billing

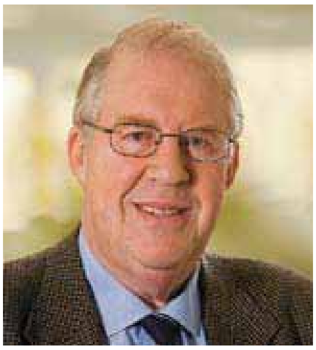
Fredrik Lundberg



Antonia Ax:son Johnson

Ulf Holmlund

Anders Rydin



Marcus Storch

TOMAS BILLING

Chairman. Born 1963.
Board member since 1999 and chairman since 2001.
President of Nordstjernan AB. Chairman of Etac AB, Välinge Flooring Technology AB and Nils Hanssons Åkeri AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other positions.
Shareholding in NCC AB: 20,600 Series A shares and 55,400 Series B shares.

FREDRIK LUNDBERG

Deputy Chairman. Born 1951. Board 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 AB, Sandvik AB and Industrivärden AB.
Shareholding in NCC AB: 0.

ANTONIA AX:SON JOHNSON

Born 1943. Board member since 1999.
Chairman of the Axel Johnson Group. Deputy Chairman of Nordstjernan AB. Board member of the Axel and Margaret Ax:son Johnson Foundation, Axfood AB, Mekonomen AB and Åhlens AB, as well as several companies in the Axel Johnson Group.
Shareholding in NCC AB: 167,400 Series A shares and 72,400 Series B shares via private companies.

ULF HOLMLUND

Born 1947. Board member since 2004.
Board member of Atrium Ljungberg AB, Anticimex Holding AB and Nils Hanssons Åkeri AB. Previous experience: President of LjungbergGruppen AB (1983–2003) and president of Fastighets AB Celtica (1993–2003), among other positions.
Shareholding in NCC AB: 5,000 Series B shares.

ANDERS RYDIN

Born 1945. Board member since 2003.
Board member of Cardo AB, Biotage AB, AP Fastigheter AB and IFL & HHS Holding AB. Member of the Royal Swedish Academy of Engineering Sciences' Investment Council.
Previous experience includes: Finance Director 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.

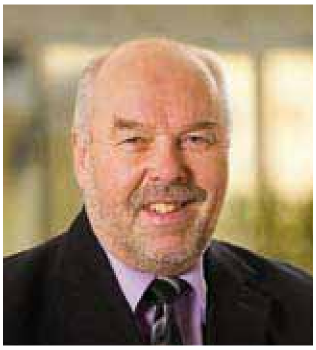
MARCUS STORCH

Born 1942. Board member since 1998.
Chairman of the Nobel Foundation and of Mekonomen AB, Deputy Chairman of Axel Johnson AB and Axfood AB. Board member of AB Hannells Industrier and Nordstjernan AB, the Royal Swedish Academy of Sciences and the Royal Swedish Academy of Engineering Sciences. Previous experience: President of AGA AB (1981–1997), among other positions.
Shareholding in NCC AB: 20,000 Series B shares via private companies.

Lars Bergqvist

Sven Frisk

Ruben Åkerman



Karl-Johan Andersson

Marita Mannerfjord

Ulf Wallin

LARS BERGQVIST

Born 1951. Construction engineer.
Board member since 1991. Employed since 1975.
Shop steward at NCC. Employee representative of Ledarna (Swedish Association of Supervisors). Other assignments: Chairman of Byggcheferna (union of construction managers) and Deputy Chairman of Ledarna.
Shareholding in NCC AB: 200 Series B shares.

SVEN FRISK

Born 1946. Carpenter.
Board member since 1999. Employed since 1978.
Construction carpenter and shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Other assignments: Chairman of Svenska Byggnadsarbetareförbundet's local union branch in Gothenburg.
Shareholding in NCC AB: 0.

RUBEN ÅKERMAN

Born 1945. Carpenter.
Board member since 2004. Employed since 1964.
Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' union).
Shareholding in NCC AB: 0.

The details regarding shareholdings in NCC pertain to shares that were directly owned or owned via companies at December 31, 2007. For updated information about shareholdings, see the Group's www.ncc.se website, under investor relations/The NCC share, which includes information from the Swedish Financial Supervisory Authority's insider register.

KARL-JOHAN ANDERSSON

Born 1964. Paver. Substitute Board member since 2007. Employed since 1984. Paver and shop steward within NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors). Other assignments: Substitute member of SEKO's Executive Committee. Member of SEKO's Road and Rail Department in Skåne.
Chairman of the paving section in Skåne.
Shareholding in NCC AB: 0.

MARITA MANNERFJORD

Born 1944. Health-maintenance counselor.
Deputy Board member since 1998. Employed since 1968. Employee representative of Unionen (formerly SIF, Swedish Industrial Salaried Employees' Association).
Administrator in Work Environment and Health.
Shareholding in NCC AB: 0.

SECRETARY

ULF WALLIN

Born 1949. General Counsel in NCC AB. NCC AB's Board Secretary since 1996.
Shareholding in NCC AB: 1,000 Series B shares.

AUDITORS

KPMG BOHLINS AB

Auditor in charge: Per Bergman.
Born 1946. Auditor of NCC since 2006. Other significant assignments: Auditor of Axfood AB, CashGuard AB, Enea AB, AB Sardus, Kooperativa Förbundet (KF), KPA, SBAB and AB Svensk Exportkredit.

MANAGEMENT

GROUP MANAGEMENT

Olle Ehrlén

Tomas Carlsson

Torben Biilmann

Timo U. Korhonen

Peter Gjörup

Peter Wågström

Göran Landgren

OLLE EHRLÉN

Born 1949. President and CEO of NCC since February 12, 2007. Formerly Deputy Chief Executive Officer and President of NCC Construction Sweden since 2001. Employed by NCC 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, among other positions.
Shareholding in NCC AB: 5,900 Series B shares and call options corresponding to 26,005 Series B shares.

TOMAS CARLSSON

Born 1965. President of NCC Construction Sweden since February 12, 2007. Employed by NCC since 1991. Previous experience: Regional Manager at NCC Construction Sweden Western Region (2005–2006), Head of NCC Roads' New Markets (Poland, Baltic countries and St. Petersburg) 2000–2005, Production Manager at Skanska 1999–2000 (Southern Link), Supervisor at NCC Industry (Ballast) 1997–1999, various positions within NCC's civil engineering operations (1991–1996), among other positions.
Shareholding in NCC AB: call options corresponding to 17,336 Series B shares.

TORBEN BIILMANN

Born 1956. President of NCC Construction Denmark since October 26, 2006. Employed by NCC since 1984 (what was then Rasmussen & Schiotz, which was acquired by NCC in 1996). Previous experience: Deputy president of NCC Construction Denmark, with responsibility for such items as strategy, operational development and housing investments (2005–2006), various management positions within NCC Construction Denmark since 1990, among other positions.
Shareholding in NCC AB: 0.

TIMO U. KORHONEN

Born 1952. President of NCC Construction Finland since 2001. Employed by NCC during 1988–1993 and since 1998. Previous experience: Regional Manager at Puolimatka, Business Area president at Lemminkäinen Construction and President of NCC International, among other positions. Other assignments: Board member of Finnish Federation of Building Industries and Mutual Pension Insurance Company Etera.
Shareholding in NCC AB: call options corresponding to 17,336 Series B shares.

PETER GJÖRUP

Born 1959. President of NCC Construction Norway since October 1, 2007. Employed by NCC since 1984. Previous experience: Manager of Norrland Region within Construction Sweden among other positions in both civil engineering and building.
Shareholding in NCC AB: 53 Series A shares.

PETER WÅGSTRÖM

Born 1964. President of NCC Property Development since January 1, 2007. Employed by NCC since 2004. Previous experience: Head of NCC Property Development's Swedish operations (2004–2006), various management positions within Drott (currently Fabege) 1998–2004 and member of Drott's Group Management (2000–2004) and various positions within Skanska's real estate operations (1991–1998), among other positions. Other assignments: Chairman of the Swedish Society of Real Estate Economics (SFF).
Shareholding in NCC AB: 2,000 Series B shares and call options corresponding to 17,336 Series B shares.

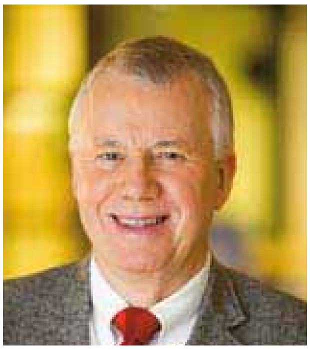
GÖRAN LANDGREN

Born 1956. President of NCC Roads since September 1, 2006. Employed by NCC since 1981. Previous experience: Deputy President of NCC Construction Sweden with responsibility for marketing, business development and subsidiaries (2004–2006) and various positions within building and civil engineering operations at NCC (1981–2001). Employed by Peab as Head of the Civil Engineering Division (2001–2003).
Shareholding in NCC AB: 0.

Ann-Sofie Danielsson

Annica Gerentz

Ulf Wallin



OTHER SENIOR EXECUTIVES

Olle Boback

Johanna Hagelberg

Charlotte Z. Lindstedt*

Mats Pettersson

ANN-SOFIE DANIELSSON

Born 1959. Chief Financial Officer since March 1, 2007 and Financial Director since 2003. Employed by NCC since 1996. Previous experience: Finance Director and Group controller at NCC AB (1999–2003), Group Accounts Manager at NCC AB (1996–1999) and Group Accounts Manager at Nynäs AB (1993–1995), among other positions. Authorized Public Accountant at Tönnerviksgruppen and KPMG (1984–1992). Other assignments: Board member of Svenska Kraftnät.
Shareholding in NCC AB: 800 B shares and call options corresponding to 17,336 Series B shares.

ANNICA GERENTZ

Born: 1960. Senior Vice President Corporate Communications at NCC since 2004. Employed by NCC since 2000. Previous experience: Investor Relations Manager at NCC AB since 2000, president and journalist of Börsveckan (1998–2000), editor of Risk & Försäkring newsletter (1996–1998), journalist at Nyhetsbyrån Direkt (1989–1996), among others editorial manager, and journalist at Dagens Industri (1987–1989) and journalist at Expressen (1983–1987), among other positions.
Shareholding in NCC AB: call options corresponding to 17,336 Series B shares.

ULF WALLIN

Born 1949. General Counsel in NCC AB. NCC AB's Board Secretary. Employed by NCC since 1994. Previous experience: General 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: 1,000 Series B shares.

The details regarding shareholdings in NCC pertain to shares that were directly owned or owned via companies at December 31, 2007. For updated information about shareholdings, see the Group's www.ncc.se website, under investor relations/The NCC share, which includes information from the Swedish Financial Supervisory Authority's insider register.

OLLE BOBACK

Born 1953. President of NCC Construction Germany since 2001. Employed by NCC 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, and of Construction Federation in Berlin-Brandenburg.
Shareholding in NCC AB: call options corresponding to 17,336 Series B shares.

JOHANNA HAGELBERG

Born 1972. President of NCC's Group purchasing company since 2005. Employed by NCC since 2003. Previous experience: Group purchasing coordinator at NCC AB (2003–2004), purchasing manager at GM Worldwide Purchasing/Saab (1999–2002), consultant in strategic purchasing at PricewaterhouseCoopers (1998–1999), trainee engineer & production technician at Scania (1995–1998).
Shareholding in NCC AB: 400 Series B shares and call options corresponding to 8,000 Series B shares.

CHARLOTTE Z. LINDSTEDT*

Born 1959. Finance Director since 2004. Employed by NCC since 1989. Previous experience: President of NCC Treasury (1998–2004), senior trader at NCC Treasury (1989–1998), accountant at the Axel Johnson Group (1983–1989), among other positions.
Shareholding in NCC AB: 500 Series B shares and call options corresponding to 17,336 Series B shares.

MATS PETTERSSON

Born 1961. Vice President Human Resources since March 1, 2007, Personnel Manager within NCC Construction Sweden since 2005. Employed by NCC since 2005. Previous experience: personnel manager at Manpower (1999–2005), personnel manager at SSP Restaurants and at Eurest (1993–1999), head of cabin department and training, salesman and steward at Scanair (1985–1993), and travel guide, site manager and seller Fritidsresor (1981–1985), among other positions.
Shareholding in NCC AB: 0.

*Reports to the CFO.

THE NCC SHARE

AVERAGE TOTAL RETURN OF 30 PERCENT PER YEAR SINCE 2003

The stock-market trend in 2007 was periodically turbulent. The year-end price of the NCC share corresponded to market capitalization of nearly SEK 15 billion. The total return in 2007 was minus 16 percent. Over the past five years, the total return on the NCC share has averaged 30 percent annually.

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name. The shares are currently traded on the OMX Nordic Exchange Stockholm/Large Cap.

SHARE PERFORMANCE AND TRADING

The performance of the OMX Nordic Exchange fluctuated during the year. By midyear, the General Index was up nearly 8.5 percent, but it then started to decline during the autumn, in the wake of US mortgage-loan crisis, general turbulence in credit markets and indications of an economic slowdown.

In 2007, the price of Series B NCC shares declined 25 percent. This may be compared with the SIX General Index, which declined by 7 percent, and the SIX Construction and Civil Engineering Index, which declined by 10 percent.

A total of 99.9 million (93.6) NCC shares were traded in 2007, at a combined value of about SEK 17.6 billion, corresponding to 92 percent (87) of the total number of NCC shares issued[1]. The turnover rate for Series A NCC shares was 3 percent (5) and the rate for Series B shares was 160 percent (151)[1]. The turnover rate for the Large Cap list was 157 percent and that for the OMX Nordic Exchange as a whole was 139 percent.

OWNERSHIP STRUCTURE

Nordstjernan AB is the largest and L E Lundbergföretagen AB the second largest NCC shareholder. The proportion of foreign shareholders rose slightly during 2007 to 13.6 percent of the share capital, with the US and UK accounting for the largest holdings. The largest share sales during the year were made by Catella funds. Nordea and Danske funds accounted for the largest purchases during the year and thus became new members of the ten largest shareholders.

SHARE REPURCHASES AND CONVERSIONS

During 2000–2003, NCC bought back slightly more than 6 million Series B shares within the framework of a rolling options program that was concluded in 2007. The number of treasury shares at year-end was 21,138.

In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. During 2007, 691,900 (4,877,130) shares were converted and a total of 16.2 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

DIVIDEND AND DIVIDEND POLICY

NCC's policy for the ordinary cash dividend is to distribute at least half of profit after taxes as dividends. The Board of Directors proposes an ordinary dividend of SEK 11.00 (8.00) per share for 2007 plus an extraordinary dividend of SEK 10.00 (10.00), making a sum total of SEK 21.00 (18.00) per share.

In total, the proposed ordinary dividend amounts to SEK 1,193 M (867), corresponding to 53 percent of profit after taxes.

The total return (based on the share performance and dividend paid in relation to the price of NCC's share at the beginning of the year) in 2007 was approximately minus 16 percent (plus 42) for Series B shares. The Nordic Exchange average, according to Six Return Index, was minus 3 percent (plus 28). Over the past five years, the total return on the NCC share has averaged 30 percent annually.

[1] After deduction for treasury shares.

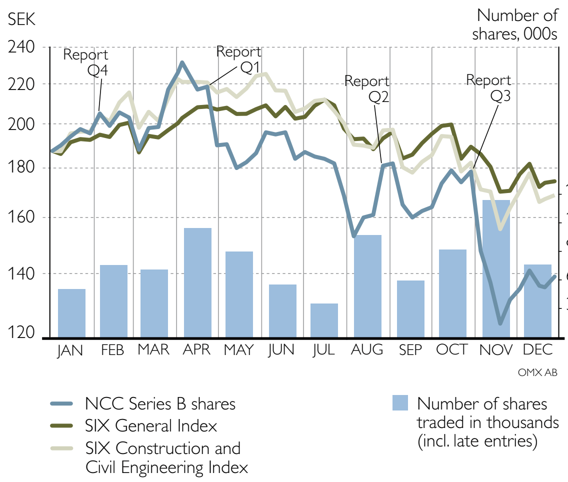
THE NCC SHARE ON THE OMX STOCKHOLM EXCHANGE IN 2007

Share data

	Series A shares	Series B shares
Total number of shares[1]	46,914,848	61,499,836
Round lot	100 shares	100 shares
Voting rights	10 votes	1 vote
Total share turnover	1,274,919	98,621,488
Number of shares traded per day	5,100	394,486
Turnover rate, %	3	160
Share price at start of year, SEK	187.00	187.50
Share price at year-end, SEK	137.50	139.00
Highest price paid, SEK	237.00	238.00
Lowest price paid, SEK	121.50	120.50
Beta value	0.96	1.22
Dividend, SEK, including extraordinary dividend	21.00	21.00
Total return, %	–16	–16

[1] After deduction for treasury shares.

Share-price trend 2007



NCC share trend in past five years

	2003	2004	2005	2006	2007
Market price at year-end, NCC B share, SEK	55.50	88.00	142.50	187.50	139.00
Market capitalization, SEK M	5,625	8,984	15,282	20,242	14,999
Earnings per share, SEK [1]	–4.10	8.05	10.86	15.74	20.73
Ordinary dividend, SEK	2.75	4.50	5.50	8.00	11.00[4]
Extraordinary dividend, SEK	6.70[2]	10.00	10.00	10.00	10.00[4]
Dividend yield, %	17.0[3]	16.5	10.9	9.6	15.1[4]
Total return, % [5]	10	76	78	42	–16
Number of shares at year-end (millions)	102.4	102.4	107.2	108.1	108.4

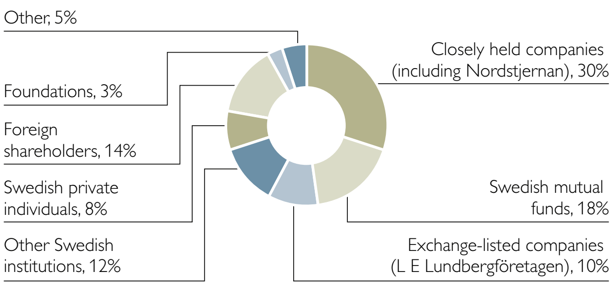
Key figures per share are presented in the Multi-year review on p. 98.
1) After tax and full dilution.
2) Pertains to Altima shares that were spun off in 2003.
3) Including the value of the Altima shares.
4) Proposed dividend
5) Share performance and dividend paid in relation to the price of NCC's share at the beginning of the year.

Distribution of shares by holding, December 31, 2007[1]

Holding	No. of shares held	Percentage of total No. of shareholders	No. of shares	Percentage of share capital
1–500	20,287	73.4	3,622,950	3.4
501–1,000	4,068	14.7	3,397,365	3.1
1,001–10,000	2,906	10.5	8,326,499	7.6
10,001–100,000	312	1.2	9,271,650	8.6
100,001–1,000,000	103	0.3	33,750,167	31.1
1,000,001–	6	0.0	50,046,053	46.2
Total	**27,682**	**100.0**	**108,414,684**	**100.0**

1) Calculated after a deduction for treasury shares.
(Source: VPC.)

Shareholder categories, percentage of share capital



Swedish equity funds reduced their ownership of NCC from 20 to 18 percent during 2007. Foreign ownership rose from 11 to 14 percent.

Ownership structure at December 31, 2007

Shareholder	No. of A shares	No. of B shares	Percentage of[1] capital	Percentage of[1] votes
Nordstjernan AB	29,000,000		26.7	54.6
LE Lundbergföretagen AB	10,850,000		10.0	20.4
Swedbank Robur Funds	2,932,938	2,388,993	4.9	6.0
AMF Pension		4,350,000	4.0	0.8
Alecta		2,871,780	2.6	0.5
Nordea Funds		2,652,135	2.4	0.5
Danske Funds		1,922,350	1.8	0.4
SEB Funds		1,828,234	1.7	0.3
Skandia Liv	988,175	662,070	1.5	2.0
Lannebo Funds		1,615,500	1.5	0.3
Total ten largest shareholders	**43,771,113**	**18,291,062**	**57.1**	**85.8**
Other shareholders in Sweden	2,924,123	28,732,833	29.3	11.1
Shareholders outside Sweden	219,612	14,475,941	13.6	3.1
Total	**46,914,848**	**61,499,836**	**100.0**	**100.0**
Repurchased		21,138		
Total number of shares	**46,914,848**	**61,520,974**		

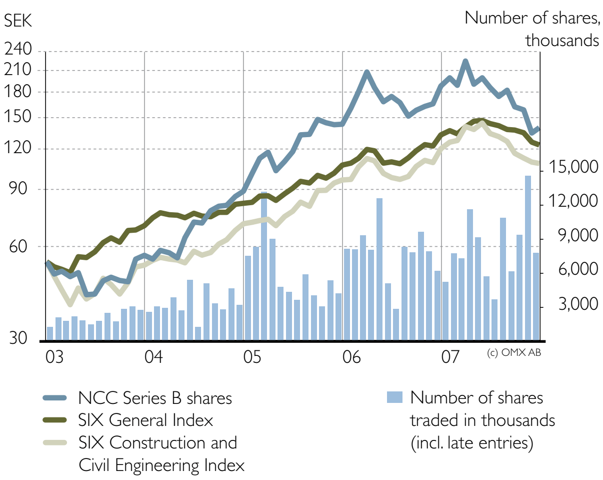
1) After repurchased shares have been deducted.
(Source: SIS Ägarservice and VPC.)

Series A and B shares[1]

	Series A shares	Series B shares	Total Series-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 2000–2006	–15,504,934	15,504,934	
Shares repurchased during 2000–2003		–6,035,392	–6,035,392
Sale of repurchased shares during 2005–2006		5,684,003	5,684,003
No of shares on Dec. 31, 2006	**47,606,748**	**60,477,685**	**108,084,433**
Conversion of Series A to Series B shares during 2007	–691,900	691,900	
Sale of repurchased shares during 2007		330,251	330,251
Number of shares at December 31, 2007[1) 2)]	**46,914,848**	**61,499,836**	**108,414,684**
Number of voting rights	469,148,480	61,499,836	530,648,316
Percentage of voting rights	88	12	100
Percentage of share capital	43	57	100
Closing price, Dec. 31, 2007, SEK	137.50	139.00	
Market capitalization, SEK M	6,451	8,548	14,999

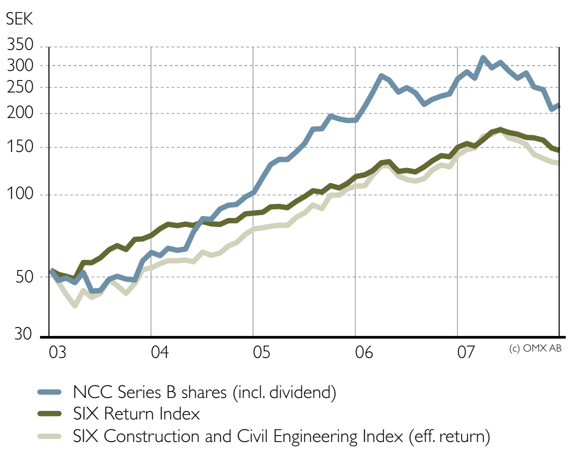
1) Between January 1, 2008 and February 28, 2008, no additional Series A shares were converted into Series B shares.
2) The options programs that had been in effect from 1999 to 2001 was concluded in February 28, 2007.

Share-price trend and turnover, 2003–2007



In 2007, the price of NCC shares decreased by 25 percent, while the SIX General Index declined by 7 percent.

Total return 2003–2007



In the past five years, the return on the NCC share has clearly outperformed the OMX Nordic Exchange average.

FINANCIAL INFORMATION

NCC will publish financial information regarding the 2008 fiscal year on the following dates:

April 8	Annual General Meeting
April 28	Interim report, January–March
August 21	Interim report, January–June
November 10	Interim report, January–September
February 2009	Year-end report 2008

NCC's interim reports are downloadable from the NCC Group's Internet website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. There are also links to brief descriptions in other languages, such as French, Chinese, Polish and Russian. The website also includes an archive of interim reports dating back to 1997 and an archive of annual reports dating back to 1996. Since 2003, NCC has not printed or distributed 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. Press releases issued by NCC, 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.se website or by e-mailing NCC AB at 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, Senior Vice President Corporate Communications (Tel: +46 8 585 522 04; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4:30 p.m. on April 8, 2008.

Venue: China Teatern, Berns Salonger, Berzelii Park, Stockholm, Sweden.

Notification can be made by post to the following address: NCC AB, Lisbeth Karlsson, SE-170 80, Solna, Sweden; or by the NCC Group's Internet website www.ncc.se, telephone to +46 8 585 522 61; fax to +46 8 585 517 56; or e-mail to lisbeth.m.karlsson@ncc.se. Notifications should include name, personal identification number (corporate registration number), address, telephone number and registered shareholding.

Registration at the Meeting will begin at 3.30 p.m. The official notification of the Annual General Meeting is available on the NCC Group's Internet website, www.ncc.se, and was published in Swedish daily newspapers in early March.

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