

Annual Report 2015

We challenge ourselves to create a better tomorrow hallmarked by top-class sustainable solutions. We want to be at the cutting edge of development, listen, share ideas and cooperate.

NCC 

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Cover: The sustainable society of the future requires innovative thinking, new cooperative formats and innovation. The Dome of Visions is a visionary and inspirational meeting place where visitors are invited to engage in discussions about a sustainable future. The Dome of Visions was designed by the architect Kristoffer Tejlgaard and constructed in Copenhagen in 2013 and in Stockholm in 2015.

NCC is one of the leading construction and property development companies in the Nordic region, with sales of SEK 62 billion and 18,000 employees. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure.

NCC also offers input materials used in construction and accounts for paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that facilitate sustainable interaction between people and the environment.

62,506

Orders received, SEK M

3,331

Cash flow before financing, SEK M

26

Return on shareholders' equity, %

3,039

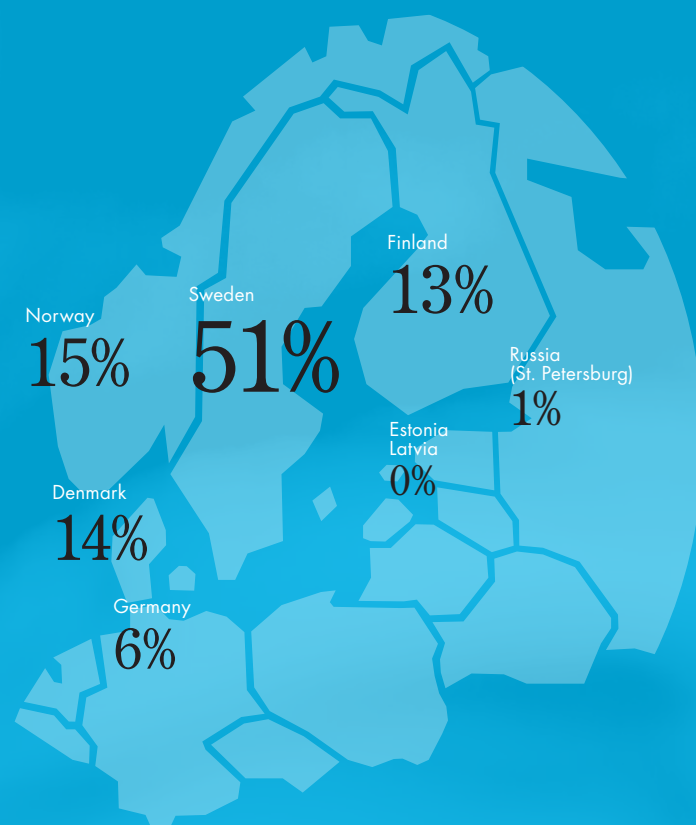
Operating profit, SEK M

0.5

Debt/equity ratio, times

We have strengthened our positions in all of the Nordic countries and spearheaded the development towards a more sustainable society.

NCC'S MARKETS
SHARE OF TOTAL SALES, %



New proactive strategy for higher growth

In 2015, we strengthened our leading position in the Nordic construction market, thanks to higher sales and profits. This also signifies that the strategy we have been pursuing since 2012 ended on a high note. We are now launching a new proactive strategy focusing on profitable growth.

This is an exciting time for us. While we are summarizing a successful strategy period, we are in the middle of a process to adapt both the organization and our work methods to the new strategy we launched in late 2015. It is also an interesting time in that we have



decided upon and are now implementing a demerger of the Group. We plan to spin off our housing development business, NCC Housing, to shareholders as a separate listed company, while reorganizing the remaining business, which represented about 85 percent of 2015 sales, into specialist Nordic areas, with focus on increasing our presence in such rapidly expanding segments as infrastructure and refurbishment in order to continue fulfilling the need for new housing in the cities of the Nordic region.

Summarizing a profitable strategy

For the past four years, we have been pursuing a strategy where the primary objective was to improve the Group's profitability, and our efforts have yielded results. We increased our profit margins, while return on equity has remained stable at levels at or above 25 percent throughout the strategy period, far exceeding our objective. We have also strengthened our positions in all of the Nordic countries and we have played a leading role in the movement towards a more sustainable society by offering sustainable solutions in every segment.

Considering 2015 in particular, I can report that we increased our profit margins in construction and civil engineering, with the exception of the Norwegian business where we had to post new impairment losses. Orders received in Sweden, our largest single market,

were favorable and sales rose, but profitability needs to improve. A growing construction and civil engineering market has laid a stable foundation for our industrial business, where we increased both the volume and efficiency of our asphalt production. In our commercial property development business, we were successful at finding tenants for our various projects and we sold properties including Ullevi Park and Lysaker Polaris and recognized them at a healthy profit. On the other hand, slow and rigid detailed development processes continue to delay several of our project starts, which is frustrating.

Finally, we come to our successful housing development business, which has been a priority growth area. We recorded new sales records in 2015 and, at the end of the year, we had 8,778 housing units in production, over twice the number in 2012 and far above our target of 7,000 units. With these strong numbers in hand, we are bringing this strategy to an end. It made NCC stronger and more profitable, but growth was too low except for in the housing development business. This is why we are making changes, not only in the direction of the new strategy but also at the organizational level.

Demerging for better growth potential

We have therefore decided to spin off the housing development business, the part of the NCC operations that has achieved by far the strongest growth in the Group in recent years. This decision was preceded by a thorough inquiry, during which we were able to establish that the potential for growth would be significantly higher for the businesses as separate companies. As an independent listed company, it will be easier for Housing to adapt its capital requirements, while we at NCC will increase our ability to use the strong cash flows from the construction and civil engineering operations for investments in identified growth segments and to review the potential for additional acquisitions.

A foundation for higher profitability

The new strategy thus creates resources to increase sales. At the same time, however, we are facing ever tougher competition, which means that we need to take even greater advantage of our leading position by reviewing possibilities to sharpen our efficiency by adding more shared processes and procedures, and leveraging our size in our relationships with suppliers. We must also strengthen our leadership in Virtual Design and Construction (VDC) and develop more digital solutions to speed up and streamline construction processes. We must do everything from a Nordic perspective, where our leading specialist knowledge in a given area will benefit all of our markets. This is why it is so important for us to expand and develop our competencies and to put in place a new organization comprising four specialized Nordic business areas in construction, infrastructure, industrial operations and commercial property development. With these combined initiatives, we should be able to increase our operating margin from 3 percent in 2015 to at least 4 percent during the strategy period.

And higher growth

The megatrends continue to exert strong pressure for change. Thanks to the position we have built up in sustainable business, we can take advantage of this change and find new ways to increase our sales. By adding to our expertise and developing new, leading concepts and solutions, we will gain market share in such high-growth segments as infrastructure projects, complex major refurbishments of older properties and smart new low-energy housing. For example, the need for investments in new infrastructure in Norway and Sweden is massive in order to meet various social challenges. Many housing units, hospitals, schools and other public buildings throughout the Nordic region need to be upgraded. Initiatives to

address the housing shortage through new construction are high on the agenda of many politicians too.

We expect to begin cautiously but, as we increase our efficiency and expertise, I believe the prospects are good for us to achieve our objective of at least 5-percent growth per year during the strategy period.

Focus on safety

Since our ability to execute our strategy and achieve our financial objectives is closely linked to how well we are able to contribute to sustainable social development, we must continue to be a pioneer, and we have established ambitious targets in this area. When it comes to our carbon footprint, we must halve the greenhouse gas emissions from our own production no later than 2020. We have already halved the number of workplace accidents since 2011, but we must halve them again before the strategy period ends. We also know that these are just statistics, and that behind every number is a person who has suffered an accident and perhaps even lost their life, as was the case in 2015. It is with great sorrow that I report that four of our employees died in connection with workplace incidents in Denmark and Russia. We must now do everything in our power to ensure this does not happen again, through even more training, more safety procedures and better protective measures. We have a vision of zero workplace accidents at NCC, and we cannot rest until this has been realized.

A solid starting point

In terms of earnings, we took yet another step upwards in 2015 and, with our new strategy, we have excellent prospects for continuing to build on this success. NCC is also a great company to work for and we have wonderfully skilled employees, many with in-depth specialist expertise. This will be of great importance as we take on the challenge of building the society of tomorrow, where innovation and sustainable solutions will be ever more important. Quite simply, my capable colleagues and I must continue our successful efforts to strengthen NCC's leading position in the Nordic construction market and to contribute to sustainable social development.



Solna, February 2016

Peter Wågström
President and CEO

Spinoff of NCC Housing

The Board of Directors of NCC AB has proposed creating an independent housing development company by spinning off the NCC Housing business area to the shareholders.

In September 2015, management was tasked by the Board to analyze the conditions for creating an independent housing development company based on the NCC Housing business area, and spinning off the new company's shares to shareholders. The analysis, which was presented at the capital market day in November 2015, showed that a demerger of NCC in the long-term will generate shareholder value while it is possible to implement at a cost deemed justifiable by the Board of Directors.

The shareholders will make a decision regarding the proposal at the Annual General Meeting on April 12, 2016. Should the Annual General Meeting decide to adopt the Board's proposal, the new housing development company will be spun off and listed on Nasdaq Stockholm in 2016. To avoid taxation on the cash-in-kind dividend distributed in accordance with Lex Asea*, NCC's principal owner Nordstjernan has agreed that prior to the spinoff it will reduce its share of the voting rights to less than 50 percent of the voting rights in NCC.

In 2015, NCC Housing had net sales of SEK 13 billion and SEK 1,377 M in operating profit. Corresponding figures for the rest of NCC were SEK 53 billion SEK in sales and SEK 1,669 M in operating profit. If the spinoff is completed, the new housing development company will receive shareholders' equity corresponding to the value of the land portfolio (properties held for future development and capitalized project development costs). If a spinoff had been implemented on December 31, 2015, the new housing development company would have received shareholders' equity of

SEK 4.7 billion and the remaining part of capital employed of SEK 5.1 billion would have been financed with interest-bearing liabilities, with loans to Swedish tenant-owner associations and Finnish housing companies accounting for SEK 3.1 billion.

The proposed policy for the allocation of NCC's shareholders' equity will provide both NCC and the new housing development company with sound financial conditions for capitalizing on the favorable market conditions we see in both the housing market and the construction market.

Reasons for the demerger

The demerger of the NCC Group is justified as it is deemed to increase shareholder value in the long-term and create greater growth potential at the same time as the complexity, which usually exists in large groups, is deemed to decrease. A demerger will also create opportunities for increased specialization of customer focus, since the housing development business primarily targets consumers, in contrast to NCC's other operations, which target the corporate sector and public sector activities. The demerger will enable NCC Housing, as an independent company, to sharpen its focus on developing affordable and sustainable housing units, enhancing the efficiency of the development process and optimizing its position in the value chain. NCC will have greater opportunities to utilize the strong cash flow from construction and civil engineering operations for investments in identified growth segments.

*Lex Asea is a provision of the tax law entailing that when a parent company spins off shares, a shareholder may under certain conditions defer taxation on the capital gain until such time as the shareholder sells the shares he/she receives.

NCC is facing a new strategy period 2016-2020, when the focus will be on profitable growth. A more specialized organization is needed to realize these ambitions. Accordingly, from January 1, 2016, NCC will work on the basis of a new organization, with the operations divided into four business areas: NCC Industry, NCC Infrastructure, NCC Building and NCC Property Development, plus an independent housing development company, NCC Housing.

As a result of the proposal to spin off NCC Housing to the shareholders in 2016, this unit is operating as independent company right from the start of the current year.

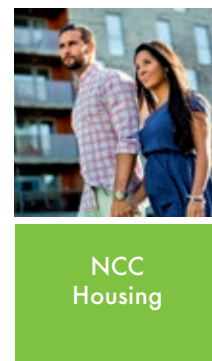
The estimated costs of the reorganization are SEK 120 M, of which about SEK 70 M was charged against NCC's earnings in the fourth quarter of 2015 and the remainder will be expensed continuously during 2016.

After proposed spinoff

NCC AB



NCC Housing



Strategy – an evaluation

2012–2015

For the past four years, NCC has pursued a strategy defined as follows: “NCC aims to achieve profitable growth and be a leading player in the markets in which it is active.” The success of this strategy can be measured from several different perspectives.

One objective was to be among the top three companies in the industry in selected markets, in terms of profitability and volumes. NCC occupies a strong market position in all segments in Sweden today. In the other Nordic countries, as well as Estonia, Latvia, Germany and St. Petersburg, NCC’s positions vary depending on the segment and focus. NCC has a strong infrastructure operation in Norway and, in Denmark, the company is a major player in the construction of housing and commercial premises. NCC has built a strong market position in housing development in selected markets outside the Nordic region.

NCC has long been working to improve the Group’s profitability by, for example, focusing on business in which the company can be involved at an early stage of the process, thus forming the foundation for customer satisfaction. Another important area has been to capitalize on both financial and operational synergies between the Group’s operations. This effort has been successful, and NCC is now one of the most profitable companies in the sector with a return on equity of 26 percent for 2015.

Generating growth is another important consideration for increasing long-term profitability. NCC’s growth matched the industry average during the strategy period, which is not satisfactory. Our growth has also mainly been concentrated in the housing development business, where the number of housing units in production has nearly doubled, thus exceeding the target for this part of the business. On the other hand, growth in the industrial business and construction and civil engineering business did not meet its growth target of at least double GDP growth in each particular region.

Three areas were assigned priority in order to focus extra intensively on growth during the strategy period:

Growth in Norway in all business areas

NCC has grown in the Norwegian market, but profitability has been weak. The combined civil engineering operations showed increased sales and healthy profitability, while other construction operations showed weak profitability, due to losses in a number of projects.

Establishing a presence in the Finnish civil engineering market

NCC has built up a civil engineering operation in Finland organically, but this operation remains small. Today, the civil engineering operation primarily focuses on earthworks on behalf of NCC’s other operations, as well as expanding wind farms.

Expansion of the housing development business in all markets

An important part of NCC’s strategy has been to satisfy the underlying need for new housing in the Nordic region, Germany and St. Petersburg. This effort has been successful and produced strong growth throughout the strategy period, and increased profitability.

A stronger NCC

In summary, we can report that the strategy for 2012–2015 has made NCC stronger and more profitable, with leading positions in numerous markets. However, growth has been insufficient in several areas. Moreover, NCC has built up a solid offering for sustainable business, which will present opportunities in the future when identified megatrends exert increasing pressure for change in the construction and property industry, with a focus on sustainable social development.

2012-2015

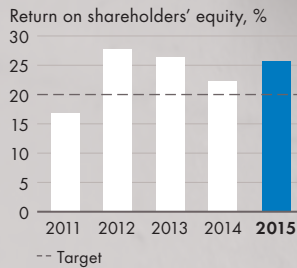
Financial objectives

During the strategy period, NCC pursued two financial objectives, one for profitability and the other for the debt/equity ratio.

RETURN ON EQUITY

The return on shareholders' equity after tax is to amount to at least 20 percent.

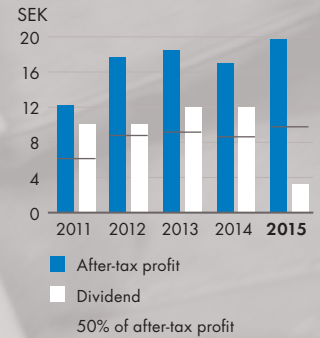
The return on NCC's equity was stable at a level above 20 percent throughout the strategy period and was 26 percent in 2015. Earnings were higher than in 2014, as a result of favorable housing sales, higher profit from property projects and improved earnings in construction operations.



DIVIDEND

NCC's dividend policy is to distribute at least half of after-tax profit for the year to the shareholders.

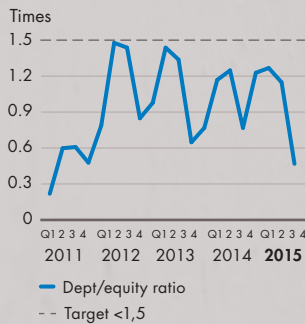
For the 2015 fiscal year, the Board of Directors proposes that the Annual General Meeting (AGM) resolve to spin off the housing development company to NCC's shareholders. Should the AGM resolve to adopt the Board's motion, the new housing development company will be spun off and listed in 2016. A cash dividend of SEK 3 (12) per share is also proposed for the 2015 fiscal year. The proposed dividend for 2015 corresponds to 15 percent of profit after tax.



DEBT/EQUITY RATIO

The debt/equity ratio is defined so that net indebtedness will not exceed 1.5 times shareholders' equity at the end of any quarter.

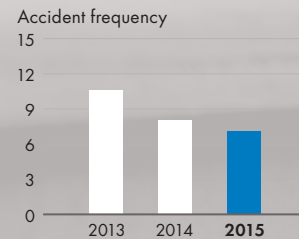
The debt/equity ratio did not exceed 1.5 times shareholders' equity at the end of any quarter during the strategy period, despite seasonal variations. At the end of 2015, the debt/equity ratio was 0.5 and, during the year, NCC continued to focus on long-term financing to meet future borrowing requirements.



Sustainability targets

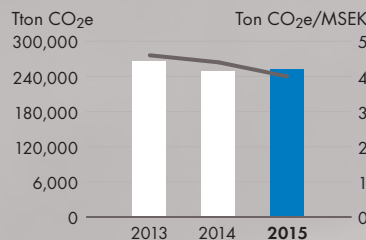
WORK ENVIRONMENT

NCC has adopted a zero vision regarding occupational accidents. Accident frequency is calculated as the number of worksite accidents resulting in one or several days of absence from work per million worked hours. As a result of the company's structured safety efforts, accidents at NCC's workplaces decreased to 7.1 (8.0). Despite this, there were four fatalities in 2015 (see p. 42).



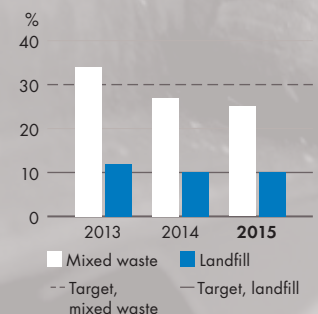
CLIMATE AND ENERGY

By 2015, NCC is to reduce its carbon emissions (scope 1 and 2 of the Greenhouse Gas Protocol) by at least 20,000 tons compared with 2013, and emissions are not to exceed 4.0 tons of CO₂e/SEK M of net sales. During 2015, NCC's total carbon emissions were reduced by 14,000 tons of CO₂e from the 2013 level to 4.0 tons of CO₂e/SEK M of net sales (see p. 39).



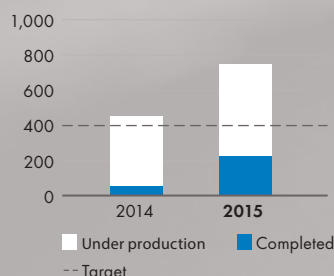
RESOURCE EFFICIENCY, RECYCLING AND WASTE REDUCTION

Of the total amount of waste from construction sites, not more than 10 percent may be disposed of in landfills, and the portion of mixed waste may not exceed 30 percent. In 2015, mixed waste accounted for 25 (27) percent of the total amount of asphalt, and 10 percent (10) is disposed of in landfills.



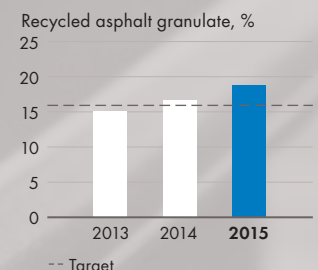
CHEMICALS AND SUSTAINABLE MATERIAL CHOICES

By 2015, NCC is to have at least 400 housing units in production that have prepared content declarations according to the Nordic Swan Ecolabel criteria. During 2015, 225 housing units were completed that had this type of product declaration, and another 519 units were under production.



RECYCLED ASPHALT GRANULATE

Recycled asphalt granulate is to account for at least 16 percent of NCC's total asphalt production. During 2015, recycled asphalt granulate accounted for 18.7 (16.5) percent of total hot asphalt production.



Driving forces for long-term growth

NCC has identified the global megatrends that have the greatest impact on operations. Capitalizing on these by adapting the offering provides NCC with the capabilities to retain and strengthen its leading position in selected markets and create long-term, profitable growth.

Urbanization

People are increasingly opting to live in urban areas. Forecasts indicate that within 20 years more than five billion people will live in the world's cities, an increase of more than 1.5 billion compared with today. According to Eurostat, Sweden and Denmark are showing the fastest percentage growth in urban population in Europe. The rapid growth is increasing the need for sustainable city planning with effective infrastructure. NCC develops innovative solutions that contribute to facilitating and accelerating infrastructure construction in cities, and curtailing the environmental problems that result from increased infrastructure requirements. NCC is also working to satisfy the need for workplaces, shopping facilities, services and efficient residential units on compact spaces, to meet the increasing demand for housing.

Sustainability

There is a risk that the global energy consumption of buildings and construction will continue to increase at a pace matching population growth and rising household wealth. Accordingly, the ability to develop innovative, sustainable building solutions will be of great importance to opportunities to offset, and create resistance to, such factors as climate changes. NCC has a strong focus on sustainable construction and, for example, participated in the development of the international environmental certification system, BREEAM, in Sweden.

NCC is one of the Nordic construction companies with the most extensive experience of passive building projects, and all housing units built under proprietary management are of the low-energy type. NCC also works to reduce the use of energy in existing buildings through its sustainable refurbishment concept, while continuously developing more energy-smart, climate-compatible and resource-efficient products and services. Combined with this, citizen dialogs and other social aspects are given greater scope in NCC's solutions, both in new property projects and in the renewal of existing residential areas. The long-term objective is to be both the leader and a pioneer in sustainable construction solutions.

Globalization

The globalization under way in various sectors is increasingly also impacting the construction industry. In recent years, the element of international competition has intensified in the Nordic construction market, particularly because a larger number of major infrastructure projects are being started. NCC's strong position in the Nordic region provides a solid platform for meeting this competition. Globalization also increases NCC's opportunities to engage in more efficient purchasing.

Competition for talent

The ability to attract and retain well-educated and skilled employees is decisive for competitiveness in many sectors, including the construction industry. The large wave of imminent retirements is intensifying competition for existing competencies. Globalization also entails that an even larger labor market is being opened up for talented candidates. Thanks to NCC's focus on accumulating expertise in, for example, industrial construction, sustainable construction and VDC, the company has a competitive edge in the battle for the best employees.

New technologies

The importance of digitalization is becoming increasingly important as a productivity driver in the construction industry. The advent of VDC (Virtual Design and Construction) entails a major technology leap. VDC is used for construction projects of all shapes and sizes and improves quality and reduces costs in project engineering, implementation and when handing over to customers. For several years, NCC has focused on improving its VDC skills. The technology has been used in more than 960 projects and NCC is the industry leader in its use, not only in the Nordic region but also globally.



MARKET

The Nordic construction market generated sales of SEK 1,226 billion (1,197) in 2015. NCC is one of the largest players, with a market share of 5 percent.

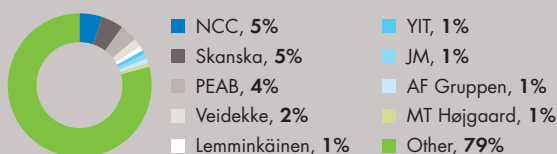
The Nordic construction market is national, highly fragmented and characterized by intense local competition. In local markets, NCC competes with thousands of small building contractors. Large-scale civil engineering projects in the Nordic region are often procured in the face of international competition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

At the Nordic level, NCC's main competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke and AF-Gruppen of Norway and YIT and Lemminkäinen of

Finland. In Sweden, JM is a competitor in residential development. In civil engineering projects and road construction, as well as asphalt and paving in the Nordic region, central government production units, such as Svevia in Sweden, are also significant competitors. In Denmark and Finland, Colas and CRH are also competitors in asphalt and stone materials. From a Nordic perspective, only a few major players serve the property development market, with NCC as one of the market leaders. Skanska is another major player. In local markets, other players may also be significant competitors, such as YIT and SRV of Finland.

MARKET SHARES, NORDIC REGION

The Nordic construction market is highly fragmented. NCC is one of the largest construction companies in the Nordic region with a market share of 5 percent. The Nordic construction market generated sales of approximately SEK 1,226 billion in 2015. (Source: Euroconstruct.)



Stable ground for increased profitability

NCC's overriding objective is to create value for customers and shareholders. NCC aims to be a leading player in the markets in which it is active, to offer sustainable solutions and to be the customer's first choice.

VISION

We will renew our industry providing superior sustainable solutions.

BUSINESS CONCEPT – RESPONSIBLE ENTERPRISE

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

CORE VALUES

The company's values and Code of Conduct function as the backbone for the way NCC works and operates. Together, they also jointly serve as a compass for how employees are to conduct themselves and act in everyday situations, and provide guidance when decisions have to be made.

- HONESTY
- RESPECT
- TRUST
- PIONEERING SPIRIT

ORGANIZATION

NCC conducts integrated construction and development operations in the Nordic region. The company has three businesses – Industrial, Construction and civil engineering and Development – which as of January 1, 2016 are organized in four business areas, plus an independent housing development company, NCC Housing.

Strategy for profitable growth **2016–2020**

The focus of the new strategy being pursued by NCC (excluding NCC Housing) is to increase both growth and profitability. The aim is to grow at an annual rate of at least 5 percent while increasing the operating margin to at least 4 percent during the strategy period.

The keys to achieving these and other objectives are a specialized Nordic organization and investing in segments with significant growth potential such as housing construction, infrastructure projects and sustainable refurbishment.

As of January 1, 2016, NCC is organized in four Nordic business areas and an independent housing development company: NCC Housing. The new organization (excluding NCC Housing) must meet the strategy's ambitious goals by focusing on expertise rather than geographic areas. This change means both increased specialization and improved conditions for taking a more Nordic approach in the business areas. It will also improve the prospects for facing intensifying competition from both major international competitors and local players.

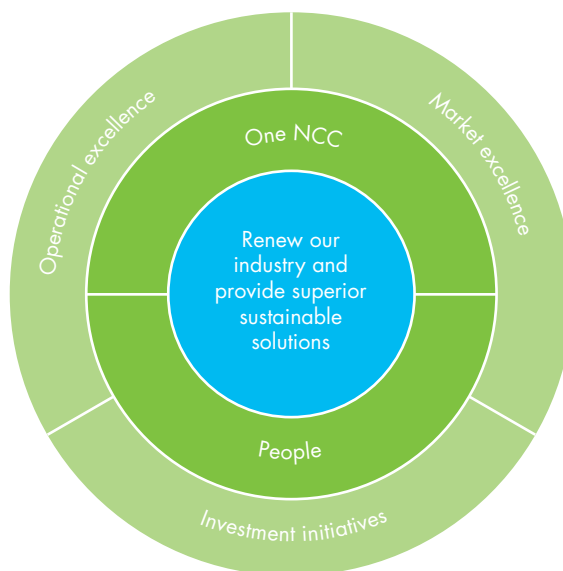
The starting point for the new strategy has been NCC's vision to renew our industry providing superior sustainable solutions. By analyzing and taking advantage of the megatrends that are likely to change the construction and property industry (see page 8 below), NCC will be able to pave the way for profitable growth. A broad geographic presence, leading expertise in growth areas and close, strong customer relationships throughout the value chain are some of the strengths NCC must continue to develop in order to achieve this potential. The strategy initiatives can be summarized as our three "Must Win Battles" – Operational Excellence, Market Excellence and Investment Initiatives.

One NCC

With its new organization, NCC, as one of the Nordic region's largest construction companies and a leader in several segments, will be able to derive additional benefits from its size. This creates opportunities to continue enhancing and developing customer offerings for the entire Nordic business and to develop Group-wide production methods, technical platforms

and IT and business systems. We must also capitalize on our size even more in our supplier relationships, in order to cut costs.

The former four land-based construction and civil engineering units have been reorganized in two Nordic business areas – NCC Infrastructure and NCC Building – specializing in civil engineering and construction, respectively.



People

Our new strategy is based on enhancing our expertise and ambitious growth targets. We must recruit and develop employees to make this possible. Since NCC is operating in a market undergoing rapid change, we need an organization with dynamic, high-performing employees and leaders who will move the company in the right direction. This means being able to implement change and to enable cooperation, knowledge

transfer and exercise of best practice. By increasing our employees' sense of involvement and developing key competencies, NCC will create a winning culture that permeates every part of the company.

Operational excellence

Improving profitability in an increasingly competitive market demands both more efficient processes and stronger expertise. One part of this effort is the Nordic specialization brought about by the new organization, which is facilitating more efficient cross-border work methods. NCC must also strive to come closer to its customers and take greater responsibility for the totality, by owning the project. Among other requirements, NCC needs to strengthen its technical expertise in order to take responsibility for the installation phase during construction.

Another important part of NCC's ambition to take greater responsibility for its projects is to continue cultivating the advantages of VDC (Virtual Design and Construction) and digitization. NCC has a leading position in the VDC field, but its competitors are stepping up their efforts. With VDC as a key factor for project management and planning, NCC will increase its efforts to maintain its leading position. Digitization is also becoming ever more important in increasing project efficiency, and NCC must be part of this development. Since VDC involves new work approaches, the VDC initiative and totally digitized information management go hand in hand with our ambition to drive efficient production.

NCC also needs to become better at employing shared processes and procedures, on the basis of lean principles, for example. This will cut time expenditure and sources of errors as projects are implemented, while encouraging a culture of continuous improvement throughout the value chain.

Another important area where NCC must strengthen its position is purchasing. In addition to capitalizing on the company's size and a more digitized process to coordinate purchasing, thereby cutting costs, NCC must develop strategic partnerships with selected suppliers.

Market excellence

Shared, efficient processes and a specialized organization improve the prospects for growth. For example, NCC sees major growth potential in the infrastructure and refurbishment segments, through sales of sustainable lifecycle offerings and by early marketing of these solutions.

The Nordic region has a major need for infrastructure improvements, above all in Norway and Sweden. NCC already commands a strong position in this segment and, by enhancing its specialized expertise, the company will be able to grow and gain market share. This encompasses such traditional infrastructure projects as roads and bridges, as well as expansions of public health care facilities and schools, energy and water supplies and the transformation of entire industrial areas into sustainable urban neighborhoods to meet the need for new housing and workplaces. Infrastructure investments are important for cities to cope successfully with the strains that come with rapid urbanization.

Making older properties more efficient is another important initiative to increase both comfort and energy performance. Nordic cities have a large proportion of older buildings in great need of refurbishment. Development here is driven both by new legislation for the energy refurbishment of properties, including a great number in the public sector, any by rising demand by property owners to reduce operating costs and raise property values. In addition, the



NCC Industry



NCC Infrastructure



NCC Building



NCC Property
Development

people who live and work in these buildings are increasingly demanding a better indoor climate. NCC believes that the relevant market in the Nordic region for major refurbishment projects is worth an average of SEK 90 billion per year during the strategy period. With an enhanced offering in the area of sustainable refurbishment, NCC sees opportunities to gain a significant share of this market.

In addition to its initiatives in the growth sectors of infrastructure and refurbishment, NCC sees opportunities to continue to grow and gain market share in areas including housing construction and recycling. The plan is for all of these business areas to grow dur-

ing the strategy period. Regardless of the area and the business, NCC must always be the customer's first choice and deliver the best sustainable solutions.

Investment initiatives

NCC must primarily grow organically, but assuming that the new strategy increases profitability and growth, this allows for more investments in areas that add growth. These may be complementary company acquisitions to strengthen the company's position regionally or in certain competency areas, or investments in project development or in licenses in "PPP" projects (Public Private Partnerships).



2016–2020

Financial objectives

The overriding objective is to continue to create value for customers and shareholders. NCC has defined the following strategic objectives for the Group (excluding NCC Housing) for the 2016–2020 strategy period.

OPERATING MARGIN

 $\geq 4\%$
AVERAGE ANNUAL
SALES GROWTH
 5%
ANNUAL RETURN ON
EQUITY AFTER TAX
 $\geq 20\%$

NET INDEBTEDNESS

 < 2.5
TIMES EBITDA

EQUITY/ASSETS RATIO

 $\geq 20\%$

DIVIDEND POLICY

As of the 2016 fiscal year, at least

 $\geq 40\%$

of after-tax profit is to be distributed to shareholders.

PROFITABILITY AND RETURN OBJECTIVES PER BUSINESS AREA

The following apply to the three business and business areas:

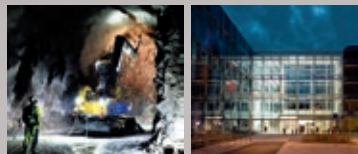
Industry (NCC Industry) is to achieve an operating margin of at least 4 percent and an average annual return on capital employed of at least 10 percent during the strategy period.



OPERATING MARGIN

 $\geq 4\%$
AVERAGE ANNUAL
RETURN ON CAPITAL
EMPLOYED
 $\geq 10\%$

Construction and civil engineering (NCC Building and NCC Infrastructure) are to achieve an operating margin of at least 3.5 percent per year.



OPERATING MARGIN

 $\geq 3.5\%$

Development (NCC Property Development) is to achieve an operating margin of at least 10 percent and an average annual return on capital employed of at least 10 percent during the strategy period.



OPERATING MARGIN

 $\geq 10\%$
AVERAGE ANNUAL
RETURN ON CAPITAL
EMPLOYED
 $\geq 10\%$

Sustainability targets

During 2015, NCC established new strategic sustainability targets aimed at halving both the accident frequency rate and the Group's carbon emissions by 2020, compared with the 2015 outcome (excluding NCC Housing).

HEALTH AND SAFETY TARGET:

A positive work environment and a safe workplace are highly prioritized areas and NCC works systematically to eliminate the number of accidents, in order to achieve its zero-accident target.

OUR VISION IS

Zero accidents

TARGET FOR 2016

≤5

TARGET FOR 2020

50%

DECREASE IN NUMBER OF ACCIDENTS
COMPARED WITH 2015

ENVIRONMENTAL OBJECTIVES

NCC's goal is to continuously reduce the company's climate impact by lowering emissions of greenhouse gases from its own operations.

50%

DECREASE IN CO₂ EMISSIONS BY 2020,
COMPARED WITH 2015

Value creation with the focus on stakeholders

As a leading player in the industry, NCC aims to generate stakeholder value in the form of profitable growth and by developing new sustainable solutions. A continuous dialog with the company's stakeholders combined with analysis of the trends and drivers that impact the external environment contributes to continued value creation.

NCC's stakeholders consist of shareholders and the financial market, customers, suppliers, employees and other members of society. The dialog with these stakeholders is an important basis for operations and also helps to ensure that NCC can continue to create value for both the Group and its stakeholders. In day-to-day work, tens of thousands of meetings between people generate added value and contribute to the long-term development of the operations.

Employees

One of the key issues for NCC is attracting the best talents, while simultaneously successfully developing and retaining current employees. Competent and motivated employees generate greater profitability and increase customer satisfaction.

By offering competitive employment conditions, good opportunities for skills development and a pleasant and stimulating work environment, value is created for the employees. NCC implements annual employee-satisfaction surveys to identify views and obtain improvement proposals. All employees also undergo annual career development discussions.

Customers

NCC's customers are both public-sector and private-sector companies, as well as private individuals. NCC has made a long-term commitment to contributing to its customers' success by delivering sustainable buildings and structures. Since construction and civil engineering projects are complex and often extend over long periods, close cooperation and dialog with customers is required to design more efficient projects and processes, while ensuring that everyone works towards shared, sustainable targets. Through strategic partnering, the efficiency of this cooperation can be enhanced, ensuring that the projects can be delivered on time, with the right quality and cost and lead to more satisfied customers.

Certain customers are large clients who regularly commission NCC, while others are one-time purchasers. Since all customers are equally important to the company, it is vital that a straightforward dialog is pursued to ensure that customer expectations are met. NCC also regularly performs thorough market and customer satisfaction surveys to better understand the customers' needs and preferences.

Society

NCC is a large employer with international operations and participates in the development of the physical environment of communities. NCC is also engaged in social issues linked to the company's operations. In Sweden, NCC actively participates in discussions on the conditions for residential construction and has constructively provided valuable insights and experiences, including proposals to speed up the decision-making and construction processes. NCC also engages in continuous dialog with various interest organizations and participates actively in different forums and organizations that pursue issues linked to the company's operations, such as the various Green Building Councils in the Nordic region.

Suppliers

Developing sustainable and competitive purchasing is a key issue for NCC. Group annual purchases of goods and services total about SEK 42 billion. In addition to direct purchases of materials, significant amounts of energy, consumables and various types of construction contracts and consulting services are purchased.

On top of financial value, NCC contributes, through cooperation with suppliers, to the development of products and services and to improved processes. Since the company is a major developer, it commissions multiple subcontractors and it is essential that the Group has competent suppliers who can deliver what NCC requires. Value is created through the

transfer of competencies and various types of cooperative projects. NCC endeavors to continuously examine its suppliers on the basis of financial, social and environmental criteria.

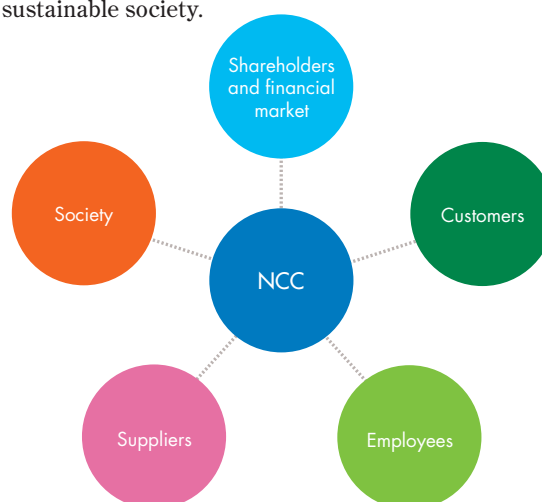
Shareholders and financial market

NCC generates long-term value for shareholders by paying dividends and growing with a healthy return on invested capital. During 2015, the price of the NCC share rose slightly more than 6 percent, and the Board proposes a cash-in-kind dividend of the housing development business, NCC Housing, plus a cash dividend of SEK 3.00 per share. Over a five-year period, NCC has generated a total return of 141 percent for its shareholders, compared with an average return of 65 percent for the Nasdaq Stockholm exchange (SIX Return Index) during the same period.

NCC regularly meets investors, analysts, the credit market and shareholders. Shareholder dialogs take place at, for example, capital market days and the Annual General Meeting, with the help of the Annual Report and through other forms of communication.

In recent years, an ever greater interest in green transactions has emerged, in terms of both the products delivered by NCC and of investors wishing to find companies with a sustainable strategy. These invest-

tors require that the companies or projects that they loan to or invest in have ambitious environmental aims. As early as 2012, NCC entered into a long-term borrowing agreement of SEK 500 M with the Nordic Investment Bank. This was based on the construction of energy-efficient office buildings within NCC Property Development. NCC has concluded that this part of the investor market will grow and be an interesting addition financially, while also serving as an important driving force in efforts to guide the switch to the sustainable society.



ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK M	2015	2014
Economic value generated		
Customers	62,493	56,898
Economic value distributed		
Suppliers	-47,461	-42,522
Employees	-9,078	-8,956
Lenders	-383	-370
State (expensed tax and social security fees)	-3,451	-3,211
Shareholders	-324 ¹⁾	-1,294
Economic value retained	1,796	545

1) Proposed cash dividend. The Board of Directors also proposes a spinoff and listing of NCC Housing during 2016 as a new housing development company.

The NCC share

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name, and are divided into Series A and Series B shares. The shares are traded on the Nasdaq Stockholm Large Cap list and are included in the Construction & Materials sector index.

The trend was volatile in stock markets worldwide in 2015. While sharp fluctuations were also noted on the exchanges in Stockholm, they finished 2015 with an upswing of just over 6 percent. NCC's Series B share rose 6.6 percent during the year and closed at a price of SEK 263. The Series A share finished the year at SEK 263. The year-end prices of NCC shares corresponded to market capitalization of SEK 28.5 billion. During the year, a total of about 127 million (179) NCC shares were traded. Nasdaq Stockholm accounted for 69 percent of trading, which means that other marketplaces, such as Chi-X and BATS, accounted for 31 percent. The turnover rate for Series A shares was 9 percent (10) on all marketplaces and the rate for Series B shares was 151 percent (214).

Ownership structure

At year-end, Nordstjernan AB, the largest individual holder of NCC shares, accounted for 20.1 percent of the share capital and 64.2 percent of the voting rights in NCC AB. During the year, Avanza Pension and Unionen joined the list of the ten largest shareholders, accounting for 1.1 and 1.0 percent of the share capital, respectively. The proportion of foreign shareholders declined and represented 18 percent (21) of the year-end share capital. The US, the UK and Norway accounted for the largest foreign holdings. The current list of shareholders is available on www.ncc.se.

Share repurchases and conversions

NCC bought back 68,000 Series B shares in 2015. The company holds 568,054 Series B shares to cover its commitments under long-term incentive programs. In 1996, holders of Series A

shares were provided with the opportunity to convert their Series A shares to B shares. A total of 38.3 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

Spin-off of NCC Housing

NCC plans to spin off NCC Housing to shareholders in 2016 in accordance with the rules of Lex ASEA. In the event of a spinoff, NCC's shareholders will receive shares in the new housing development company. To avoid taxation on the dividend distributed in accordance with Lex ASEA, NCC's principal owner Nordstjernan has agreed to reduce its shareholding, before the spinoff, to less than 50 percent of the voting rights in NCC. For further information on the spinoff, refer to p. 4.

New dividend policy

NCC's dividend policy states that at least half of profit after taxes will be distributed as dividends. For 2015, the Board proposes a dividend of SEK 3.00 (12.00) per share, in addition to the spinoff of NCC Housing. As the new dividend policy for NCC, following the AGM resolution to spin off the Housing business area to the shareholders, the policy will be that at least 40 percent of after-tax profit for the year will be distributed to shareholders, starting in the 2016 fiscal year.

THE NCC SHARE IN 2015

	Series A shares	Series B shares
Total number of shares ¹⁾	25,523,097	82,344,671
Voting rights	10 votes	1 vote
Total share turnover, including late entries, millions	2.2	125.2
– of which, on Nasdaq Stockholm	2.2	86.1
Total value of share turnover, SEK M	596.4	31966.6
– of which, on Nasdaq Stockholm	590.9	21537
Turnover rate, %		
– total, all marketplaces	8.8	151
– on Nasdaq Stockholm	8.7	104
Share price at start of year, SEK	245.2	246.8
Share price at year-end, SEK	263.0	263.0
Highest price paid, SEK	304.1	303.6
Lowest price paid, SEK	225	228
Beta value	0.99	1.06
Paid-out dividend, SEK	12	12
Total return, including dividend, %	12.15	11.42

¹⁾ Excluding treasury shares

SHAREHOLDER CATEGORIES, PERCENTAGE OF SHARE CAPITAL



- Swedish Institutional, **38%**
- Swedish Mutual funds, **28%**
- Swedish private individuals, **16%**
- Foreign shareholders, **18%**

SHARE-PRICE TREND AND TURNOVER, 2015



Source: Six

FIVE-YEAR TREND IN NCC SHARES

	2011	2012	2013	2014	2015
Market price at year-end, NCC B share, SEK	121.00	136.20	209.90	246.80	263.00
Market capitalization, SEK M	13,136	14,706	22,748	26,720	28,518
Earnings per share, SEK ¹⁾	12.08	17.51	18.40	17.01	19.59
Ordinary dividend, SEK	10.00	10.00	12.00	12.00	3.00 ²⁾
Dividend yield, %	8.3	7.3	5.7	4.9	1.1
Total return, % ³⁾	-11	21	64	24	11
Number of shares outstanding at year-end (millions)	108.4	108.0	107.8	107.8	107.8

Key figures per share are presented in the Multi-year review on p. 100.

1) After tax and full dilution.

2) Proposed dividend.

3) Share performance and dividend paid in relation to the price of NCC's share at the beginning of the year.

SERIES A AND B SHARES

	Series A shares	Series B shares	Total Series A and Series B
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares 2000–2014	-37,088,585	37,088,585	
Share buybacks 2000–2014		-6,627,892	-6,627,892
Sale of treasury shares 2005–2014		6,035,392	6,035,392
Number of shares outstanding at Dec 31, 2014	26,023,097	81,820,225	107,843,322
Conversion of Series A to Series B shares 2015	-500,000	500,000	
Share buybacks 2015		-68,000	-68,000
Distribution of shares to participants in incentive programs, 2015		92,446	92,446
Number of shares outstanding at Dec 31, 2015	25,523,097	82,344,671	107,867,768
Number of voting rights	255,230,970	82,344,671	337,575,641
Percentage of voting rights	76	24	100
Percentage of share capital	24	76	100
Closing price, Dec. 31, 2015	263.00	263.00	
Market capitalization, SEK M	6,713	21,657	28,369

DISTRIBUTION OF SHARES BY HOLDING, DECEMBER 31, 2015¹⁾

	Shareholder, %	Share capital, %	Voting rights, %
1–500	79.60	5.20	3.60
501–1,000	11.00	3.90	2.30
1,001–10,000	8.50	9.80	5.40
10,001–100,000	0.70	8.50	3.70
100,001–1,000,000	0.1	18.80	8.50
1,000,001–	0.1	53.7	76.6
Total	100	100	100
Total number of shareholders	46,756		

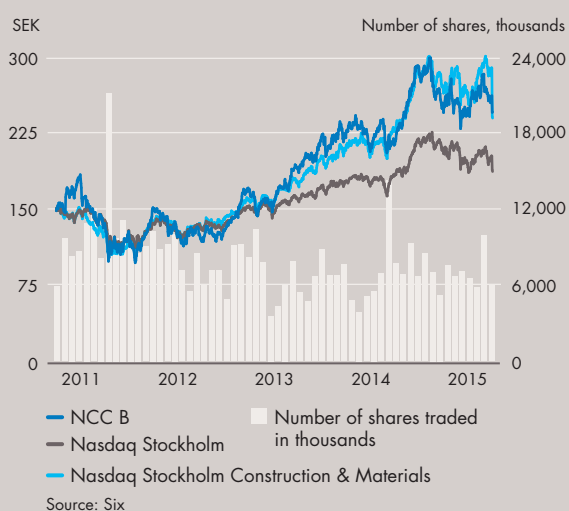
1) Excluding treasury shares.
(Source: Euroclear Sweden AB.)

OWNERSHIP STRUCTURE AT DECEMBER 31, 2015

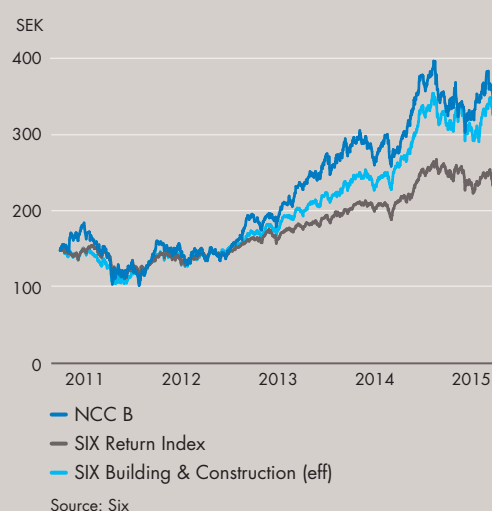
	Number Series A	No. of Series B shares	Total no. of shares	Share capital	Voting rights
Nordstjernan	21,700,000	58,513	21,758,513	20.10	64.20
SEB funds		7,170,251	7,170,251	6.60	2.10
AMF Insurance & Funds		5,924,475	5,924,475	5.50	1.80
Swedbank Robur funds	548,511	3,704,248	4,252,759	3.90	2.70
Handelsbanken funds		3,157,056	3,157,056	2.90	0.90
Lannebo funds		2,870,000	2,870,000	2.60	0.80
Länsförsäkringar funds		2,767,326	2,767,326	2.60	0.80
Norges Bank	3,239	2,050,442	2,053,681	1.90	0.60
Avanza Pension	55,335	1,127,069	1,182,404	1.10	0.50
Unionen		1,096,899	1,096,899	1.00	0.30
Total ten largest shareholders	22,307,085	29,926,279	52,233,364	48.20	74.70
Total other	3,216,012	52,418,392	55,634,404	51.30	25.10
Total number of shares outstanding	25,523,097	82,344,671	107,867,768		
Buyback of company shares		568,054	568,054	0.50	0.20
Total number of shares	25,523,097	82,912,725	108,435,822	100.0	100.0

(Source: Euroclear Sweden AB.)

SHARE-PRICE TREND AND TURNOVER, 2011–2015



TOTAL RETURN, 2011–2015





Industrial

Nordic leadership for reduced environmental impact

In 2015, NCC continued its long-term strategic work to attain local market leadership, secure access to stone materials from proprietary quarries close to urban areas and increase coordination within the business and strengthen customer focus by, for example, developing solutions that reduce the carbon footprint.

INDUSTRIAL

– STONE MATERIALS, ASPHALT, PAVING AND ROAD SERVICES

Industrial operations are conducted in the NCC Roads business area. The core business is production of stone materials and asphalt, as well as asphalt paving and road services.*

11.8

Sales, SEK billion

6

Million tons asphalt

0.3

Operating profit,
SEK billion

28

Million tons
stone materials

*Since January 1, 2016, maintenance of the road network through service agreements has been organized in NCC Infrastructure.

NCC's industrial business, which is conducted within the NCC Roads business area, is based on a distinct value chain encompassing the production of stone materials and asphalt, as well as paving and services. In a high-tech industrial process, stone materials are produced both for the building materials industry and for the contractors involved in earthworks and civil engineering. The stone material is extracted from proprietary quarries and is used in the production of asphalt. Asphalt mix is produced in proprietary asphalt plants and is then used in various types of paving. All of these components are integrated with NCC's construction and civil engineering operations. The final link in the chain, maintenance of the road network through service agreements, has been an organizational component of NCC Infrastructure since January 1, 2016.

Broad application area

NCC delivers stone materials and asphalt to everything from garage driveways and small roads to major infrastructure projects. Deliveries are also made to other construction and civil engineering operations.

Stone materials are used when laying foundations for housing, offices and industrial sites, as well as in the concrete industry.

Customers are found in both the private sector and in municipal and central government administrations. The private market accounts for the largest portion of the customer base. In an effort to meet the public sector's need for long-term solutions, NCC offers total-package undertakings – referred to as function contracts – which include multi-year planning of production and service resources.

A Nordic work method

NCC Roads occupies a leading position in the Nordic region, with Sweden as the largest single market, and capitalizes on economies of scale generated by a Nordic organization. The various divisions focus on business development and satisfying the future needs of customers, with the aim of becoming the customers' first choice. To increase efficiency and integration with customers, all parts of the industrial operations utilize shared work methods and IT systems. Operations have also undergone extensive technological

THE VALUE CHAIN

NCC's industrial business is based on a distinct four-step value chain comprising production of stone materials, asphalt production, asphalt paving and road services*. The four components are linked in a highly integrated processing chain.

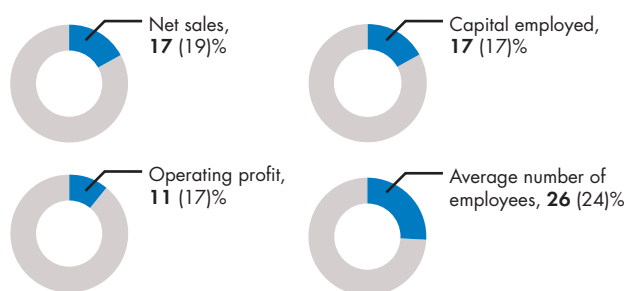


*Since January 1, 2016, road service is an organizational component of NCC Infrastructure.

2015 IN BRIEF

Lower sales in the asphalt operations, due to lower bitumen prices and fewer road services contracts, resulted in reduced sales in the industrial business. Profit from asphalt and road services improved but due to weak earnings from stone materials operations the overall earnings of the industrial business were lower.

SHARE OF NCC TOTAL



FINANCIAL OBJECTIVES

The aims for the 2016–2020 strategy period are to achieve an operating margin of at least 4 percent and an average annual return on capital employed of at least 10 percent.

KEY DATA

SEK M	2015	2014	Change, %
Net sales	11,795	12,153	-3%
Operating profit	349	459	-24%
Capital employed	3,623	3,619	0%
Average no. of employees	4,554	4,260	7%
Stone materials, 1,000 tons ¹⁾	27,506	28,272	-3%
Asphalt, 1,000 tons ¹⁾	6,139	6,216	-1%

1) Sold volume

development. Several operational areas have been digitalized, with mobile solutions deployed in all markets. A Nordic-wide operational system has also begun to take shape. The system will include all aspects of quality, safety and environment, thereby also facilitating complete documentation regarding customers, suppliers and subcontractors.

Solutions for reduced carbon footprint

Customers are increasingly demanding more products and services that reduce the carbon footprint, as apparent from the customer surveys that NCC has implemented in all Nordic markets. NCC is focusing a series of initiatives on meeting this demand, such as energy-efficient paving techniques, asphalt recycling and alternative fuels. Products and production methods that reduce the adverse impact on the environment have been developed and concentrated under the NCC Green Concept® name, of which NCC Green Asphalt® is the best known. This is a production method that results in significantly lower carbon-dioxide

emissions than the conventional production of hot asphalt. Entering into additional total-package undertakings also facilitates NCC's long-term and efficient resource planning. The generally lengthy contract periods also enable optimization of asphalt paving from a lifecycle perspective, thus benefiting customers while NCC's product development moves towards more sustainable solutions. With its strategically important concept, NCC Recycling, NCC also strengthens its position in the recycling area, enabling an eco-cycle approach to the management of construction waste. NCC Recycling includes the establishment of a network of recycling terminals for construction and civil engineering waste throughout the Nordic region. The ultimate aim is that these terminals will be able to accept all types of construction waste. NCC's accredited road-focused laboratories in various parts of the Nordic region pursue extensive R&D activities. Among other products, these facilities develop the many different types of paving that NCC produces to reduce its environmental impact.

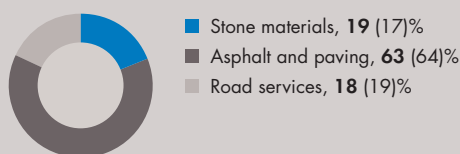
GEOGRAPHIC MARKETS, SHARE OF NET SALES

Distribution among markets is relatively constant and tracks the trend in the construction market. During 2015, the Swedish construction experienced favorable growth, while the trend in Norway was weaker.



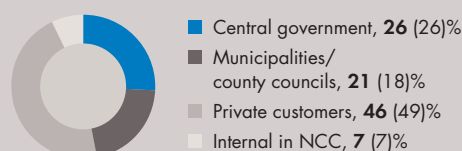
PRODUCT MIX, SHARE OF NET SALES

Asphalt and paving account for most of sales in the industrial operation. Of the remainder, stone materials and road services represent half each.



CUSTOMER MIX, SHARE OF NET SALES

The customer base is evenly distributed between the private sector and municipal and public-sector administrations.



MARKET

STONE MATERIALS

The market for stone materials is generally highly fragmented. Securing access to stone materials from proprietary quarries requires a long-term strategy and is critical to a sustainable stone materials operation. The general trend is that it is becoming more difficult to be granted quarry permits while processing periods are becoming longer. It normally takes five to ten years to open a new operation.

ASPHALT AND PAVING

While competition in the asphalt production market mainly consists of other nationwide companies, numerous local players are active in paving operations.

In pace with increased road traffic, the maintenance market for road networks is growing and offering potential for future asphalt operations. The energy requirements of production are significant and energy prices are highly volatile. Action is being taken to reduce energy dependence and gain control over energy costs, as are initiatives to satisfy customer demands for lower carbon emissions.



Quarries get a new lease of life

NCC launched the Kielo project back in 2012. This project focuses on methods to support biological diversity at quarries, both during and after the operational stage. There is a risk that quarrying can have a negative impact on many forms of life. Since managing and restoring biological diversity is sensitive work, it must be performed in multiple stages. Therefore NCC plans each project with local interest organizations and specialists in the field.

“Sustainable development is important to NCC, and Kielo is a good example. We’re always looking at new ways of managing quarries that take the environment and local residents into consideration.”

Today there are Kielo projects for six quarries in Finland. At the first quarry, Ohkola in Mäntsälä, a comprehensive restoration plan has been implemented for the part of the quarry that was shut down, and today it is demonstrating a vibrant recovery of its biological diversity. The other five Kielo projects are new but are already showing positive results. A handful of further projects are planned in Finland. Kielo’s success will now be applied in quarries with sensitive animal life in other Nordic countries.

Kielo means “Lily of the Valley.” It is also an abbreviation of “Kiviaineksen Elävä Luonto” which means the living nature of stone in Finnish.

Sustainable asphalt production


NCC’s innovation to use wood pellets in large-scale asphalt production is a major change. Switching from fuel oil and gas to renewable fuel such as wood pellets would enable the asphalt industry as a whole to reduce its carbon-dioxide emissions considerably. NCC, which accounts for one-third of the 21 million tons of hot asphalt produced in the Nordic region every year, has converted 12 of its 79 asphalt plants for the use of wood pellets. And more plants will be converted. Now NCC is hoping that the rest of the industry will follow its example and make the asphalt on our roads even more sustainable.

NCC produces

6 million tons

of hot asphalt every year





Construction and civil engineering

Leading construction business for a sustainable society

With its Nordic specialist organization, NCC's construction and civil engineering business continues to develop the best sustainable solutions and benefit society. By being involved at an early stage in the planning of new infrastructure, housing areas and public places, NCC utilizes its collective know-how in project engineering, planning and construction processes.

CONSTRUCTION AND CIVIL ENGINEERING

— ALL NCC'S CONSTRUCTION, FROM HOUSING TO INFRASTRUCTURE

As of January 1, 2016, the previous four land-based construction and civil engineering units are reorganized in two Nordic business areas, NCC Infrastructure and NCC Building – specializing in civil engineering and construction, respectively.

40

Sales, SEK billion

4,000

Number of construction projects

1.2

Operating profit, SEK billion

Within the framework of the construction and civil engineering business, NCC meets customers from both the private and public sectors on a daily basis. Ideas are realized in interaction with municipalities, county councils, government agencies and public-utility housing companies in the public sector, and with retail, industrial and service companies in the private sector. By understanding the customer's operations and business and being aware of what is possible to develop and construct, NCC and the customer can jointly add important value that also contributes to satisfying the needs of society. Every year, for example, NCC constructs many schools, public baths, offices and housing and thus creates opportunities for efficient processes, development of platforms and knowledge of best practice. The combined know-how is valuable for customers who, perhaps, build a school once in a decade.

Platforms and processes are abstract concepts, but require that NCC adopts a systematic approach to and procedures for purchasing, Virtual Design and Construction (VDC), production planning and risk management, for example. NCC adds value for clients by

having well-developed planning and production processes and cooperative formats based on dialog and shared goals. When combined with an understanding of customer processes and challenges, sustainable solutions are created that generate substantial values for society.

Every day, internal collaboration projects are also implemented with NCC's operations for property development. The NCC Roads business area, which produces stone materials, asphalt and lays asphalt paving, is another key partner in earthworks and infrastructure projects. To strengthen positions in earthworks, road service operations, which were previously organized in NCC Roads, are organized in NCC Infrastructure as of January 1, 2016. This is in line with the focus on servicing existing infrastructure, a key area for developing long-term customer relations.

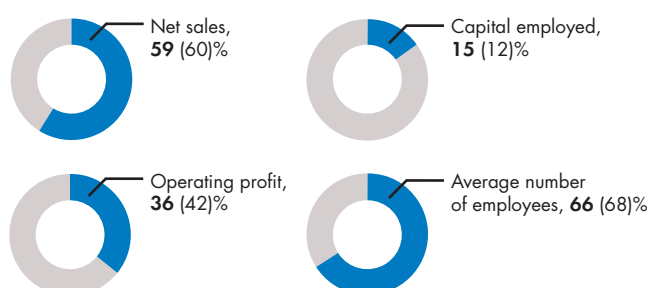
Specialist Nordic organization

The construction and civil engineering business is the backbone of NCC's operations and contributes to the Group's overriding objective of profitable growth and

2015 IN BRIEF

Sales increased in the construction operations, primarily in Sweden and Denmark. Earnings were in line with the preceding year. Profit improved in Sweden, Denmark and Finland but weakened in Norway due to lower sales and project adjustments. The operating margin deteriorated slightly because of the weak earnings in Norway. Orders received were on a high level.

SHARE OF NCC TOTAL



FINANCIAL OBJECTIVES

The objective for the strategy period 2016–2020 is to achieve an operating margin of at least 3.5 percent per year.

KEY DATA

SEK M	2015	2014	Change, %
Orders received	39,434	43,307	-9%
Net sales	40,370	37,956	6%
Operating profit	1,182	1,179	0%
Average no. of employees	11,580	11,784	-2%
Cash flow before financing	1,064	1,232	-14%

being the customer's first choice, through efficient production, innovative capacity and offering superior sustainable solutions. NCC has Nordic construction and civil engineering organizations with wide-ranging specialist competencies in each particular area. Priority growth areas include housing production, an expanded focus on large-scale infrastructure projects and capturing a substantial share of the fast-growing market for the refurbishment of run-down community and residential buildings. In Sweden, NCC is currently one of the very largest players in the market, with a vast geographic spread and a strong local presence. Orders received are relatively evenly divided between the construction of housing, buildings and infrastructure. In Norway, NCC has built a stable platform for civil engineering works with roads, tunnels and infrastructure providing a stable base, but also builds housing, commercial premises and public buildings such as schools and hospitals. In Denmark, NCC is one of the large construction and civil engineering companies in a fragmented market, with operations in building and civil engineering construction, residential construction and services. In Finland, NCC is strong primarily in housing and office construction. By leveraging the strengths generated by a specialist Nordic organization, NCC will be able to strengthen its positions and profitability in all markets. Such strategic areas as partnering, VDC, platforms and coordinated purchasing additionally contribute to sharpening the efficiency of operations and creating increased customer value.

Cash flow permits investment

NCC's construction and civil engineering operations pursue thousands of projects in the Nordic countries.

The core construction competency consists of being able to lead and coordinate suppliers, subcontractors and materials procurement in multi-varied projects, ranging all the way from mains refurbishment in multi-family buildings to major nationwide infrastructure projects. Building production ties up relatively little capital and normally generates continuous cash flow that also supports NCC's potential to develop the work environments of the future, and to produce stone materials and asphalt, which are more capital intensive. In recent years, NCC has taken initiatives to strengthen control of major projects. The aim is to provide a platform for higher profitability, while reducing the risk of project losses.

Leader in partnering

In recent years, NCC has focused on improving its skills in such areas as project development, partnering, platforms and VDC. For example, NCC occupies a leading position in the strategic partnering collaboration format, which generates advantages when the share of public-sector refurbishment projects increases. Strategic partnering entails that the parties create long-term customer relations and lengthy framework agreements extending over a number of projects. This permits the parties to work in a more structured format and share best practices, while the repetition enhances quality and reduces costs. NCC's experience in the area demonstrates that cooperation results in more satisfied customers, faster project implementation, improved financial results and fewer disputes. There is always a natural incentive for both parties to collaborate, with the wellbeing of the patient in mind.

GEOGRAPHIC MARKETS, SHARE OF NET SALES

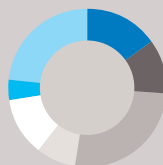
Sweden is the largest market for NCC's construction and civil engineering operations, accounting for 58 percent (55) of sales. Increased production in NCC Construction Sweden and NCC Construction Denmark resulted in a slight adjustment of the breakdown of net sales compared with 2014.



■ Sweden, **58** (55)%
 ■ Denmark, **13** (11)%
 ■ Finland, **14** (16)%
 ■ Norway, **15** (18)%

PRODUCT MIX, SHARE OF NET SALES

Housing continues to account for a large share of the product mix. The segment "Other" includes schools and hospitals.



■ Infrastructure, **15** (17)%
 ■ Earthworks, **11** (10)%
 ■ Housing, **26** (24)%
 ■ Industrial and processing plants, **8** (8)%
 ■ Offices, **12** (14)%
 ■ Business centers, etc., **4** (5)%
 ■ Other, **23** (23)%

CUSTOMER MIX, SHARE OF NET SALES

Private customers remain the dominant customer category for construction and civil engineering operations. Municipalities/county councils declined slightly while central government and public utility housing companies increased compared with the preceding year.



■ Internal in NCC, **12** (16)%
 ■ Government, **14** (13)%
 ■ Public utility housing companies, **9** (8)%
 ■ Municipalities/county councils, **20** (23)%
 ■ Private customers, **45** (41)%

Energy refurbishment enhances quality of residential area

The somewhat dilapidated 1950s housing units in Sorgenfri north of Copenhagen are receiving a new lease of life. 429 units in three apartment blocks are undergoing comprehensive energy refurbishment in one of NCC Denmark's largest refurbishment projects to date. The 14-story buildings will be furnished with new facades, roofs with solar panels and elevators. The tenants, who will live in temporary housing nearby during the refurbishment, will return to apartments with new kitchens, bathrooms and installations.

NCC is upgrading "Sorgenfrivang" as the main contractor for a municipal housing company. The result for the customer is a significant quality boost for the apartments, with a better indoor climate and up to 60 percent lower energy consumption.

The area around the buildings will also be improved during the refurbishment, to make it more inviting for residents to use. The tenants have been highly involved in the refurbishment and helped decide on the materials to be used inside the apartments.

60%

The energy refurbishment of the apartments will produce a better indoor climate and up to 60 percent lower energy consumption.



MARKET

The global economy continues to recover, but growth was limited to 3.1 percent in 2015. The economy is expected to continue to grow in the next few years despite the prevailing global financial uncertainty and geopolitical challenges. Adopting a global perspective is becoming increasingly important in order to understand the construction industry in general and the civil engineering market in particular, as the market is becoming ever more international. The Nordic markets are open, stable and transparent, attracting international interest. The current recovery in Europe generated growth of about 1.5 percent in 2015, which will gradually approach 2.0 percent in 2017. The European construction market was expected to keep pace with GDP in 2015, to accelerate to nearly 3 percent in 2016 and then decline somewhat.

Sweden: New housing units and infrastructure investments create growth

The Swedish economy grew about 3.5 percent in 2015, while the construction industry rose 5.5 percent. In estimates for 2016, GDP growth remains high at above 3 percent, while the equivalent figure for the construction industry is 2.8 percent. GDP is expected to subsequently move downward towards 2.5–3.0 percent in 2017. Immigration will boost demand, while global financial uncertainty will slow down some parts of the export industry. Despite several years of strong growth, the housing market still has the strength to continue growing until 2017. In the next few years, major investments in road and railway infrastructure that will start in 2016 will provide a solid foundation for growth in the civil engineering sector, which will offset lower investments in energy-related infrastructure. Sweden needs to make both short and long-term investments in housing and infrastructure.

Denmark: Continuing its cautious recovery

The Danish market is showing signs of recovery, even if private investments did not take off as expected. NCC expects stable but continued modest GDP growth of up to 2 percent or just above in 2017. The construction market is expected to grow somewhat faster than GDP as a whole until 2017. Private investments and both new construction and refurbishment in the housing market are expected to drive growth in

the next few years, with higher estimated growth of up to 5-7 percent. Meanwhile the civil engineering market is expected to grow much more slowly until 2017, depending a great deal on when work begins on the Fehmarn Belt fixed link.

Norway: Scope for government support and interventions keeps market buoyant

Due to the price of oil, growth has declined in recent years and ended up at 1.5-2 percent for 2015. Norway has succeeded in maintaining growth on the mainland by means of active fiscal policy, monetary actions and a lower exchange rate. Growth in the construction market is expected to be around 4 percent in 2016, and then to decline somewhat over the following few years. Public investments are considered more stable than private investments where interest is somewhat cooler. Growth in 2016 will be supported by the expansive civil engineering market, which remains strong, which also means that international interest in this market is now established. The residential property market will grow more slowly, while demand for commercial and retail properties will decline in 2016.

Finland: Slow improvement from a low level

After a long period of declining growth and austerity, NCC expects the decline in GDP to be moderate and growth to stabilize at a low but positive level. The total construction market declined in 2015 but is expected to demonstrate growth in 2016 (albeit from a low level). Scope for growth through infrastructure investments is limited, which will result in a reduced civil engineering market in 2016 as well. It is assumed that the market for commercial properties, healthcare and schools will experience a temporary upturn in 2016 and subsequently decline. The Finnish construction market is being squeezed from several directions. Weak economic growth allows limited scope for investments, while EU policy is limiting public expenditure. International demand is also weak and the problems in Ukraine are affecting Finland's important trade with Russia, thus hampering exports.

Source: NCC, Euroconstruct

Capacity boost for partner

NCC is conducting earthworks, civil engineering and construction works for the expansion of the Södra Cell Värö mill between Varberg and Kungsbacka. Following the expansion, annual production capacity for pulp will rise from the current level of about 425,000 tons to 700,000 tons. As a result, this will become one of the world's largest mills for the production of softwood sulfate pulp, which is used for toilet tissue, paper napkins and kitchen paper.

"This is an important assignment for NCC. We appreciate that Södra Cell AB's willingness to work together with us in a partnering project. This increases the potential to deliver a really good joint project."

Partnering is a cooperative format whereby the key participants in a project jointly resolve issues arising in an assignment by means of an open dialog focusing on the best interests of the project. The project, which started in late 2014, is scheduled for completion in June 2016 and employs about 100 people. NCC is already engaged in construction works on a cooperative basis at Värö, where Södra Cell is investing in a new lime kiln and a white pellet plant.

700,000 tons

Following the expansion, annual production capacity for pulp will increase to 700,000 tons.



Platforms for collected knowledge

By being a large construction company, NCC can negotiate volume discounts on purchases of goods and services and also develop project engineering and planning tools, as well as platforms. NCC's collected knowledge about planning, production and best practices is developed to match customer needs and to provide proven functionality and cost-effective methods. The platforms have defined technical solutions and governing project engineering requirements, as well as instructions for choosing effective production methods. This results in production becoming more repetitive, thus yielding opportunities for continuous improvement. The platform approach simplifies project engineering, purchasing and construction, ultimately enabling greater control of costs, quality and sustainability performance. NCC has developed platforms in all business areas and can offer solutions ranging from sports centers, swimming complexes, nursing homes, offices and logistics facilities to roads, schools and housing.

An example of when a platform-based approach goes hand in hand with technological advances and sustainability is NCC's Design Duo and Design Quattro housing products. NCC can build these well-designed Nordic Swan ecolabeled housing at a low price, with short construction periods. Thanks to pre-project engineering and a controlled and standardized

construction process, the customer receives a quality-assured product with minimum energy consumption and a predictable construction period. This demonstrates the possibilities of fully leveraging the platform concept.

VDC strengthens the customer

VDC, Virtual Design and Construction, is becoming increasingly common in construction projects and is a tool that has the potential to change the entire construction process. VDC is used in all types of construction projects, from housing and building construction to civil engineering and infrastructure projects, as well as refurbishment. VDC provides digital support when project parties have to work together, and contributes to enhancing the efficiency of the entire project. NCC has used VDC in over 960 projects and is among the industry leaders. NCC intends to retain its leading position and is thus increasing its efforts in this area, in part by integrating increasing numbers of the projects' processes. VDC enables NCC to enter into a dialog with the customer at an early stage and, together with all of the involved parties, create an overview of project solutions, quality, time and cost. With VDC, the project can be created before it is built. Based on virtual, data-based models, customers can start planning their particular activities and management even before construction begins.



Twin tracks to sustainable travel

NCC has been commissioned by the Swedish Transport Administration to expand the Svealandsbanan with double tracks on the section between Strängnäs and Härad. NCC's assignment includes building 8.5 kilometers of double-track railway, three kilometers of rock tunnels and nine bridges. The expansion will benefit regional development since train travel on the Svealandsbanan will be able to increase the frequency of train services.

The environmental investigation performed by the Swedish Transport Administration will give the project excellent prospects for systematic sustainability efforts. NCC will also be able to use efficient project engineering to create favorable logistics to minimize transport, thus reducing emissions.

“Sustainability will be in focus throughout the project and we will apply our ‘Green building concept’. This means that we will have energy efficient establishments with eco-labelled electricity, energy-efficient construction structures, needs-controlled lighting, energy-efficient equipment, efficient transportation and eco-friendly management of waste products.”

NCC began work in the summer of 2014 and the entire expansion is scheduled for completion in the second quarter of 2018.

9 bridges

NCC's assignment includes building 8.5 kilometers of double tracks, three kilometers of rock tunnels and nine bridges.

NCC has also created the NCC Project Studio to promote and develop cooperation and quality. Aided by computer models, the project studio gathers project participants to visualize, optimize and evaluate the project solutions. The result is efficient, quality-assured and controlled products optimized throughout the entire process, from planning to execution.

Solutions for a sustainable society

Construction operations are active on a broad front to achieve a more sustainable society. These actions range from resource conservation at the construction stage, controlling purchasing, providing energy-efficient buildings and housing with a healthy indoor climate, and solutions for greater security, to ethical action in everyday work and lifecycle assessments of operations. For example, NCC has tried-and-tested methods for developing various low-energy buildings to satisfy the customers' requirements for energy efficiency and continuously accumulates further competencies in this area. The aim is to develop proven products, concepts and platforms that enable us to continue to offer superior solutions, partly in preparation for implementation in 2020 of the EU directive calling for close-to-zero energy consumption for all buildings in Europe. NCC has extensive experience of producing passive buildings, for example. By further strengthening this competency, NCC will provide a

foundation for developing negative net energy and plus-energy buildings, which is the next stage in the realignment towards a sustainable society in which carbon emissions from properties are minimized to meet the climate challenges. A crucial factor for achieving fast and effective progress in this area is that public authorities have better tools to measure actual energy consumption when the low-energy buildings are ready.

Work environment in focus

Work environment activities at NCC are characterized by persistence and a strong determination to realize the Group vision of zero accidents at work – every day. An efficient and smoothly functioning building project is always accompanied by low sickness absence and few work-related injuries. NCC's systematic work environment efforts encompass all processes, starting from early planning and project engineering and extending throughout the construction stage, all in a bid to minimize (identified) risks and manage any remaining risks in a structured manner. One example of this work is NCC ViaSafe® in the service business. This is a solution that enhances safety in connection with both major and minor works on streets and roads. Operational planning and control include effective supervision and monitoring of the work environment, health and safety.

The Lysaker Polaris office property in Oslo

Development

Developing the workplaces of the future

Extensive urbanization and the growth of large cities continue to drive demand for sustainable and attractive properties. Flexible solutions and a leading position in sustainable property development contribute to NCC's ability to provide attractive offerings to discerning customers and investors.

DEVELOPMENT

Development operations were conducted in the NCC Housing and NCC Property Development business areas through 2015. Effective January 1, 2016, a new organization took effect at NCC. As a result, development operations will be operated as part of NCC Property Development, and it is proposed that the NCC Housing business area be spun off to the shareholders in 2016.

16¹⁾

Sales, SEK billion

14

Commercial properties

1.8¹⁾

Operating profit, SEK billion

8,778

Housing units in production

1) Including NCC Housing

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland. The business focuses on office, retail and logistics properties in attractive locations. This encompasses the entire value chain, from project concept and analysis to land acquisition, concept development, production and finally sales, when capital is released for new development projects. The business concept is to develop appropriate land sites for new, sustainable work environments in which buildings are adapted to customer requirements and needs, as well as the area's unique circumstances.

A total of eight projects were recognized in profit in 2015 including Lysaker Polaris in Oslo and Skånegatan in Gothenburg. The Hyllie project in Malmö and Torsplan 2 in Stockholm have been sold. The next stage in the development of an attractive inner-city district in Mölndal has also commenced. A shopping mall with 70 stores will be completed in 2018.

Long-term responsibility

The development business is capital-intensive, which means that NCC's knowledge of the areas in various

markets that can generate the highest return is critical. The process of developing properties and areas is conducted in close cooperation with customers, municipalities, landowners, architects and other stakeholders. Taking long-term responsibility contributes to the positive development of urban districts and enhances property values. It involves developing creative new solutions with sustainability high up on the agenda.

A feel for customer needs

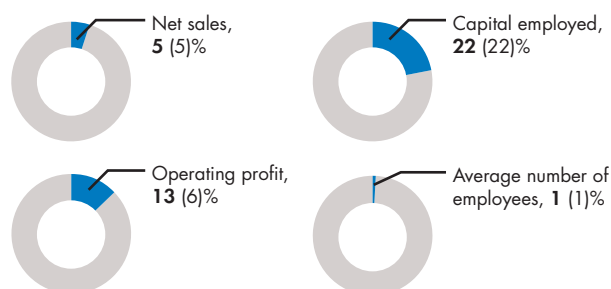
Since property development is a protracted process, it is crucial to build up trend insights in an effort to predict the demands and requirements of tomorrow's customers. It is important to know the geographic locations and types of property that customers are likely to choose for their workplaces in five to ten years' time. NCC works systematically to gather insight through future studies, customer interviews and trend monitoring. Megatrends such as urbanization and competition for talent strengthen NCC's potential to develop urban centers offering attractive offices and shopping areas, while supporting the need for smoothly functioning infrastructure. NCC guides

NCC Property Development

2015 IN BRIEF

Operating profit from NCC's property development business doubled, mainly because more profitable projects were recognized in profit in 2015. Sales increased slightly. Leasing was favorable and the leasing rate in the project portfolio high. At year-end, 14 projects were either ongoing or completed but yet to be recognized in profit.

SHARE OF NCC TOTAL



FINANCIAL OBJECTIVES

The aims for the 2016–2020 strategy period are to achieve an operating margin of at least 10 percent and average annual return on capital employed of at least 10 percent.

FAST FACTS

SEK M	2015	2014	Change, %
Net sales	3,427	3,125	10%
Operating profit	423	169	150%
Capital employed	4,532	4,784	-5%
Average no. of employees	99	116	-15%

municipalities and companies in developing and building needs-based commercial spaces. This guidance takes into consideration such values as the significance of the office for the company's brand, access and peripheral services. These values contribute to boosting the attractiveness of the urban district and the customers, while enhancing the value for investors. NCC also works proactively to reduce project risks by securing tenants for premises well before completion. Of the 22,700 square meters of office and retail space in Torsplan 2 in Stockholm, which will be completed by the beginning of 2017, nearly all of the space was already leased by the end of 2015.

Workplaces of the future

Future Office by NCC is a research concept intended to study future work environment trends. It is also a systematic approach to creating inspirational and sustainable work environments that support the customer's vision and help both people and profits to grow. NCC cooperates closely with the customer in creating unique flexible workplaces that make it possible to increase efficiency and improve the work situation for the customer's employees in terms of health, work

environment and comfort. These are solutions that incorporate aspects that create a work environment that leads to better business, greater work satisfaction and a stronger brand.

For a customer utilizing warehouse and logistics solutions, the location and a highly efficient goods flow are two key criteria. NCC's know-how in optimizing warehouses, combined with standardized solutions for warehouse buildings, provides highly favorable conditions for offering the optimal solution for every customer. When NCC develops a retail property, a detailed analysis is conducted to ensure an excellent commercial location that can offer substantial customer flows, as well as premises that are optimized to sell the tenant's products or services.

Sustainable property development

NCC is a leader in sustainable property development, offering solutions that help transform entire urban districts, such as inner-city Mölndal or Hagastaden in Stockholm. Totally new neighborhoods are emerging in these areas, where creative solutions are integrated with new infrastructure and attractive architecture. Solutions that help awaken slumbering neighborhoods and provide them with a new commercial purpose, and design where people can live and do business side by side. NCC is also one of the Nordic property development companies that has had the most properties certified under the international certification system, BREEAM. These certifications are a way to accelerate progress toward more sustainable cities. As a result of the decision to certify all NCC-developed projects, NCC's Danish office, Gladsaxe Company House, has achieved the gold level in the environmental certification system, DGNB, and the Swedish project, Torsplan 2, will be the first office project in Sweden to achieve BREEAM Outstanding certification. Only a dozen offices globally have achieved final certification at that high level.

THE PROPERTY MARKET

Properties remain an extremely attractive investment for both national and international investors. Their risk level is low, since the Nordic region has shown relatively high economic growth with steadily increasing demand for new offices and other commercial properties for many years. The products and locations where NCC has production are sought after by both tenants and investors. The market continues to focus on well-located, sustainable and space-efficient properties that make a contribution to the life of the city where they are built. For investors, properties mean good long-term profits compared with other investments with similar risk levels. Properties in attractive, growing cities in the Nordic region provide both continual cash flow and opportunities for value growth. Since attractive, space-efficient offices are important for companies to attract skilled employees, tenants in many industries set a high priority on them. All Nordic cities will need to construct and upgrade commercial premises for a very long time, with growing urbanization being a driving force. Transactions in the Nordic region continued to increase in 2015, after 2014 which was already a record year. Properties changed hands for a total value of SEK 342 billion (307), with the Swedish market accounting for SEK 134 billion (148) of that amount. The Norwegian market stood out with transaction volume growing a full 56 percent compared with 2014.

OFFICE MARKETS IN THE NORDIC REGION, 2015¹⁾

	Vacancy rate, %	Rent, m ² /year	Required yield, %
Stockholm	5.5	SEK 2,750	4.4
Oslo	5.0	NOK 2,960	4.8
Copenhagen	12.2	DKK 1,300	4.5
Helsinki	11.0	EUR 265	6.8

1) Refers to the inner city. Source: Newsec

A new neighborhood emerges – in the heart of the city

"At NCC, we have a vision and a goal of creating attractive, sustainable workplaces for the inhabitants of rapidly growing cities, and we are proud to contribute to this development," says Katarina Wählin Alm, Country Manager, NCC Property Development Sweden.

NCC's commercial properties, Torsplan 1 and 2, are the first properties in Hagastaden, a new city district that connects Vasastaden and Solna, in central Stockholm. Hagastaden offers a mix of world-leading research and advanced medical care combined with offices, apartments, parks and shopping. Torsplan 2, which will be completed at the beginning of 2017, has been certified as BREEAM Outstanding, the highest level of environmental certification. This means that close attention is paid to the indoor environment, ecology, lifecycles, waste, and energy and water use. The premises are part of the "Future Office by NCC" concept, a Nordic model designed to create attractive and sustainable workplaces for customers.

PRODUCT MIX 2015

The office segment was the largest segment for NCC Property Development during 2015. During the year, a total of eight projects were recognized in profit. Other comprises rental revenues and other revenues.



PROPERTY DEVELOPMENT PROJECTS¹⁾

Country (number)	Completion rate, %	Leasable space, m2	Leasing rate, %
Sweden (6)	44	102,200	71
Denmark (4)	73	13,100	43
Finland (3)	77	23,800	75
Norway (1)	100	9,200	100
Total (14) ²⁾	55	148,300	73

- 1) The table refers to ongoing or completed property projects that have not yet been recognized as revenue. In addition to these, NCC is working on leasing (rental guarantees/supplementary sales prices) for seven previously sold and profit-recognized property projects.
- 2) Completed and commenced projects at year-end included three projects for which sales contracts were signed but not yet recognized as revenue.



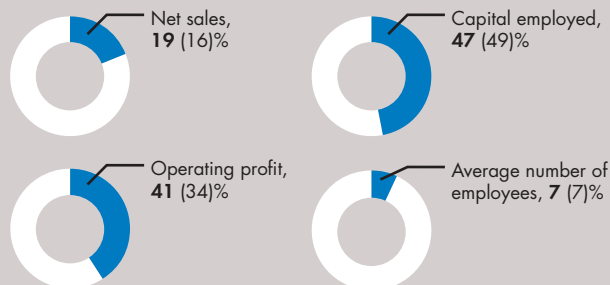
NCC Housing

2015 IN BRIEF

NCC is the leading housing developer in Northern Europe. Housing development operations are pursued in eight geographic markets – Sweden, Norway, Denmark, Finland, Germany, Saint Petersburg and the Baltic countries.

NCC Housing reported record-high earnings in 2015. Profit increased as a result more housing units, for both private customers and investors, being recognized in profit. Sales of land also contributed to the improved profit. Housing sales remained favorable and 8,778 housing units were under construction at year-end.

SHARE OF NCC TOTAL



FAST FACTS

SEK M	2015	2014	Change, %
Net sales	13,069	10,226	28
Operating profit	1,368	949	44
Capital employed	9,811	10,557	-7
Average no. of employees	1,331	1,266	5



Toward a more sustainable society

As a leading industry player, NCC is involved in and driving development toward a more sustainable society. Sustainability efforts are based on the company's vision – to renew our industry and provide superior sustainable solutions.

By working together with customers and suppliers, and through active engagement in society, NCC contributes to a sustainable future. The company actively contributes to reduced use of resources and to developing new technical solutions, products and work methods that contribute to society's sustainable development in terms of economic, environmental and social values. Another aim is to break traditional work patterns and create new collaborative paths with other players and stakeholders in society in order to jointly develop a more sustainable society.

The construction industry uses huge quantities of material resources and energy, both in its own operations and in those products and services that it supplies to society. A proactive approach is required to today's challenges to transform the construction sector into a long-term, sustainable industry.

NCC works purposefully to reduce both the company's own and its suppliers' environmental impact, as well as that of customers. By working continuously to develop additional energy-efficient, climate-compatible and resource-efficient products and services, by independently and together with customers, environmental impact is minimized and society develops in a more sustainable direction.

NCC also plays a key role in society and actively contributes to meeting the demands to build new housing resulting from increased urbanization. For example, the company has developed new business models for renovating objects from the Million Homes Program (public housing project of the 1960s and 70s), with the aim of increasing social and economic integration. NCC's sustainable refurbishment concept plays an important role in this process. Through collaboration

with tenants, municipalities and other local participants, secure and economically sustainable solutions are created. Residents do not just get to influence the decision-making process in their own neighborhood, they also gain job opportunities during the refurbishments. NCC also offers trainee positions and apprenticeship schemes as part of many other types of projects.

In addition, NCC is working to strengthen the industry's reputation through the active use of tools that help to prevent the risk of cartels, bribery and corruption.

During 2015, NCC established new strategic sustainability targets aimed at halving both the accident frequency rate and the Group's carbon emissions by 2020, compared with the outcome in 2015.

NCC's sustainability framework

NCC's sustainability work is based on a framework with the objective of increasing value for shareholders, customers and the Group, while also reducing the negative impact on society and environment.

Respect

- We value diversity and treat others respectfully
- We cooperate, value the opinion of others and stand behind our decisions
- We use all our resources with care

Trust

- We trust each other, say what we mean and do what we say
- We have the courage to be forthright and clear
- We honor our commitments and strive towards high standards on quality, ethics and sustainability

Pioneering spirit

- We take initiative, work proactively and with energy
- We have the courage to think and work in new ways
- We drive development together with our stakeholders

NCC's code of conduct

NCC's Code of Conduct is based on the company's values and on voluntary initiatives adopted by NCC, such as the World Economic Forum Partnering Against Corruption (PACI) and the UN Global Compact,

NCC'S SUSTAINABILITY FRAMEWORK



Values upon which operations are based

NCC's values and Code of Conduct are the basis for all actions in our operations. Together, they act as a compass for employees and business partners, and provide guidance to daily operations.

These four values are prerequisites for achieving NCC's vision – to renew our industry and provide superior sustainable solutions.

Honesty

- We are true to ourselves and our stakeholders
- We conduct business in a correct and responsible manner
- We make sure our stakeholders can always rely on NCC

an initiative that among other aims sets out principles for managing human rights, work methods, the environment and corruption. All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work. NCC's Executive Management Team is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities.

NCC Compass

NCC Compass, which is easily accessible on NCC's intranet and also as an app, guides employees on issues concerning gifts, business entertainment, conflicts of interest and competition law. In addition to guidelines and general advice, the tool has an "Ask Me" and a "Tell Me" function.

The Ask Me function was created to assist employees in always making the right decisions. It provides simple and concrete advice with the aim of preventing incorrect behavior. The Ask Me function is managed by 47 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language. The goal is that the employees always ask first, if they are unsure of what to do. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails. The “Ask Me” function received more than 70 questions during the year, of which half were about gifts and business entertainment. Frequently asked questions and answers are compiled on NCC Compass.

The Tell Me function is a whistle-blower function through which employees can report their suspicions about behaviors and actions that contradict the Code of Conduct. NCC guarantees that whatever is said or written will be handled as confidential information and that it will not reveal the identity of the person who submitted the report. All reports submitted via the Tell Me function are investigated in an impartial and thorough manner by specially trained internal resources jointly with external expertise, to guarantee legally secure treatment and thus protect both the reporting party and the individual reported. NCC also has an external Tell me function with the aim of addressing the external reports that arrive. This year, just over 15 reports were reported through the “Tell Me” function, while a number of incidents were also reported via other channels.

“Ask Me”

The Ask Me function was created to assist employees in always making the right decisions. It provides simple and concrete advice with the aim of preventing incorrect behavior. The Ask Me function is managed by 47 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language.

Organization and governance

The CEO is ultimately responsible for NCC’s sustainability efforts. The SVP Corporate Sustainability is responsible for their implementation and has a staff that works daily with sustainability issues. The unit cooperates with other functions in the organization, such as representatives of the company’s business areas as well as purchasing and HR functions.

NCC’s environmental efforts are governed by the Group’s SVP Corporate Sustainability in cooperation with the environmental and sustainability managers for each business area. The group meets regularly and sets shared targets, while following up developments regarding environmental efforts. NCC’s compliance is conducted via the NCC Group Compliance Officer and there are selected representatives in each business area and Group staff. This organization includes both the Ask me and the Tell me functions, as well as work instructions and minuted meetings.

In total, this resulted in 35 matters that were subject to investigation. The incidents encompassed such areas as suspected theft and fraud. The matters led to two cases of dismissal, three cases of reassignment and 15 cases of other actions; for example, that the employee chose to resign, that trial employment was terminated and/or changes in procedures.

An extensive training initiative has been implemented in recent years to establish and facilitate understanding for the issues addressed by NCC Compass. About 16,100 employees have received training. The course is provided online and is based on real cases and issues.

The Human Capital Index showed that awareness of NCC’s Code of Conduct had increased during the year, particularly among blue-collar workers. Total awareness of the Code of Conduct throughout the Group, since NCC Compass was launched in 2013 had increased from 67 percent to 78 percent.



Significant issues

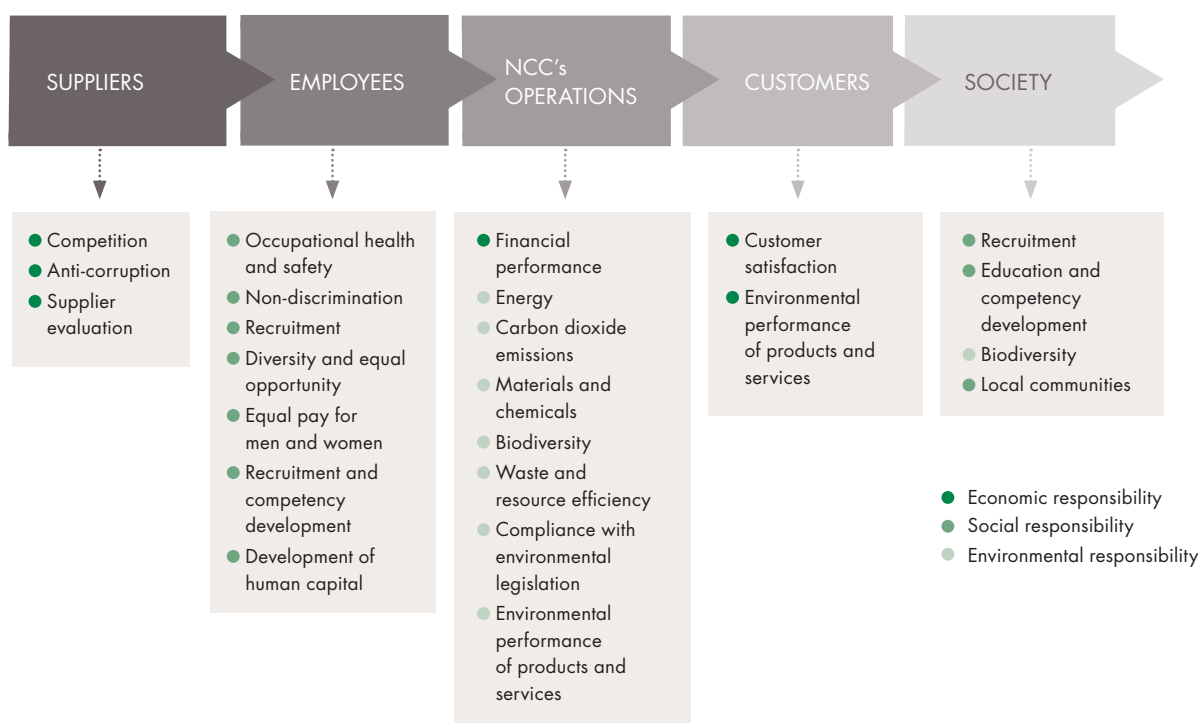
For the sixth consecutive year, NCC is presenting a sustainability report in accordance with the international framework of the Global Reporting Initiative (GRI). The report is prepared in line with the G4 Core guidelines. Internal analyses of strategic issues, drivers in society and the results of stakeholder dialogs lead to a definition of the sustainability issues that are most significant for NCC. This process and how NCC sets its priorities will

be in focus during 2016 in order to ascertain that the key questions are in harmony with NCC's new strategy and sustainability framework. The sustainability framework is presented on p. 35.

The method for defining these significant issues follows the GRI G4 guidelines and comprises identification, prioritization and validation. Regular checks will be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.



The significant issues can be grouped according to economic, environmental and social responsibility, they are linked to the entire operation and pervade every link of the value chain.



About this report

For the sixth consecutive year, NCC is presenting a sustainability report in accordance with the international framework of the Global Reporting Initiative (GRI). Although the Sustainability Report has not been audited by a third party, NCC is of the opinion that the information in the 2015 Annual and Sustainability Reports, together with information on the NCC website, fulfills the GRI disclosure requirements for G4 Core. Unless otherwise stated, all the information pertains to the entire NCC Group during 2015. The GRI index is available on NCC's website www.ncc.se/griindex. Contact: Senior Vice President Corporate Sustainability Christina Lindbäck.

Social integration

An active role in society

NCC plays a major role in the industry and actively contributes to sustainable social development. These efforts focus on minimizing the company's own impact, for example in the form of emissions, but also on helping to identify sustainable solutions to society's problems, create safe and accessible neighborhoods and strengthen the diversity of the Company's workforce.

Recruiting for the future

Recruitment and ensuring that the right expertise will be available in the future are important questions for the industry. The construction industry will enter into a generation change over the next few years, and NCC is working on multiple fronts to contribute to competency development in the industry. The company retains existing employees and attract new ones by providing a stimulating workplace with high safety levels.

NCC's Technology Program is designed to provide a cutting-edge education in technology, where students will receive an education that both prepares them for university and provides an opportunity to move directly into a career as an engineer with an upper-secondary school degree through its close relationship with NCC. The program's objective is also to provide students with a broad understanding of society, and awareness of issues such as the work environment and sustainability. The NCC Technology Program has been offered at Kunskapsgymnasiet schools in Stockholm and Gothenburg since autumn 2014, and it will also be offered in Uppsala in autumn 2016. The program is customized to meet the increasing demand for site managers and supervisors in the construction industry.

NCC and Kunskapsskolan are set to launch a new training course in 2016 for adults with engineering qualifications who have recently arrived in Sweden. The purpose is to promote integration, reduce unemployment and meet a major recruitment need. The course is planned to last between six and twelve months comprising a mixture of theoretical and practical elements. The aim is for the participants to be completely employable after having completed the training course.

NCC is participating in a project designed to provide the long-term unemployed in Uppsala with a path into the construction industry. Other participants are housing company Uppsalahem, the Swedish Public Employment Service, the property company Akademiska Hus and training firm Byggtutbildning Star i Dalarna. After a year of coursework and a traineeship, the project participants will be able to start work as apprentices at a construction company.

Diversity contributes to creativity and innovation
NCC works actively to enhance diversity and counter discrimination. Diverse backgrounds, skills, experiences and ideas contribute to creativity and new

solutions. The company's Code of Conduct states that all employees are to be treated equally – regardless of ethnicity, gender, age, religion, sexual orientation, lifestyle or other attributes.

The Group's women's network Stella plays an important role in increasing diversity, and has contributed to several important changes, especially in parts of the country where women are often the only ones in their workplace.

NCC began a site manager program for women in the fall. The program is designed to attract more women to its traditionally male-dominated construction sites. In the fall the program trained twice as many female site managers as had been trained in the previous five years. When these women come out into production sites they will provide more female role models.

NCC has been partnering with Mitt Liv, an organization that works for greater diversity and integration in the Swedish labor market, since September 2014. The mentorship is intended to function in both directions. The trainees will receive help in navigating the Swedish labor market, while the mentors and the companies they represent will gain access to candidates for recruitment, as well as competency development and valuable help in their own diversity efforts.

SIGNIFICANT ISSUES:

Significant issues: Non-discrimination, recruitment, diversity and equal opportunity, equal pay for men and women, recruitment and competency development, development of human capital, local communities

Employee survey forms the foundation for improvements

Workforce satisfaction and the employees' view of the company are tracked via an employee survey – the Human Capital Index (HCI). The HCI includes questions on motivation, well-being, work satisfaction and loyalty so as to provide input to NCC's continuous improvement efforts. The seven years of gauging opinions through the HCI show a stable and positive trend for NCC, with high participation in the survey (82%) and high satisfaction and loyalty (HCI score of 72). NCC's results outperform the industry index in most of its markets.

The 2015 survey illustrates, for example, that a large percentage of employees are very satisfied with their immediate superior (33%). NCC employees believe to a considerable extent there was an awareness of the health and safety risks associated with the operations and that NCC as a whole focuses on health and safety (HCI scores of 87 for white-collar employees and 78 for blue-collar workers). To a considerable degree, the respondents regard NCC as a company that focuses on sustainability efforts (HCI score of 75) and that their immediate superior acts in line with NCC's values (HCI score of 85). The improvements in these areas reflect the local development efforts at the worksites.

Climate and energy

Reduced emissions and renewable fuels

The construction industry has a major environmental impact and, accordingly, NCC works actively to influence social development in a sustainable direction. New technology is being used to reduce emissions from both production and finished products.

NCC aims to halve the company's climate impact by reducing emissions of greenhouse gases from its own operations. Increasingly efficient energy consumption, more resource-efficient products and a transition from fossil to more environmentally compatible energy sources are also high on the agenda with the aim of further reducing climate impact.

Biodiversity and ecosystem services

Man is dependent on earth having a functional ecosystem. To achieve this, many interacting species of animals, plants and fungi are necessary. NCC's rock pits and gravel quarries represent an opportunity to work for the good of species that otherwise find it difficult to survive, which is why NCC in Finland launched the Kielo project a few years ago, which enhances biological diversity both during and after rock extraction. Altogether seven Kielo projects are under way at six rock pits in Finland. The Kielo project has also produced a Finnish and English handbook for biological diversity in order to inspire more people to do a good deed for nature.

Ecosystem services have also become increasingly important to the development of sustainable cities. In Malmö, NCC is developing unique rental buildings featuring many climate-smart solutions. The apartments have large balconies for growing plants and green houses on the roof for self-subsistent house-

holds. The blocks are built as passive buildings with solar cells and they are certified at Sweden Green Building Council (SGBC) Gold, the highest SGBC level, which entails that the buildings have low energy requirements and a healthy indoor climate.

Partnerships to promote sustainability

NCC's products and services have an impact on the environment and society even after the conclusion of the project. Accordingly, a key part of operations comprises cooperation with customers to secure sustainability aspects in the utilization phase.

NCC offers its customers sustainable solutions through what it calls Sustainability offerings. NCC was the first company in the construction industry to launch this type of alternative tender as early as in 2010, and has since developed the tenders to encompass an ever broader product portfolio.

SIGNIFICANT ISSUES:

Environmental performance of products and services, energy, carbon emissions, climate adaptation, biodiversity

Sustainable offerings these include energy-efficient solutions, ecosystem services and environmental certifications, as well as social aspects, such as increased security in the built-up area and labor market measures. For example, NCC offers traineeships and training in construction projects to the long-term unemployed in Uppsala.

The customer can then choose to utilize NCC's expertise in sustainable construction and receive a tangible offering involving more sustainable solutions. The aim is to make it easier for customers to act sustainably, in both the construction process and in utilization. The Sustainability offerings concept is being developed continuously and expanded with additional offerings.

EMISSIONS FROM NCC'S OPERATIONS

	2015	2014	2013
Greenhouse gas emissions (CO ₂ e (tons, 000s))	251	247	265
– of which scope 1 ¹⁾	211	221	239
– of which scope 2 ²⁾	40	26	26
Net sales, SEK M	62,495	56,867	57,823
CO ₂ e (tons)/MSEK	4.0	4.4	4.6

¹⁾Refers to direct emissions from NCC's operations
²⁾Refers to indirect emissions from electricity and heat

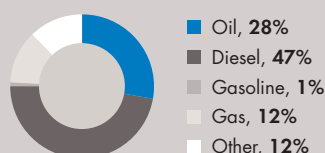
INDIRECT ENERGY USE

MWh	2015	2014	2013
Electricity	246,831	222,501	219,134
District heating	69,180	40,276	46,521
District cooling	209	85	283
Total	316,220	262,862	265,938

The table shows NCC's usage of purchased energy.

Emissions from NCC's own operations have declined by 28,000 tons since 2013, mainly as a result of the transition from fossil fuels to renewable fuels in the majority of NCC's asphalt works. Indirect emissions from electricity and heat have increased, however, by 14,000 tons, in part due to increased thoroughness by the regions collecting data; as a result, the absolute target of reducing emissions by 20,000 tons of CO₂e was not fully attained. The relative target of emitting not more than 4 tons CO₂e/MSEK as a net objective, was achieved in 2015.

DIRECT ENERGY USE



The diagram shows NCC's energy usage of various fuels.

Lower emissions with Green Asphalt and renewable fuels

NCC has reduced its carbon emissions from asphalt production in the Nordic region in part by increasing the mix of recycled asphalt, increasing the use of wood pellets instead of fossil fuels in its asphalt plants, and increasing production of NCC Green Asphalt®. NCC currently has 75 plants that recycle asphalt and of these 46 have been remodeled to produce NCC Green Asphalt®, which is accomplished by measures including using a lower temperature than normal. Read more about asphalt solutions for reduced environmental impact on pages 22–23.

Certification as a tool for assessment

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. In its proprietary developed projects, NCC adheres to BREEAM for commercial buildings and city districts (in Denmark, NCC adheres to the German system, DGNB) and, for residential projects, the Nordic Swan Ecolabel and SGBC certifications. If customers so wish, LEED is also used. Our civil-engineering projects adhere to the CEEQUAL certification system. Within the NCC Roads business area, NCC has also started to introduce an environmental stamp on quarries – NCC Green Quarry.

Norway's first housing units with the Swan Ecolabel are being constructed in LonaParken in Bergen. Energy consumption in buildings with the Swan Ecolabel is at least 25 percent lower than required by law. The project has an efficient climate shell with better insulation, better sealed windows and smarter ventilation than a traditional apartment building. Moreover it has comprehensive requirements for the materials, in order to ensure a lower environmental impact and better indoor environment.

Gladsaxe Company House is an office building of 15,400 square meters near Copenhagen, and it is NCC's new head office in Denmark since January 2015. NCC's goal has been to minimize the project's environmental impact, and it has received the DGNB Gold certificate, which entails a focus on energy consumption, materials, quantities of waste and carbon emissions, both during the construction process and when the building is completed and in use.

Virtual design

A great deal of the work of obtaining environmental certification for a building or other construction involves producing documentation for items such as materials and the quantities and contents of hazardous substances. It also involves technical requirements, configuration parameters, calculations etc. Using Virtual Design and Construction (VDC) has the potential to simplify the management of this process. NCC is the first in the industry to investigate and implement this potential for streamlining, and it has used VDC in the SGBC certification process for a pilot project, Knutpunkten. NCC created tools and processes through a unique cooperation between different disciplines. These tools and processes simplified the

LCA

Life Cycle Analysis (LCA) is a method used to measure the full environmental impact of a product or a service from "cradle to grave." Environmental throughout the lifecycle is included, from extraction of raw materials and manufacture of materials to transport, usage and the final phase. Knowledge of where in the production chain the product's environmental impact is the greatest enables the company to use the right steps to increase its efficiency.

EPD

EPD (Environmental Product Declaration) is an international system for objectively describing the environmental properties of a product or a service from a lifecycle perspective. The standardized methods makes it possible to make comparisons. In contrast to LCA, EPD demands transparency and third-party verification.

SGBC Gold certification process for this specific project, but also for environmental certification projects in general.

Lifecycle analyses focusing on the environment

Several years ago, an NCC team established manuals and procedures and implemented an in-house IT system to assess products' environmental performance. The tools are intended to help NCC both to reduce its climate impact and to increase its competitiveness in procurements. Product stages with the greatest environmental impact are identified by performing a life cycle analysis (LCA). For some products this takes place during production, and for others while they are in use. For example, it is possible to make changes in the selection of materials construction process based on the results of the analysis. The purpose adopting the life cycle analysis approach in NCC's processes is to establish a systematic approach to the measurement and management of environmental performance for NCC's products. In 2015 the environmental impact of several of NCC's technical conceptual solutions were studied, including a bridge concept, different types of concrete, asphalt and stone materials. NCC will continue to study its products' environmental impact in 2016.



Materials and waste

Efficient use of resources in circular flows

One of the cornerstones of all construction is obtaining resources. Projects require building materials and technical installations in many different forms. NCC works closely with its suppliers to source material choices that are as sustainable as possible.

NCC's operations should be characterized by efficient use of resources. The operations endeavor to close the eco-cycle of the various materials. One of the company's long-term goals is that no recyclable waste is to be disposed of in landfills and, instead, should be recycled or reused. The percentage of renewable and recyclable materials and components in NCC's product range should also grow.

Increased recycling leads to less waste

Life-cycle analyses help to optimize the usage of materials in production. Through increasing resource efficiency in construction processes, the amount of recycled material should gradually increase and waste quantities diminish.

In many parts of NCC's operations, the recycling of construction and civil engineering material form a core part of the business. NCC's NCC Recycling business concept is an example of this. Recycling of asphalt and other materials is more energy and cost effective than new production. Recycling terminals, where used material such as stone materials, gravel, sand and soil products are processed and sold as new products, are increasingly being established in the various markets.

Development of the concept is continuing and, in the near future, the recycling terminals will be able to accept all types of construction waste. This means that NCC will be able to manage all of its own building materials. At present, a total of five terminals are in operation in Sweden, Denmark and Finland.

NCC is continually improving its recycling capacity in a growing number of asphalt plants, enabling a more ecologically adapted operation. In 2015, recycled asphalt granulate accounted for 18.8 percent (16.5) of hot asphalt production.

Phasing out hazardous substances

NCC's aim is to be able to produce buildings and civil engineering structures that are content-declared and comprise environmentally sound and sustainable products. In the long term this will result in buildings being designed to a greater extent to allow for their input materials to be recycled upon expiry of their useful life.

In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose the appropriate requirements on suppliers and to work with traceability throughout the entire production chain – an effort that has been further intensified by NCC's purchasing organization.

SIGNIFICANT ISSUES:

Materials and chemicals, environmental performance of products and services, waste and resource efficiency

NCC has worked actively for many years to phase out hazardous substances in the buildings it develops. By using industry-wide environmental assessment systems when selecting products, as well as helping improve these systems, NCC's objective is to create the best possible platform for non-toxic construction.

It's important for the currently available information on the chemical's found in a building to be available in the future. Therefore NCC has been engaged in developing well-functioning processes to declare the contents of its buildings, known as logbooks. Declaring the contents of buildings creates traceability at the substance level, which also helps to improve the prospects for recycling the materials in the future.



Occupational health and safety

Concerted work for increased safety

A positive work environment and a safe workplace are highly prioritized areas and NCC works systematically to eliminate the number of accidents, in order to achieve its zero-accident vision.

A key part of these efforts is to establish a strong safety culture, and create an environment in which everybody reacts to and acts on work environment shortcomings and incorrect behavior. Worksite accidents at NCC have been reduced by slightly more than 50 percent since 2011 as a result of the company's structured safety efforts. Unfortunately, four of the Group's employees died in 2015. NCC has a vision of zero worksite accidents, and continues to work to realize this vision.

Safe workplaces

NCC's Awareness Day is organized once each year. On this day, production stops throughout NCC and employees gather in groups at their own workplaces to discuss safety. Health and safety issues are raised at the same time for discussion at all of the company's workplaces and employees discuss, for example, how accidents can be avoided. This year's Awareness Day, which was held at the start of September, had a Time Out theme. A Time Out means taking action in unsafe situations by stopping work and ensuring safety before resuming work again. Time Out is an important part of NCC's efforts to strengthen its safety culture.

Starting in 2016, NCC will be expanding the Group-wide discussion by introducing a Health & Safety Week. In contrast to Awareness Day, which is a day of reflection, the Health & Safety Week will focus on various activities to increase commitment to and understanding of safety issues.

NCC has introduced a new system, Synergy Life, to report health and safety incidents throughout the Group. All employees will be able to report accidents, close calls and observations by means including a smartphone app. One of the purposes of Synergy Life is to perform a deeper analysis of the causes of the incidents, which will be an important aid in accident prevention efforts. The major benefit is that it is possible to analyze information more systematically, in order to discover the causes of accidents which are difficult to detect using only common sense.

NCC ViaSafe wins an award

NCC ViaSafe is a new way approach to road safety in connection with work and other activities on roads. By being involved at the early planning stage along with its suppliers, NCC can offer expertise and technical solutions that save lives. Setting up roadblocks well reduces lines of vehicles, which in turn reduces carbon emissions while increasing road safety. NCC ViaSafe was awarded the Transport Future Award in the Road Security category in 2015. The prize was awarded by Elmia Nordic Rail/Future Transport and the trade journals Transport & Logistik Idag, Resforum and Trafikforum.

Safe employment conditions

Safe worksites are also about safe and secure terms of employment. In all of our markets, with the exception of Russia and the Baltic countries, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. In Russia, employee interests are instead monitored through government agencies and inspectors. In the Baltic countries, minimum wages and other terms are regulated through national legislation.

NCC has started its own staffing company in order to manage peak workloads. This also facilitates transparency and oversight of contracts, and helps NCC to ensure compliance with rules, guidelines and NCC's Code of Conduct. The head office for the staffing company, called NCC Montage, is located in Poland.

SIGNIFICANT ISSUES:

Occupational health and safety, healthy indoor environment

Healthy indoor environments

NCC Finland has developed a concept known as My School, designed to visualize various measurements from a building for different stakeholders such as students, teachers and maintenance staff. The data collected in a building, such as temperature and energy consumption, can be difficult to understand and use.

Through its My School concept, NCC wants to enable the users of a school building to understand how they can have an impact on the indoor climate, safety in the building and energy consumption. My School also makes it possible to maintain oversight of the occupancy and reservations of the rooms in a building. A software program uses a building's existing data collection installations, and then presents the data in a way that is suited to the users. My School also makes it possible to engage the users in improvement campaigns, for example by organizing energy saving contests among the students, thereby teaching them how their behavior can help reduce energy consumption.

Ethics and compliance

Sustainable business

NCC works continuously to ensure compliance with its Code of Conduct in all of the partnerships that the Group engages in, and to ensure that there no violations occur in respect of, for example, competitive situations and business ethics.

Developing sustainable and competitive purchasing is a key issue for NCC. The purchasing of materials and services accounts for about three quarters of the NCC Group's expenses. Group purchases of goods and services currently total about SEK 42 billion. Therefore the purchasing area is of great significance, and NCC places great importance on developing processes to use supplier evaluations and supplier performance appraisals to audit and educate our suppliers from a sustainability perspective.

NCC Montage is an example of a long-term sustainable solution. The company was established in 2015 to ensure capacity, transparency and competition in connection with the sourcing of temporary labor for NCC projects. With an in-house company, NCC gains full insight and can ensure that the right wages and employment conditions apply, and that we act in line with our company values.

The purchasing volumes mainly comprise services and materials relating to excavation and transportation, staffing, consultants, installation, foundations, prefabricated concrete and steel, as well as construction materials. NCC coordinates and organizes purchasing centrally to raise efficiency, boost profitability and lower costs. Historically, competition in the market for building materials and subcontracting has been very weak, since construction companies have usually purchased materials and services locally. This is also one of the reasons why construction costs have exceeded CPI increases for so many years.

The Group's purchasing function controls and coordinates strategic purchasing. Suppliers deal with One NCC, which is the same throughout the company, thereby increasing control over purchasing. This makes NCC stronger in negotiations and lowers costs. Another positive effect of coordinated purchasing is that the number of suppliers and range of items declines, which also has an impact on cost savings.

Continuous audits

Over the years, NCC has built up a stable international supplier base outside the Nordic region, in part by establishing its own purchasing offices in various locations worldwide. Close partnerships with suppliers in the international market enable NCC to raise the reliability and efficiency of its supplier chain. The aim is to continue increasing the proportion purchased from suppliers outside the Nordic region.

To monitor and develop international suppliers, NCC undertakes audits of social responsibility, quality, the environment and the work environment.

NCC applies a 12-month supplier-assessment audit cycle for all international suppliers who deliver to the Nordic region to ensure compliance with and development in these areas. Serious supplier deviations that are not rectified after having been commented on, lead to the termination of the partnership.

NCC combines its own audits conducted by in-house personnel with third-party audits conducted by consultants within the framework, for example, of NCC's affiliation to the Business Social Compliance Initiative (BSCI) and the UN's Global Compact. During the year, NCC also sent a self-assessment questionnaire to suppliers active in all countries in which NCC conducts purchasing. The questionnaire mainly revealed positive results in terms of knowledge and compliance with NCC's rules and policies concerning health and safety,

SIGNIFICANT ISSUES:

Competition, Anticorruption, Supplier evaluations,
Compliance with environmental legislation

Anti-bribery partnership

Together with the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Anti-corruption Institute (IMM), the Swedish Construction Federation, the Swedish construction clients and other construction companies, NCC which initiated the project in 2013, has participated in efforts to prepare guidelines for construction companies when working with municipalities and county councils. The purpose is to formulate a joint form of cooperation between client and supplier to ensure a sound business culture and that actions between players are conducted in an ethical, legal and trustful manner.

The project was concluded in December and resulted in common guidelines; the Agreement for counteracting bribery and corruption. By signing this agreement, NCC, like the other parties involved, undertook to work for and uphold and abide by the agreement.

NCC is also a member of the Corporate Supporters Forum, an industry forum operated by Transparency International Sweden. NCC also has a member in the IMM Ethical Committee and, through its membership of FIEC (via the Swedish Construction Federation) it has participated in and influenced the ISO 37001 anti-bribery standard.



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 2015 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 Northern Europe. NCC develops and constructs residential and commercial properties, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. It also offers input materials used in construction, such as stone materials and asphalt, and provides paving and road services. Operations are mainly conducted in the Nordic region. In Germany, NCC focuses primarily on housing. In St. Petersburg, NCC builds housing and has an asphalt and paving operation. As of January 2016, the residential development operations in Germany and St. Petersburg are organized in the independent housing development company NCC Housing, which is planned to be spun off to NCC's shareholders during 2016.

OPERATIONS DURING THE YEAR

Market

Demand in the Swedish construction market is favorable in all segments. In Norway, infrastructure investments contributed to an expanding civil-engineering market. The Finnish market remained weak. In Denmark, growth was primarily noted in the metropolitan regions of Copenhagen and Aarhus in housing and other buildings segments, in both new builds and refurbishment.

In the markets served by NCC Roads, demand for stone materials and asphalt was favorable. The markets for stone materials also benefited from high activity in construction operations. Although demand in road services was stable, the market was characterized by intense competition.

The market trend in NCC's housing markets generally remained favorable. In Germany, demand was healthy with rising prices. In

Sweden, prices have leveled off, while demand was healthy. In Finland, demand was weaker, but there was demand from the investor market and from the private market for small and reasonably priced housing units. The housing market in Norway was characterized by considerable local variations. Although demand is favorable in St. Petersburg, purchasing decisions take longer. Demand for housing remains favorable in Copenhagen.

For commercial properties in Sweden, demand in the leasing market was favorable, vacancy rates declined and interest from investors was high. In Copenhagen, vacancy rates declined slightly but leasing is taking more time. Vacancies increased in Oslo, thus exerting pressure on rent levels. In Helsinki, demand in the leasing market was weak, particularly in the segment comprising older office properties.

Spinoff of NCC Housing to the shareholders

In September 2015, the Board tasked the management with analyzing the conditions for creating an independent housing development company based on the NCC Housing business area and spinning the company off to NCC's shareholders under the Lex Asea rules.

The analysis showed that a demerger of NCC would create greater opportunities for capitalizing on the growth potential identified by NCC in both the housing market and the construction market. The Board deems that a demerger of NCC will create shareholder value and in early November, decided to begin preparing for a distribution of NCC Housing in accordance with Lex Asea.

In connection with publication of the year-end report for 2015 on January 28, 2016, the Board proposed that the new housing development company be spun off and listed separately. The spinoff is intended to occur in proportion to the holding in NCC of each individual shareholder.

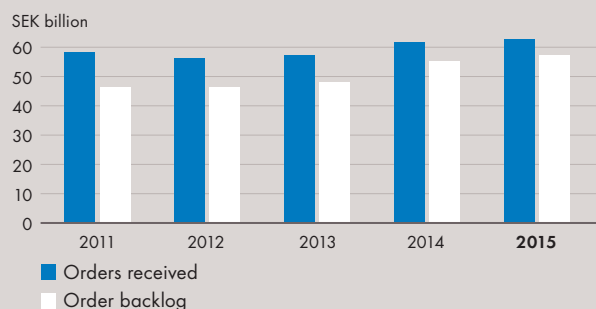
The shareholders will make a decision regarding the proposal at the Annual General Meeting (AGM) on April 12, 2016. Should the AGM resolve to adopt the Board's motion, the new housing development company will be spun off and listed during 2016.

Decision on new organization

In September 2015, NCC's Board decided to implement a new organization that was compatible with the new strategy for 2016-2020. The change entails that effective January 1, 2016, the four former country-

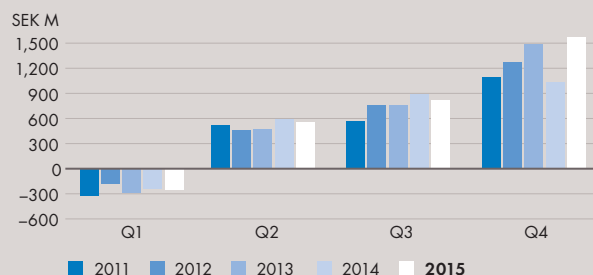
ORDERS RECEIVED AND ORDER BACKLOG

Orders received were high during 2015, primarily because of strong demand for housing and for asphalt and road services. Orders received during 2014 were higher, primarily for housing units. During 2013, orders received increased, primarily because of more housing project starts but also an increase in other buildings. Orders received were slightly lower in 2012 compared with the historically high level noted in 2011, mainly due to a decline in orders received by the Construction units in Sweden, Denmark and Finland. In late 2011, demand for housing stagnated while demand for other building projects and civil engineering projects continued to rise throughout the year.



PROFIT AFTER FINANCIAL ITEMS

Profit during the final quarter of the year was historically high, mainly because NCC Housing recognized many housing units in profit during the fourth quarter. The start of the year was seasonally weak. During the second quarter of 2015, earnings became stronger, apart from for NCC Housing and NCC Construction Norway, which reported impairment losses on projects. In the third quarter, earnings were seasonally strong but were held back by additional impairment losses on projects in NCC Construction Norway and lower profit recognition in NCC Housing.



based construction and civil engineering units are reorganized in two Nordic business areas: NCC Infrastructure and NCC Building. NCC Roads will become the new NCC Industry business area, with the exception of road-services operations, which are being moved to NCC Infrastructure. NCC Property Development remains unchanged as a business area and NCC Housing becomes an independent housing development company.

HR, communication and sustainability are being organized into a shared unit, Corporate Relations, which is represented in the Executive Management Group. Purchasing is another core element of NCC's operations that is being raised to Executive Management Group level as of January 1, 2016.

Changes among senior executives

On February 1, 2015, Jyri Salonen took office as Business Area Manager for NCC Roads and has since then been a member of the Executive Management Group. Jyri Salonen has been Division Manager at NCC Road Services since January 2014 following four years as Business Unit Manager for NCC Roads in Finland. He was employed as the Finance and Business Control Manager of NCC Roads in Finland in 2008.

NCC Roads former Business Area Manager, Göran Landgren, remains at NCC at Group level with responsibility for special initiatives and projects. Göran Landgren reports to CEO Peter Wågström.

In November 2015, it was announced that Joachim Hallengren will become CEO and Ann-Sofie Danielsson CFO of NCC's independent housing development company NCC Housing, as of January 1, 2016. For further information, see above. Joachim Hallengren is the former Business Area Manager of NCC Housing and Ann-Sofie Danielsson the former CFO of the NCC Group.

Mattias Lundgren has been appointed new CFO of NCC and member of the the Executive Management Group as of January 1, 2016. Prior to his new position, Lundgren was Head of Business Control at Group level with responsibilities including Mergers & Acquisitions and strategy at NCC. Prior to that, he was President of NCC Housing Sweden. Lundgren also has extensive experience from various positions at NCC, such as in business development, Mergers & Acquisitions and as business controller at Group level. Mattias Lundgren has been employed by NCC since 1998.

These changes mean that as of January 1, 2016, the Executive Management Group consists of Business Area Manager for NCC Building Klaus Kaae (former Business Area Manager of NCC Construction Denmark), Business Area Manager for NCC Infrastructure Svante Hagman (formerly at NCC Construction Sweden) and Business Area Manager for NCC Industry Jyri Salonen (formerly at NCC Roads, see above). Carola Lavén, Business Area Manager for NCC Property Development, and Senior Legal Counsel Håkan Broman remain in the former positions. Ann Lindell Saebø, formerly Senior Vice President Corporate Communications, is the new Head of Corporate Relations, with responsibility for HR, communications and sustainability. Peter Gjørup is Head of Purchasing and, as of January 1, 2016, member of the Executive Management Team.

Orders received

Orders received amounted to SEK 62,506 M (61,379). Orders received were higher for NCC Roads, NCC Housing and NCC Construction Finland, and lower for the other business areas. Orders received by NCC Roads improved as a result of higher orders received by road service and asphalt operations. For NCC Housing, orders received increased, primarily in Germany, Finland and Sweden. Orders received in 2014 included several major civil engineering projects in NCC Construction Norway, which is the reason for the lower level in 2015. Exchange rate changes increased orders received by SEK 190 M compared with the preceding year.

Orders received for proprietary housing projects for private customers amounted to SEK 12,737 M (11,295). During 2015, 4,452 housing units (4,503) for private customers and 1,904 units (1,445) for the investor market were started. During the year, 4,542 housing units (4,575) were sold to private customers and 1,773 units (1,472) to the investor market. Orders received for proprietary property development projects amounted to SEK 1,090 M (1,996). The order backlog rose SEK 1,811 M compared with the preceding year to SEK 56,588 M. Changes in exchange rates reduced the order backlog by SEK 1,522 M.

Net sales

Net sales amounted to SEK 62,495 M (56,867). The improvement was primarily attributable to NCC Housing increasing its sales in Sweden and NCC Construction Sweden increasing sales in all operational categories. NCC Housing profit recognized more housing units and the average price per unit for units handed over to private customers and recognized in profit was higher. NCC Construction Denmark and NCC Property Development also posted higher net sales, while the other business areas reported declines. In NCC Construction Denmark, net sales from housing operations increased. Exchange rate changes had an adverse impact of SEK 115 M on sales compared with the preceding year.

Operating profit

Operating profit amounted to SEK 3,039 M (2,604). All business areas reported higher earnings than in 2014, with the exception of NCC Construction Norway and NCC Roads. NCC Housing and NCC Property Development noted the largest earnings improvements as a result of increases in housing units recognized in profit and in profit from projects, respectively.

Operating profit for all NCC's Construction units matched the 2014 level. Increased net sales contributed to improved earnings for NCC's Construction units in Sweden and Denmark. Operating profit in Finland improved thanks to higher project margins. In Norway, earnings were lower due to declines in net sales and project adjustments.

NCC Road's operating profit was lower than in the preceding year, due to weak earnings in the stone materials operations. This is primarily due to costs for the restructuring and closure of unprofitable units in western Denmark. The recycling business that is under construction posted higher expenses than revenues during the year. However, earnings were higher for both asphalt and road service operations.

NCC Housing's operating profit was higher than in 2014 as a result of increased sales to both private customers and investors.

NCC Property Development's operating profit was higher than in the preceding year. A total of eight (7) projects were recognized in profit. Earnings from prior sales and sales of land also contributed to the result.

"Other and eliminations" amounted to an expense of SEK 282 M (expense: 151), of which eliminations of inter-company gains accounted for SEK 29 M (loss: 13). Other and eliminations in 2015 includes a competition-infringement fee in Norway of SEK 82 M. Profit after financial items totaled SEK 2,656 M (2,234). Net financial items amounted to an expense of SEK 383 M (expense: 370). A slight increase in net indebtedness and higher interest rates in Russia, year-on-year, had a negative impact on the financial net. Lower credit margins had a positive impact on net financial items.

Profit after tax for the year amounted to SEK 2,120 M (1,838). The effective tax rate for NCC was 20 (18) percent.

FINANCIAL POSITION

Profitability

The return on equity after tax was 26 percent (22).

Total assets

Total assets amounted to SEK 39,402 M (38,987).

Net indebtedness

Net indebtedness amounted to SEK 4,552 M (6,836), of which net indebtedness in ongoing projects in Swedish housing associations and Finnish housing companies accounted for SEK 3,056 M (1,963). Net indebtedness declined due to healthy cash flow and a lower pension debt.

Cash flow

Cash flow before financing was SEK 3,331 M (574). Cash flow from changes in working capital amounted to SEK 624 M (neg: 928). Cash flow from operating activities improved as a result of the strong earnings, higher cash flow from sold housing units and slightly improved cash flow from other changes in working capital. Higher sales of housing projects during the year facilitated more starts, thus increasing investments by the same rate. Cash flow also developed positively in property projects during the year. Also refer to the Cash flow statements on p. 60.

Equity/assets and debt/equity ratio

On December 31, the equity/assets ratio was 25 percent (23). The debt/equity ratio amounted to a multiple of 0.5 (0.8).

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 amounted to SEK 23,663 M (24,899). The decline was primarily due to a decrease in orders received by the civil engineering and housing operations. Earnings improved as a result of higher volumes and amounted to SEK 743 M (640).

NCC Construction Denmark

Orders received by NCC Construction Denmark amounted to SEK 4,529 M (5,587). The decline was primarily due to a decrease in orders received by housing and other building operations. Higher net sales and continued healthy profitability resulted in improved earnings, which amounted to SEK 321 M (281).

NCC Construction Finland

Orders received amounted to SEK 6,797 M (5,169). The increase was attributable to higher demand in housing operations. Operating profit improved to SEK 159 M (111) as a result of improved project margins.

NCC Construction Norway

Orders received amounted to SEK 4,445 M (7,653). The decline was mainly due to lower orders received in civil engineering operations compared with 2014, when several major large-scale engineering projects were registered. The operating result was a loss of SEK 41 M (profit: 146), due to lower net sales and negative project adjustments.

NCC Roads

Net sales amounted to SEK 11,795 M (12,153). Sales were unchanged for stone materials but lower for asphalt due to lower bitumen prices and for road services due to fewer road services contacts. Operating profit amounted to SEK 349 M (459). The decline was due to lower earnings for stone materials operations, which showed a weak result. The main reasons for the decline were costs for the restructuring and closure of unprofitable units in western Denmark. The recycling business that is under construction posted higher expenses than revenues during the year.

NCC Housing

A total of 4,542 (4,575) housing units were sold to private customers and 1,773 (1,472) to the investor market. Housing sales to private customers increased in Germany, Sweden, Norway and Finland.

During the year, construction started on a total of 4,452 (4,503) housing units for private customers and 1,904 (1,445) units for the investor market.

The number of profit-recognized housing units was 3,968 (3,661) for private customers and 1,768 (1,393) for the investor market. The number of unsold, completed housing units at year-end was 429 (438). The number of housing units under construction totaled 8,778 (7,687), including 6,432 (5,952) units for private customers. The sales rate for units under construction for private customers was 60 percent (58) and the completion rate was 46 percent (45). The sales rate for units under construction for investors was 94 percent (100) and the completion rate was (69) percent (65).

The number of development rights at year-end was 29,100 (31,300), including 7,600 (9,400) located in Sweden. Assets in housing projects decreased to SEK 12,288 M (13,246), primarily as a result of favorable sales.

Operating profit amounted to SEK 1,368 M (949). Earnings were higher than in 2014 because of increased earnings from sales to both private customers and investors. Earnings from sales of land amounted to SEK 220 M (100). The creation of an independent NCC Housing generated costs of SEK 57 M.

NCC Property Development

Sales for NCC Property Development amounted to SEK 3,427 M (3,125). Operating profit increased compared with 2014 to SEK 423 M (169). A total of eight (7) projects were recognized in profit, of which four in Denmark, two in Sweden, one in Finland and one in Norway. Earnings from previous sales and sales of land also contributed to profit. The operating net for the year was SEK 85 M (68).

At year-end 2015, NCC had 14 (17) completed or ongoing projects that had not been recognized in profit, with total project costs amounting to SEK 4.7 billion (5.4). Costs incurred in all ongoing projects amounted to SEK 2.6 billion (3.0), equal to a completion rate of 55 percent (56), while the leasing rate was 73 percent (63). Leases were signed for 73,100 square meters (71,100) during the year.

BRANCHES OUTSIDE SWEDEN

During the year, NCC Construction Sweden established a branch in Finland. The business area already conducted operations via a branch in Norway. As of January 1, 2016, these branches are organized in the new business area, NCC Infrastructure. NCC also has a branch in Denmark, which is dormant. The branch in Singapore was closed during 2015.

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 by NCC Roads that affect the external environment, as well as the construction and civil engineering operations conducted by NCC's Construction units.

Within NCC Roads, quarries and harbors are subject to permit obligations, while asphalt production is generally subject to reporting obligations. Permits for quarries are renewed continuously.

NCC Roads also conducts recycling operations that are subject to permit obligations. Some of these also include landfills, which are

ORDERS RECEIVED, NET SALES AND EARNINGS PER BUSINESS AREA

SEK M	ORDERS RECEIVED		NET SALES		OPERATING PROFIT	
	2015	2014	2015	2014	2015	2014
NCC Construction Sweden	23,663	24,899	23,452	20,788	743	640
NCC Construction Denmark	4,529	5,587	5,160	4,330	321	281
NCC Construction Finland	6,797	5,169	5,644	6,105	159	111
NCC Construction Norway	4,445	7,653	6,114	6,733	-41	146
NCC Roads	13,000	10,526	11,795	12,153	349	459
NCC Housing	14,906	12,518	13,069	10,226	1,368	949
NCC Property Development			3,427	3,125	423	169
Total	67,341	66,352	68,661	63,460	3,321	2,755
Other and eliminations	-4,835	-4,972	-6,166	-6,593	-282	-151
Group	62,506	61,379	62,495	56,867	3,039	2,604

also subject to permit obligations. The external environmental is mainly impacted by emissions to air, waste generation and noise. No significant injunctions according to the Environmental Code exist.

COMPETITION ISSUES

In 2011, NCC's internal investigation confirmed suspicions stated by the Norwegian Competition Authority concerning the infringement of competition laws in the Trondheim area during 2005–2008. The transgressions were committed by a former employee of NCC Roads and an employee of Veidekke. The judicial hearing of the transgression was concluded in 2015 and resulted in a competition-infringement fee of NOK 150 M being levied against NCC. The fee was paid in the fourth quarter 2015.

In the wake of the Finnish asphalt cartel, during the period 1994–2002, which was finally concluded in court and regulated in 2009 with respect to competition-infringement fees, NCC and other construction companies have received damage claims from a number of municipalities and road services in Finland. For NCC Roads' Finnish company, this means that the claim for approximately EUR 71 M is directed at the company, jointly with the other construction companies concerned. These claims are being heard in general courts of law. In November 2013, the Helsinki District Court handed down rulings concerning a number of these claims for damages. NCC Roads' Finnish company was ordered to pay approximately EUR 1 M, including interest and process costs. The company has reserved a reasonable amount to cover any additional damages.

PERSONNEL

The average number of employees in the NCC Group during the year was 17,872 (17,669). The increase was primarily due to a higher average number of employees in NCC Roads.

NCC started its own staffing company in 2015 to manage work peaks. With its own company, NCC will gain full insight and control over agreements and be able to ensure compliance with rules, guidelines and NCC's Code of Conduct. The new company, NCC Montage, commenced operations in August 2015. The operations are established in Poland and will be used when needs arise in projects under way in the Nordic countries where NCC is active.

NCC SHARE

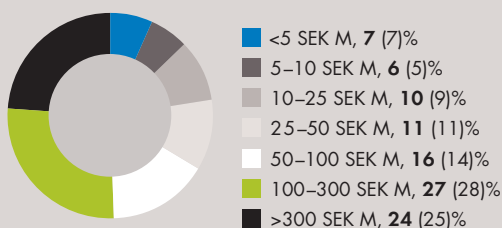
At December 31, 2015, NCC's registered share capital consisted of 25,523,097 Series A shares and 82,912,725 Series B shares. The shares have a quotient value of SEK 8.00 each.

The Annual General Meeting (AGM) on March 24, 2015 authorized the Board, until the next Meeting, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 303,620 Series B shares to participants of the long-term performance-based incentive program that was resolved for introduction at the 2015 AGM. During the year, NCC bought back 68,000 Series B shares and distributed 92,446 Series B shares to participants in the long-term, performance-based incentive program from 2012. Thereafter, the company holds 568,054 Series B treasury shares.

Cont. NCC SHARE p. 50

ORDERS RECEIVED BY PROJECT SIZE, 2015, NCC'S CONSTRUCTION UNITS

Projects of SEK 50–100 M increased most in percentage terms during the year and projects exceeding SEK 100 M accounted for more than half of orders received during the year. The diagram reflects SEK 39 billion of the total orders received of SEK 63 billion. The Group's total orders received also include orders received by NCC Roads and NCC Housing.



MAJOR ONGOING PROJECTS

Projects exceeding SEK 300 M		NCC's share of order value	Completion rate, Dec 31, 2015, %	Estimated year of completion
Campus, housing, offices and stores, Copenhagen	DK	1,928	78%	2017
National Highway 4, Hadeland	NO	1,497	79%	2017
Subway depot, Stockholm	SE	1,269	71%	2017
Shopping center and travel hub, Matinkylä	FI	1,230	80%	2016
Offices, Stockholm	SE	1,197	97%	2016
Tunnel construction, Sandvika-Wøyen	NO	1,114	31%	2019
Railway tunnel, Larvik	NO	1,091	96%	2016
Extension children's hospital, Gothenburg	SE	1,072	4%	2020
Svealandsbanan railway line, Strängnäs-Härad	SE	1,017	41%	2018
Tunnel construction, Gvammen-Aarhus	NO	971	29%	2019
Pulp mill, Värö	SE	931	77%	2016
E18, highway, Knapstad-Relvet	NO	848	64%	2016
Shopping mall, Mölndal	SE	836	13%	2018
Suspension bridge, Narvik	NO	829	97%	2017
Housing project, Aarhus	DK	808	64%	2016
Hotel, Stockholm	SE	753	29%	2017
Interchange, Gothenburg	SE	640	9%	2020
Hospital, Jönköping	SE	625	0%	2019
Housing refurbishment, Copenhagen	DK	602	0%	2019
Tunnel, supplementary works on structure, Stockholm	SE	585	73%	2016
Administrations building, Uppsala	SE	534	38%	2017
Refurbishment of housing units, Copenhagen	DK	502	27%	2018
Traffic hub, Bergen	NO	483	88%	2016
University, new construction, Tampere	FI	464	71%	2016
Hospital, Copenhagen	DK	423	52%	2017
College of Music, Stockholm	SE	422	93%	2016
Housing development project, Malmö	SE	404	14%	2018
Energy facility, Copenhagen	DK	397	86%	2017
Offices, Helsingborg	SE	385	89%	2016
Refurbishment of residences for the elderly, Copenhagen	DK	377	23%	2018
Track maintenance depot, Stockholm	SE	362	92%	2016
Extension hospital, Stockholm	SE	355	19%	2019
Housing units, Copenhagen	DK	350	16%	2016
Hospital, Copenhagen	DK	345	5%	2019
Healthcare center, Järvenpää	FI	341	38%	2016
Housing units, Uppsala	SE	341	2%	2019
Energy refurbishment of housing, Copenhagen	DK	314	37%	2017
Swimming facility, Eskilstuna	SE	328	79%	2016
Apartment blocks, Norrköping	SE	319	46%	2017

Significant risks and uncertainties

NCC has identified five megatrends that will change the construction and property industry: urbanization, globalization, sustainability, competition for the best talent and new technologies. These trends present opportunities for both profitability and growth.

NCC intends to realize this potential by continuing to develop its existing strengths, where broad geographic presence, strong expertise in the expected growth segments of building and civil engineering and a strong position close to the customer in the value chain, work to NCC's advantage. Although the global economy has entered a recovery phase, the growth rate in debt-laden Europe is being impeded by the need of fiscal consolidation, which, for example, has led to a conflict between Greece and other members of the EU. The increase in geopolitical uncertainty deriving from the major waves of refugees from primarily the Middle East and Northern Africa also seems to be impeding the investment climate, due to the greater political uncertainty. Europe's largest economy, Germany, has got its export sector moving and consumer confidence there is rising, which could thus fuel development in other European countries. In the event of increased uncertainty, future developments may have an impact on the measurement of certain items that are based on assessments and estimations. Values that may be impacted include land held for future development and ongoing property development and housing projects.

RISK MANAGEMENT AND RISKS

Through its business operations, NCC is exposed to various risks, both operational and financial. The operational risks relate to the day-to-day operations. These could be purely operative, apply to tenders or project development, seasonal exposure or assessments of the earnings capacity of a project.

Operational risks are managed within the framework of the internal control of business areas established by NCC. The business areas assess and manage their risks using operational systems and developed processes and procedures. The Group's financial risks such as interest-rate, currency, refinancing, liquidity and credit risks are managed centrally in order to minimize and control the risk exposure. Customer-credit risks are handled within each business area. A centralized insurance function is responsible for Group-wide non-life and liability insurance, primarily property and contractor's insurance. This function also performs preventive risk-management work together with the business areas, thus resulting in cost-efficiency and coordination of insurable risks. The risk that NCC fails to operate in line with its Code of Conduct is managed by the Compliance within CSR.

The most significant risks for NCC and the activities that are implemented to manage these risks in a manner that NCC deems efficient are described below.

	RISK	ACTIVITY
MARKET RISKS		
PRICE	<p>The stagnation in price increases for building materials during recent years has gradually transformed into certain price hikes in some of NCC's markets. During a shift in economic conditions, there is a risk that prices for input materials and services will increase, and that these cannot be offset by higher prices for NCC's products and services, or by increased efficiency.</p> <p>Purchases of materials and services account for about two-thirds of NCC's costs. For NCC Roads, raw material costs comprise about one-third of the price for paved asphalt, where the largest input material is the oil product bitumen followed by mineral aggregate products.</p>	<p>Since 2013, NCC has further centralized and enhanced its purchasing processes by establishing a Group-wide purchasing function that governs and coordinates all purchasing. The aim of this organization is to additionally increase efficiency, while reducing purchasing costs and strengthening profitability. A prerequisite for success in this effort is that the organization fully utilizes NCC-approved suppliers and ensures that cooperation between the purchasing organization and the projects is further improved. The number of NCC-approved suppliers is increasing. Due to NCC's new strategy for 2016-2020, this work will be further intensified, in part by NCC's purchasing organization being centralized and given a stronger mandate, which is why the Vice-President Purchasing is a member of Executive Management Team as of 2016.</p> <p>For a number of years, NCC's Construction units have worked to increase the efficiency of the construction process, through such methods as using platforms that create greater purchasing volumes for individual products or by coordinating purchases of materials and services in the Nordic region and increasing international purchases. In these efforts, the purchasing function, in part through non-Nordic procurements, is an important feature and the financial key to gaining control over the price trend. The new organization that has been created through the establishment of two new business areas – NCC Building and NCC Infrastructure (construction and civil engineering) – is a further step in increasing the efficiency of the construction process.</p> <p>The use of joint platforms is also a prerequisite for NCC Housing and NCC Property Development's ability to gain control over production costs.</p> <p>NCC Roads purchases bitumen from several international suppliers. Purchasing and logistics involving bitumen are coordinated between Sweden, Denmark, Finland and Norway. Agreements with customers normally include price clauses that reduce NCC Roads' exposure to risks. When fixed-price agreements with customers are used, the price of bitumen is hedged with banks. In several markets, NCC Roads is self-sufficient in terms of stone material products, in part through holdings of strategically located quarries close to towns.</p>
SEASONAL EFFECTS	<p>The NCC Roads business area is subject to major seasonal variations. This is clearly evident in sales for the business area in the various quarters over an extended period. Within the asphalt operations, most procurement is conducted during the spring, and asphalt production and paving activities are conducted during the summer half year. Warm autumn weather could have a positive impact on production, while long, cold winters have negative effects on earnings.</p>	<p>To manage these risks, NCC Roads offers the entire value chain of road-related products and services. For example, the focus on recycling, the establishment of a network of recycling terminals for construction and civil engineering debris, is a complement to paving operations during the year. In NCC's new strategy, operation and maintenance operations have been identified as important activities. This operation is organized in the new business area, NCC Infrastructure, with its focus on major infrastructure projects, where the role of operation and maintenance is becoming increasingly important to the business.</p>
DEVELOPMENT	<p>Proprietary project development of both residential and commercial properties includes a development and sales risk, in addition to construction contract risk, which are handled by NCC's Construction units. If mismanaged, this risk could lead to higher tied-up capital and also losses.</p>	<p>NCC possesses housing and property development competencies. Every project concept must be adapted to local market preferences and the regulatory requirements arising in planning work. State-of-the-art skills are required to optimize the timing of projects and to guide them through, for example, municipal administration and possible appeal processes. NCC has limited the markets in which the Group is active and expanding. Proprietary housing and property projects are developed primarily in large growing cities in the Nordic countries, as well as in Germany and St. Petersburg. NCC has also consciously decided to refrain from excessively niche-oriented projects intended for narrow target groups, since earnings in this sector have historically not matched the higher inherent risks. Risk limitation is achieved through demands concerning leasing rates for commercial properties and pre-sales of housing before a project is started. Tied-up capital is reduced through early payment by customers. As a feature of NCC's new strategy for 2016–2020, NCC Housing will operate as an independent housing development company.</p>

	RISK	ACTIVITY
OPERATIONAL RISKS		
CONTRACT RISK	<p>For a building contractor, the principal operational risk limitation is normally during the contract-tendering process. NCC pursues a selective tendering policy, which is particularly important in a declining market, when a company may be tempted to accept low-margin or high-risk projects in order to maintain employment. However, in a growing market, it is important to be selective since 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.</p>	<p>When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, and 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, are ways of managing risk. Project control is of decisive importance to minimizing problems and thus costs. A number of the Group's units are quality and environmentally certified. A shortage of labor and certain competencies may arise during certain periods due to competition, but also due to a growing generation shift. Consequently, it is vital that NCC works actively to recruit and retain the right personnel and to have an organization with broad competencies, in order to secure the company's ability to deliver.</p>
TRANSGRESSIONS OF THE CODE OF CONDUCT	<p>NCC's operations are normally established locally and are in many cases dominated by a few players. In a few isolated cases, NCC employees have engaged in efforts to distort the competitive situation in breach of the company's ethical standards and applicable law. The construction industry has a poor reputation concerning its involvement in bribery and corruption.</p>	<p>For several years, NCC has provided training in NCC's core values and competition law. Procedures have been developed to identify and monitor employees who may be in a situation where they are exposed to the risk of collaboration with competitors. A number of years ago, NCC developed its compliance program – "Compass" – in order to provide further guidance to enable its employees to act correctly and properly.</p>
FINANCIAL RISK TAKING	<p>Financial risk taking should be viewed against the capital requirements of NCC's various operations.</p> <p>Contracting operations normally generate a positive cash flow at the early stage of projects.</p> <p>NCC Roads has capital tied up in fixed assets, quarries, crushing plants, asphalt plants, paving machinery and road services. To the extent possible, investments that achieve the maximum capacity utilization are sought.</p> <p>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.</p>	<p>Overall, the financial risk taking is controlled by the ceiling for the debt/equity ratio that applies for the Group.</p> <p>NCC's Construction units must normally not have any financial net debt but should instead continuously generate liquidity surplus.</p> <p>Industrial and development operations tie up capital in their individual activities. NCC Roads ties up capital in civil engineering, gravel quarries and various types of equipment, while NCC Housing and NCC Property Development tie up capital in development projects (redevelopment, ongoing and completed projects). In NCC Roads, the seasonal variations in tied-up capital is extensive. The operations in the three capital-intensive business areas are controlled by imposing internal caps on tied-up capital. These are revised continuously but are intended to apply over a medium-long period.</p>
FINANCIAL RISKS	<p>Financial risks involve interest-rate, currency, refinancing, liquidity, credit and counterparty risks.</p>	<p>NCC's finance policy for managing financial risks has been decided by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities. Within the NCC Group's organization, finance activities are centralized to the Group's Finance Department, partly in order to monitor the Group's overall financial risk positions and partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. The Group's financial risks are managed by the Group's internal bank. Customer-credit risks are handled within each business area. For a more comprehensive description of financial instruments and financial risk management, see Note 39, Financial instruments and financial risk management.</p>
RISK OF ERRORS IN FINANCIAL REPORTING		
RISK OF ERRORS IN PROFIT RECOGNITION	<p>In projects with construction contracts, NCC normally applies percentage-of-completion profit recognition. This means that profit is recognized in parallel with completion, before the final result is established.</p>	<p>The risk that the final profit will deviate from percentage-of-completion is minimized through NCC's project-management model. The project management model, which is part of NCC's operational control, ensures on a continuous basis the necessary production estimates, reconciliation of work performed, final forecasts and follow-up 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 must immediately be charged against earnings, regardless of the project's completion rate. When the outcome of a construction project cannot be calculated in a reliable manner, due to uncertainty in the project, revenue recognition must only occur in the amount corresponding to the recognized project costs.</p>
ESTIMATIONS AND ASSESSMENTS	<p>Since the recognition of certain items is based on estimates and assessments, these items are subject to uncertainty. Market conditions have a particular impact on the value of land held for future development and ongoing property development and housing projects. These items are recognized on the basis of what are current, difficult-to-assess assumptions, such as sales prices, production costs, land prices, rent levels, yield requirements and the timing of production starts and/or sales.</p>	<p>NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis. Refer also to critical estimates and assessments in Note 1.</p>

SENSITIVITY AND RISK ANALYSES

	Change	Effect on profit after financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC's Construction units					
Volume	+/-5%	154	1.4	0.8	For NCC's Construction operations, a one-percentage-point increase in the margin has a significantly 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.
Operating margin	+/-1 percentage point	404	3.8	2.2	
NCC Roads					
Volume	+/-5%	48	0.5	0.3	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.
Operating margin	+/-1 percentage point	118	1.1	0.6	
Capital rationalization	+/-10%	10	0.1	0.3	
NCC Housing					
Volume	+/-10%	204	1.9	1.1	For proprietary housing projects within NCC Housing, the major challenge is to have the right products in the market and to guide them through the planning process so they arrive in the market at the right time.
Operating margin	+/-1 percentage point	131	1.2	0.7	
NCC Property Development					
Sales volume, projects	+/-10%	57	0.5	0.3	NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell property projects are largely affected by the leases signed with tenants, whereby an increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of projects in progress could change the value of such projects.
Sales margin, projects	+/-1 percentage point	33	0.3	0.2	
Group					
Change in interest rate, net indebtedness*	+/-1 percentage point	8	0.1		The NCC Group had a healthy financial position in 2015. Net indebtedness at the end of the year was lower than in 2014.
Change in volume, net indebtedness	SEK M	11	0.1	0.5	
Change in equity/assets ratio	-5 percentage points		7.5		

* Excluding pension debt according to IAS 19.

Cont. NCC SHARE p. 47

Series A shares carry ten votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 500,000 Series A shares were converted to Series B shares.

The number of NCC shareholders at year-end was 46,757 (43,524), with Nordstjernan AB as the largest individual holder accounting for 20 percent (21) of the share capital and 64 percent (65) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 48 percent (46) of the share capital and 75 percent (75) of the voting rights.

On December 10, 2014, NCC signed a five-year revolving credit facility of EUR 400 M. The transaction replaced a previous credit facility of EUR 325 M signed on February 1, 2012. Should any major changes occur in NCC AB's ownership structure, meaning if a shareholder other than Nordstjernan AB acquires more than 30 percent of voting rights in NCC AB, or if NCC AB is delisted from the Nasdaq Exchange, the credit facility may be terminated by the lenders.

During 2011, Nordstjernan, NCC's principal owner, extended an offer to senior executives to acquire call options in NCC at market terms and conditions. In total, the options comprised the previously issued original 51,223 Series B shares in NCC AB. The call options covered by the issue had a term of 3.3 and 5.3 years, with redemption in spring 2014 and spring 2016 at a strike price of SEK 200 and SEK 250, respectively. The terms and conditions of the options have been gradually recalculated due to the dividends paid on NCC shares since

spring 2011. At the end of 2015, what remained were options comprising 34,754 Series B NCC shares, with a term until spring 2016 and a strike price of SEK 185.12.

NOMINATION WORK

Ahead of the 2016 Annual General Meeting (AGM), NCC's Nomination Committee comprises Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB), Marianne Nilsson (Executive Vice President of Swedbank Robur AB), and Johan Strandberg (Analyst at SEB Fonder), with Viveca Ax:son Johnson as Chairman. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right.

REMUNERATION

Board of Directors' motion concerning guidelines for fixed and variable remuneration of the Chief Executive Officer and other members of the company's management (Executive Management Group).

The Board has evaluated the application of the guidelines for fixed and variable remuneration of the CEO and other members of the company's management (Executive Management Group), as resolved by the 2015 AGM, and the applicable remuneration structures and remuneration levels in the company.

As a result of the evaluation of the total remuneration package for the Executive Management Group, the Board proposes that the 2016 AGM re-adopts the current guidelines for 2016. The guidelines encompass the Executive Management Group, including the CEO – currently totaling nine members (13) – and the senior executives who are not members of the Executive Management Group but who report directly to the CEO – currently totaling two members (2) – making a current total of 11 members (15).

The purpose of the guidelines for fixed and variable remuneration of the Executive Management Group is to be able to offer market-aligned remuneration that facilitates the recruitment and retention of the best possible competencies within the NCC Group. The aim is that the total remuneration package will support NCC's long-term strategy. The total remuneration of the Executive Management Group comprises fixed and variable remuneration, the long-term performance-based incentive program, pension and other benefits.

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

Short-term variable remuneration. The short-term variable remuneration must be capped and related to fixed remuneration, and be based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term operational and financial objectives.

Assuming that a long-term performance-based incentive program is adopted by the 2016 AGM, the short-term variable remuneration payable to the CEO will be capped at 50 percent of fixed remuneration and the amount payable to other members of the Executive Management Group will be capped at 30 or 40 percent of fixed remuneration. The variable short-term 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 15.9 M, including social security fees.

Should the AGM not vote in favor of a long-term performance-based incentive program, the variable remuneration payable to the CEO will be capped at 60 percent of fixed remuneration and that for other members of the Executive Management Group will be maximized at 40 or 50 percent of fixed remuneration, which is equal to a cost at maximum outcome of SEK 20.0 M including social security fees.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's remuneration. Members of the Executive Management Group active in Sweden are entitled, in addition to basic pension, which is normally based on the ITP plan, to receive a defined-contribution supplementary pension for salary increments exceeding 30 income base amounts. The income base amount for 2016 is SEK 59,300. Members of the Executive Management Group active in another country are covered by pension solutions in accordance with local practices.

NCC is endeavoring to achieve a harmonization of the retirement age of Members of the Executive Management Group at 65 years.

Other benefits. NCC provides other benefits to members of the Executive Management Group in accordance with local practices. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the costs normally arising in the market.

Periods of notice and severance pay. A member of Executive Management Group who terminates employment at NCC's initiative is normally entitled to a 12-month period of notice combined with severance pay corresponding 12 months of fixed remuneration. During the said 12 months, the severance pay is deductible from remuneration received from a new executive. The period of notice is normally six months if employment is terminated on the initiative of the employee.

These guidelines may be disapplied by the Board if there is special reason to do so in individual cases.

Long-term performance-based incentive plan

The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2016). The proposal essentially matches the long-term performance-based incentive programs earlier adopted for 2015, 2014, 2013 and 2012. A total of 173 employees are included in LTI 2015. The Board is of the opinion that incentive programs of this type are of benefit to the company's long-term development. The purpose of the LTI-programs is to ensure a focus on the company's long-term return on equity and to minimize the number of worksite accidents. It is proposed that LTI 2016 encompass a total of approximately 180 participants within the NCC Group. More detailed information on the proposal and earlier long-term incentive programs

is available at www.ncc.se. Also refer to Note 5, Personnel expenses and remuneration of senior executives.

PARENT COMPANY

Commission agreement

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

NCC Boende AB conducted its operations on a commission basis on behalf of NCC AB from January 1, 2009 until December 1, 2015. The commission relationship with NCC AB ceased due to the planned spinoff of NCC Housing to NCC's shareholders, as described above. Accordingly, the Parent Company comprises 11 months of commission activities in NCC Boende AB on behalf of NCC AB during 2015.

Net sales and earnings

Invoicing for the Parent Company amounted to SEK 20,340 M (19,614). Profit after financial items was SEK 1,511 M (1,338). In the Parent Company, profit is recognized when projects are completed. The average number of employees was 6,675 (6,610).

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2015 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pages 102–107.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In connection with publication of the 2015 year-end report on January 28, 2016, the Board of Directors' proposal to spin off and list NCC Housing as an independent housing development company was presented. Also refer to the earlier section: "Spinoff of NCC Housing to the shareholders".

For information on changes in NCC's organization and Executive Management Group effective from January 1, 2016, refer to the earlier sections: "Decision on new organization" and "Changes among senior executives".

OUTLOOK

NCC expects the Nordic construction market to grow slightly in 2016. In Sweden, demand is favorable within all operational areas. In Norway, infrastructure investments in particular will drive growth in 2016. The Finnish construction market is expected to be generally weak. In Denmark, growth was primarily noted in the metropolitan regions of Copenhagen and Aarhus.

For 2016, increased construction, particularly of housing, is expected to lead to higher demand for stone materials. The asphalt market also has the potential for growth in 2016. Demand for road services is stable, but the market is characterized by intense competition.

NCC expects healthy demand in the housing market in 2016, particularly in Germany. In Finland, weak demand is expected but there is demand for small and affordable housing units.

NCC sees the potential for healthy demand in NCC's property markets in the Nordic region in 2016. In Finland, where demand has been weak, NCC sees positive indications of a stabilization.

DIVIDEND PROPOSAL

The Board of Directors proposes a dividend of SEK 3.00 per share (12.00). As previously described, the Board also proposes a spinoff and listing of NCC Housing as a new housing development company during 2016. The spinoff is intended to occur in proportion to the holding in NCC of each individual shareholder.

It is proposed that November 7, 2016 be the record date for the dividend of SEK 3.00 per share. If the AGM approves the Board's motion, it is estimated that the dividend will be paid, via Euroclear Sweden AB, on November 10, 2016. The Board's statement regarding the proposed dividend and the buyback of NCC's own shares will be available on the company's website and be distributed to shareholders at the AGM.

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.

Consolidated income statement with comments

SEK M	Note	2015	2014
	1, 19, 36		
Net sales	2, 3	62,495	56,867
Production costs	5, 6, 8, 15, 25	-56,009	-51,176
Gross profit		6,486	5,691
Selling and administrative expenses	5, 6, 7, 15	-3,405	-3,117
Result from sales of owner-occupied properties		7	20
Impairment loss and reversal of impairment losses, fixed assets	8, 15, 16	-40	
Result from sales of Group companies	9		3
Result from participations in associated companies and joint ventures		-9	8
Operating profit	3, 10	3,039	2,604
Financial income		50	46
Financial expense		-433	-416
Net financial items	12	-383	-370
Profit after financial items		2,656	2,234
Tax on net profit for the year	24	-536	-396
NET PROFIT FOR THE YEAR	13	2,120	1,838
Attributable to:			
NCC's shareholders		2,113	1,835
Non-controlling interests		6	3
Net profit for the year		2,120	1,838
Earnings per share			
<i>Before dilution</i>			
Profit after tax, SEK		19.59	17.01
<i>After dilution</i>			
Profit after tax, SEK		19.59	17.01
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before dilution during the year		107.9	107.8
Average number of shares after dilution during the year		107.9	107.8
Total number of shares outstanding before dilution at year-end		107.9	107.8

Consolidated statement of comprehensive income with comments

SEK M	Note	2015	2014
Net profit for the year		2,120	1,838
Items that were transferred or can be transferred to profit for the year¹⁾			
Translation differences during the year in translation of foreign operations		-222	138
Hedging of exchange-rate risk in foreign operations		76	-85
Tax attributable to hedging of exchange-rate risk in foreign operations	24	-17	19
Fair value changes for the year in cash flow hedges		26	-41
Fair value changes in cash flow hedges transferred to net profit for the year		-25	-19
Tax attributable to cash flow hedges	24		13
		-162	24
Items that cannot be transferred profit for the year			
Revaluation of defined-benefit pension plans		267	-497
Tax attributable to items that cannot be transferred to profit for the year		-59	109
		208	-388
Other comprehensive income during the year		46	-364
Comprehensive income for the year		2,166	1,474
Attributable to:			
NCC's shareholders		2,159	1,471
Non-controlling interests		6	3
Total comprehensive income during the year		2,166	1,474

¹⁾ Also refer to the specification of the item Reserves in shareholders' equity, p. 59.

NET SALES

Net sales amounted to SEK 62,495 M (56,867). The improvement was primarily attributable to NCC Housing increasing its sales in Sweden and NCC Construction Sweden increasing sales in all operational categories. NCC Housing profit recognized more housing units and the average price per unit for units handed over to private customers and recognized in profit was higher. NCC Construction Denmark and NCC Property Development also posted higher net sales, while the other business areas reported declines. In NCC Construction Denmark, net sales from housing operations increased. Exchange-rate changes had an adverse impact of SEK 115 M on sales compared with the preceding year.

GROSS PROFIT

Gross profit includes impairment losses and reversal of impairment losses concerning housing and property projects in a combined amount of SEK 6 M (4). Refer also to Note 8, Impairment losses and reversal of impairment losses.

OPERATING RESULTS

Operating profit amounted to SEK 3,039 M (2,604). All business areas reported higher earnings than in 2014, with the exception of NCC Construction Norway and NCC Roads. NCC Housing and NCC Property Development noted the largest earnings improvements as a result of increased number of housing units recognized in profit and higher profit from projects, respectively.

Operating profit for all NCC's Construction units matched the 2014 level. Increased net sales contributed to improved earnings for NCC's Construction units in Sweden and Denmark. Operating profit in Finland improved thanks to higher project margins. In Norway, earnings were lower due to declines in net sales and project adjustments.

NCC Road's operating profit was lower than in the preceding year, due to weak earnings in the stone materials operations. This is primarily due to costs for the restructuring and closure of unprofitable units in western Denmark. The recycling business that is under construction posted higher expenses than revenues during the year. However, earnings were higher for both asphalt and road service operations.

NCC Housing's operating profit was higher than in 2014 as a result of increased sales to both private customers and investors.

NCC Property Development's operating profit was higher than in the preceding year. A total of eight (7) projects were recognized in profit. Earnings from prior sales and sales of land also contributed to the result.

NET FINANCIAL ITEMS

Net financial items deteriorated compared with preceding year, due to somewhat higher average net indebtedness and higher interest rates in Russia. Lower credit margins had a positive impact on net financial items.

TAXATION

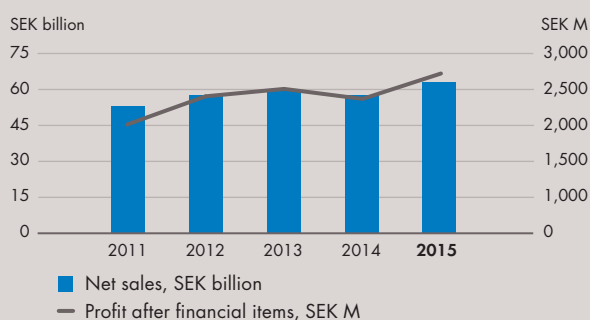
NCC's effective tax rate was 20 percent (18). Refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

OTHER COMPREHENSIVE INCOME

The change in other comprehensive income derived mainly from net profit for the year and the revaluation of defined-benefit pension plans, whereby an increase in the discount interest rate led to a decrease in the pension liability in 2015. Any tax effects of the above transactions are recognized separately; refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

NET SALES AND EARNINGS

Net sales increased during 2015, as a result of higher sales in NCC Housing, NCC's Construction units in Sweden and Denmark and NCC Property Development. All units reported higher profit after financial items during 2015, with the exception of NCC Construction Norway and NCC Roads.



Consolidated balance sheet with comments

SEK M	Note	2015	2014
	1, 19, 36		
ASSETS			
Fixed assets			
Goodwill	15	1,792	1,865
Other intangible assets	15	439	389
Owner-occupied properties	16	826	774
Machinery and equipment	16	2,417	2,487
Interests in associated companies and joint ventures	18	54	52
Other long-term holdings of securities	21	147	156
Long-term receivables	23	557	434
Deferred tax assets	24	204	237
Total fixed assets	39	6,435	6,395
Current assets			
Property projects	25	4,430	5,059
Housing projects	25	12,288	13,246
Materials and inventories	26	696	746
Tax receivables		33	35
Accounts receivable	39	7,083	7,178
Worked-up, non-invoiced revenues	27	1,400	1,066
Prepaid expenses and accrued income		1,262	1,415
Other receivables	23	1,407	1,013
Short-term investments	21	190	242
Cash and cash equivalents	38	4,177	2,592
Total current assets	39	32,967	32,592
TOTAL ASSETS		39,402	38,987
EQUITY			
Share capital	28	867	867
Other capital contributions		1,844	1,844
Reserves		-344	-182
Earnings brought forward including profit for the year		7,324	6,318
Shareholders' equity		9,691	8,847
Non-controlling interests		23	20
Total shareholders' equity		9,714	8,867
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	29, 35	5,887	6,957
Other long-term liabilities	32	609	548
Provisions for pensions and similar obligations	30, 31	338	585
Deferred tax liabilities	24, 30	322	268
Other provisions	30	1,970	2,017
Total long-term liabilities	39	9,126	10,376
Current liabilities			
Current interest-bearing liabilities	29, 35	3,154	2,526
Accounts payable		4,694	3,960
Tax liabilities		287	117
Invoiced revenues, not worked up	27	4,244	4,408
Accrued expenses and deferred income	34	4,012	3,952
Provisions	30	59	
Other current liabilities	32	4,112	4,782
Total current liabilities	39	20,562	19,745
Total liabilities		29,688	30,121
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		39,402	38,987
Assets pledged	37	1,257	1,510
Contingent liabilities	37	831	2,037

FIXED ASSETS

Goodwill

NCC impairment tests goodwill annually or when indications of changes in value arise. No impairment losses were recognized during 2015. The change in relation to 2014 is due to exchange-rate differences. Refer also to Note 15, Intangible assets.

Machinery and equipment

Machinery and equipment were on par with the preceding year. Investments in machinery primarily occurred in NCC Roads.

CURRENT ASSETS

Property projects

The value of property projects declined compared with the preceding year since more projects were recognized in profit. Refer also to Note 25, Properties classified as current assets.

Housing projects

The value of housing projects declined compared with 2014, because of numerous delivered and profit-recognized housing units within NCC Housing. Refer also to Note 25, Properties classified as current assets.

Accounts receivable

Accounts receivable declined, primarily in NCC Construction Norway and NCC Construction Sweden.

Cash and cash equivalents

Cash and cash equivalents increased compared with 2014, as a result of the highly positive cash flow generated in the fourth quarter.

LONG-TERM LIABILITIES

Other interest-bearing liabilities

Long-term interest-bearing liabilities declined because some of these were reclassified during the year as current interest-bearing liabilities.

Provisions for pensions and similar obligations

Provisions for pensions declined during the year. When calculating the pension liability, the discount interest rate has been raised, thus resulting in a positive change in the liability.

CURRENT LIABILITIES

Current interest-bearing liabilities

Current interest-bearing liabilities increased because of reclassifications from long-term interest-bearing liabilities.

Accounts payable

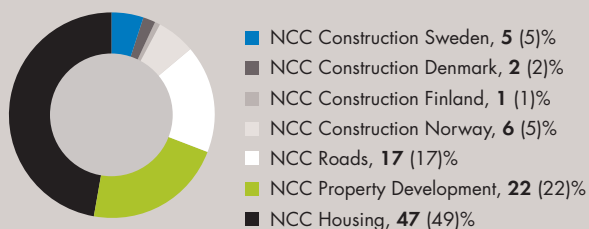
Accounts payable increased, primarily in NCC Housing, NCC Construction Sweden and NCC Construction Finland.

Other current liabilities

Other current liabilities were lower, in part because advance payments from customers, primarily related to property sales, were higher in 2014. Refer also to Note 32, Other liabilities.

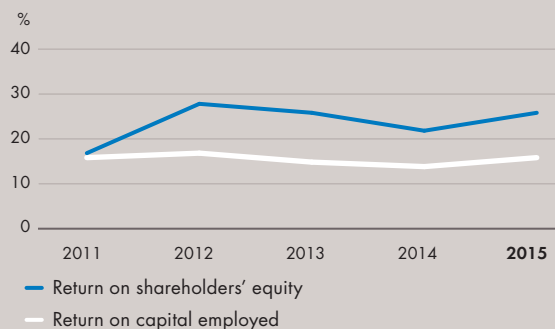
CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

In the NCC Group, capital is tied up primarily by the development and industrial operations.



PROFITABILITY

During the period 2012 to 2015, NCC's financial objective of at least 20 percent for the return on shareholders' equity was exceeded. Profitability increased during 2015, as a result of favorable sales of housing units, higher earnings from property projects and improved earnings from construction operations.



Parent Company income statement

with comments

SEK M	Note	2015	2014
	1		
Net sales	2, 33	20,340	19,614
Production costs	5, 6, 8	-18,227	-17,728
Gross profit		2,113	1,886
Selling and administrative expenses	5, 6, 7	-1,426	-1,304
Operating profit		688	582
Result from financial investments			
Result from participations in Group companies	8, 9	901	962
Result from participations in associated companies			22
Result from other financial fixed assets		1	1
Result from financial current assets		30	89
Interest expense and similar items	11	-107	-318
Profit after financial items		1,511	1,338
Appropriations	14	144	684
Tax on net profit for the year	24	-244	-245
NET PROFIT FOR THE YEAR		1,411	1,777

Parent Company statement

of comprehensive income

SEK M	2015	2014
Net profit for the year	1,411	1,777
Total comprehensive income during the year	1,411	1,777

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.

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

NCC Boende AB conducted its operations on a commission basis on behalf of NCC AB from January 1, 2009 until December 1, 2015.

The commission relationship with NCC AB ceased due to the planned spinoff of NCC Housing to NCC's shareholders. Accordingly, the Parent Company comprises 11 months of commission activities in NCC Boende AB on behalf of NCC AB during 2015.

Invoicing for the Parent Company amounted to SEK 20,340 M (19,614). Profit after financial items was SEK 1,511 M (1,338). In the Parent Company, profit is recognized when projects are completed. The average number of employees was 6,675 (6,610).

Parent Company balance sheet

with comments

SEK M	Note	2015	2014	SEK M	Note	2015	2014
	1, 36				1		
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Fixed assets				Shareholders' equity			
<i>Intangible fixed assets</i>				Restricted shareholders' equity			
Goodwill		2	2	Share capital	28	867	867
Development expenses		182	173	Statutory reserve		174	174
Total intangible fixed assets	15	184	175	Total restricted shareholders' equity		1,041	1,041
<i>Tangible fixed assets</i>				<i>Unrestricted shareholders' equity</i>			
Owner-occupied properties and construction in progress		17	18	Earnings brought forward		5,585	5,113
Machinery and equipment		88	84	Net profit for the year		1,411	1,777
Total tangible fixed assets	16	105	103	Total unrestricted shareholders' equity		6,996	6,890
<i>Financial fixed assets</i>				Total shareholders' equity		8,037	7,931
Participations in Group companies	17	9,644	5,909	Untaxed reserves	14	441	348
Receivables from Group companies			10	<i>Provisions</i>			
Participations in associated companies	20	14	185	Provisions for pensions and similar obligations	31	2	2
Receivables from associated companies			184	Other provisions	30	543	616
Other long-term holdings of securities		5	5	Total provisions		545	617
Deferred tax assets	24	66	87	<i>Long-term liabilities</i>			
Other long-term receivables		16	42	Liabilities to credit institutions		1,500	1,700
Total financial fixed assets	22, 39	9,745	6,422	Liabilities to Group companies		1,054	1,061
Total fixed assets		10,034	6,700	Other liabilities		19	29
Current assets				Total long-term liabilities	29, 39	2,573	2,790
<i>Properties classed as current assets</i>				<i>Current liabilities</i>			
Housing projects			225	Advances from customers		190	176
Total current assets	25	0	225	Work in progress on another party's account	33	3,634	1,649
<i>Inventories, etc.</i>				Accounts payable		1,784	2,092
Materials and inventories	26	45	59	Liabilities to Group companies		5,591	3,678
Total inventories, etc.		45	59	Liabilities to associated companies		2	4
<i>Current receivables</i>				Tax liabilities		108	45
Accounts receivable		2,631	2,792	Other liabilities		308	573
Receivables from Group companies		2,344	2,373	Accrued expenses and deferred income	34	1,091	1,209
Receivables from associated companies		3	4	Total current liabilities	29, 39	12,707	9,425
Other current receivables		97	273	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36	24,303	21,112
Prepaid expenses and accrued income		331	348	Contingent liabilities	37	24,784	23,833
Total current receivables		5,407	5,791				
Short-term investments	38		6,400				
Cash and bank balances	38	8,817	1,938				
Total current assets	39	14,269	14,412				
TOTAL ASSETS	36	24,303	21,112				

The Parent Company balance sheet differs from the consolidated balance sheet in terms of presentation and certain designations 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

SEK M	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS						Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total			
Opening balance, January 1, 2014	867	1,844	-206	6,152	8,658		17	8,675
Net profit for the year				1,838	1,838			1,838
Other comprehensive income			24	-391	-367		3	-364
Total comprehensive income			24	1,447	1,471		3	1,474
Performance-based incentive program				12	12			12
Dividend				-1,294	-1,294		-1	-1,295
Total transactions with the Group's shareholders			-1	-1,108	-1,109			-1,109
Shareholders' equity on December 31, 2014	867	1,844	-182	6,318	8,847		20	8,867
Net profit for the year				2,120	2,120			2,120
Other comprehensive income			-162	202	40		6	46
Total comprehensive income			-162	2,321	2,159		6	2,166
Acquisition of non-controlling interests				-9	-9		-2	-11
Buyback of company shares				-18	-18			-18
Performance-based incentive program				7	7			7
Dividend				-1,294	-1,294		-1	-1,295
Total transactions with the Group's shareholders				-1,314	-1,314		-3	-1,317
Shareholders' equity on December 31, 2015	867	1,844	-344	7,324	9,691		23	9,714

If the earlier policies for recognition of pensions according to IAS 19 had been applied, shareholders' equity would have been SEK 1,436 M higher and net indebtedness SEK 338 M lower at December 31, 2015.

ACCOUNTING OF SHAREHOLDERS' EQUITY IN ACCORDANCE WITH IFRS AND SWEDISH COMPANIES ACT

Shareholders' equity is divided into equity attributable to the Parent Company's shareholders and non-controlling interests. Transfer of value in the form of, for example, dividends from the Parent Company and the Group is to be based on a statement prepared by the Board 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 derives primarily from comprehensive income for the year, transactions with non-controlling interests and dividends to shareholders.

In the Parent Company, the changes are attributable to comprehensive income for the year and dividends to shareholders.

SHARE CAPITAL

On December 31, 2015, the registered share capital amounted to 25,523,097 Series A shares and 82,344,671 Series B shares. The shares have a quotient 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.

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in

which the consolidated financial statements are presented, in NCC's case, SEK. The translation reserve also comprises exchange-rate differences arising from the remeasurement of liabilities and currency forward contracts raised as instruments to hedge net investment in a foreign operation.

FAIR VALUE RESERVE

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time that such assets have been sold or their value impaired.

HEDGING RESERVE

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

REVALUATION RESERVE

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

EARNINGS BROUGHT FORWARD INCLUDING NET PROFIT FOR THE YEAR

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

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY		UNRESTRICTED SHAREHOLDERS' EQUITY		
	Share capital	Statutory reserves	Earnings brought forward	Net profit for the year	Total shareholders' equity
Opening balance, January 1, 2014	867	174	4,235	2,155	7,432
Appropriations of profits			2,155	-2,155	
Total comprehensive income during the year				1,777	1,777
Dividend			-1,294		-1,294
Performance-based incentive program			16		16
Shareholders' equity on December 31, 2014	867	174	5,113	2,155	7,432
Appropriations of profits			1,777	-1,777	
Total comprehensive income during the year				1,411	1,411
Buyback of company shares			-18		-18
Dividend			-1,294		-1,294
Performance-based incentive program			8		8
Shareholders' equity on December 31, 2015	867	174	5,585	1,411	8,037

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	2015	2014
Translation reserve		
Translation reserve, January 1	-104	-175
Translation differences during the year in translation of foreign operations	-222	138
Gain/loss on hedging of exchange-rate risk in foreign operations	76	-85
Tax attributable to hedging of exchange-rate risk in foreign operations	-17	19
Translation reserve, December 31	-267	-104
Fair value reserve		
Fair value reserve, January 1	5	5
Fair value reserve, December 31	5	5
Hedging reserve		
Hedging reserve, January 1	-85	-38
Fair value changes for the year in cash flow hedges	26	-41
Fair value changes in cash flow hedges transferred to net profit for the year	-25	-19
Tax attributable to cash flow hedges		13
Hedging reserve, December 31	-84	-85
Revaluation reserve		
Revaluation reserve, January 1	2	2
Revaluation reserve, December 31	2	2
Total reserves		
Reserves, January 1	-182	-206
Change in reserves during the year		
- Translation reserve	-163	71
- Hedging reserve	1	-47
- Revaluation reserve		
Reserves, December 31	-344	-182

CAPITAL MANAGEMENT

The aim of the NCC Group's strategy is to generate a healthy return to shareholders under financial stability. The strategy is reflected in the financial objectives, which were as follows in 2015:

- A return on equity after tax of 20 percent. In 2015, the return on equity was 26 percent.
- A debt/equity ratio of less than 1.5. At December 31, 2015, the debt/equity ratio was 0.5.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical reserves for own account. Otherwise, there were no other Group companies subject to external capital requirements.

For further information on NCC Group's financial objectives and dividend policy, see pages 10.

Cash-flow statements

with comments

SEK M	Note	GROUP		PARENT COMPANY	
		2015	2014	2015	2014
OPERATING ACTIVITIES					
Profit after financial items		2,656	2,234	1,511	1,338
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	666	621	76	44
– Impairment losses and reversal of impairment losses	8	46	–194	92	–64
– Exchange-rate differences		471	128		
– Result from sales of fixed assets		–56	153		172
– Changes in provisions	30	9	–128	–92	–71
– Group contributions	14			–238	–639
– Other		25	–175	–1	20
Total items not included in cash flow		1,160	406	–163	–538
Tax paid		–379	–367	–157	–177
Cash flow from operating activities before changes in working capital		3,436	2,273	1,192	624
Cash flow from changes in working capital					
Sales of property projects		2,529	2,400		
Investments in property projects		–1,858	–2,255		
Sales of housing projects		9,900	8,951	18	1,526
Investments in housing projects		–9,725	–9,712	123	–1,328
Other changes in working capital		–222	–313	1,806	118
Cash flow from changes in working capital		624	–928	1,947	316
CASH FLOW FROM OPERATING ACTIVITIES		4,061	1,345	3,139	940
INVESTING ACTIVITIES					
Acquisition of subsidiaries and non-controlling interests	38	–11	–27		–16
Sale of subsidiaries	38		4		93
Acquisition of buildings and land	16	–99	–71		–3
Sale of buildings and land		9	25	1	2
Acquisition of other financial fixed assets			–23		–3
Sale of other financial fixed assets		52			21
Acquisition of other fixed assets		–821	–749	–149	–153
Sale of other fixed assets		141	69	67	5
Cash flow from investing activities		–730	–771	–82	–54
Cash flow before financing		3,331	574	3,057	887
FINANCING ACTIVITIES					
Dividend paid		–1,294	–1,294	–1,294	–1,294
Buyback of company shares		–18		–18	
Group contributions paid	14			639	325
Loans raised		92	765		
Amortization of loans		–483	–810	–1,418	8
Increase(–)/Decrease(+) in long-term interest-bearing receivables		–119	–9	173	4
Increase(–)/Decrease(+) in current interest-bearing receivables		109	–167	–659	602
Increase(+) in non-controlling interests, etc.		1			
Cash flow from financing activities		–1,713	–1,515	–2,577	–355
Cash flow for the year		1,618	–941	479	532
Cash and cash equivalents, January 1	38	2,592	3,548	8,337	7,805
Exchange-rate difference in cash and cash equivalents		–32	–14		
Cash and cash equivalents, December 31	38	4,177	2,592	8,817	8,337
Short-term investments with a maturity exceeding three months		190	242		
Total cash and cash equivalents at year-end		4,367	2,833	8,817	8,337

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities improved as a result of the strong earnings, higher cash flow from sold housing units and slightly improved cash flow from other changes in working capital. Higher sales of housing projects during the year facilitated more starts, thus increasing investments by the same rate. Cash flow also developed positively in property projects during the year. Adjustments for non-cash items essentially comprise depreciation/amortization and exchange-rate differences.

OTHER CHANGES IN WORKING CAPITAL

SEK M	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Increase(-)/Decrease(+) in inventories	30	-63	94	76
Increase(-)/Decrease(+) in receivables	-793	97	633	-286
Increase(+)/Decrease(-) in liabilities	541	-348	-905	288
Increase(+)/Decrease(-) in net in work in progress			1,985	40
Other changes in working capital	-222	-313	1,806	118

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to a negative SEK 730 M (neg: 771). Investments in machinery and equipment primarily occurred in NCC Roads and NCC Construction Norway.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing was a negative SEK 1,713 M (neg: 1,515), with the decline primarily due to fewer loans being raised during the year. Dividends had a negative impact of SEK 1,294 M (neg: 1,294) on

cash flow. Total cash and cash equivalents including short-term investments with a maturity exceeding three months amounted to SEK 4,367 M (2,833). The increase was primarily attributable to the healthy cash flow in the fourth quarter.

NET INDEBTEDNESS

Net indebtedness (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31 amounted to SEK 4,552 M (6,836). Net indebtedness declined due to strong cash flow and a lower pension debt. The average maturity period for interest-bearing liabilities, excluding loans in Finnish housing companies and Swedish tenant-owner associations, as well as pension debt according to IAS 19, was 31 (34) months at the end of the quarter. NCC's unutilized committed lines of credit at the end of the quarter amounted to SEK 4.7 billion (4.8), with an average remaining maturity of 49 (52) months.

NET INDEBTEDNESS TREND

GROUP, SEK M	2015 Jan-Dec	2014 Jan-Dec
Net indebtedness, January 1	-6,836	-5,656
Cash flow before financing	3,331	574
Change in pension debt	247	-460
Dividends paid	-1,294	-1,294
Net indebtedness, December 31	-4,552	-6,836

PARENT COMPANY

Cash flow during the year from operating activities in the Parent Company was higher than in 2014, amounting to SEK 3,139 M (940). The higher cash flow was attributable to improvements in other working capital, as a result of lower receivables and an increased balance in ongoing work

SPECIFICATION OF NET INDEBTEDNESS

GROUP, SEK M	2015	2014
Long-term interest-bearing receivables	354	235
Current interest-bearing receivables	296	406
Cash and cash equivalents	4,177	2,592
Total interest-bearing receivables and cash and cash equivalents	4,827	3,232
Long-term interest-bearing liabilities	5,887	6,957
Pensions and similar obligations	338	585
Current interest-bearing liabilities	3,154	2,526
Total interest-bearing liabilities	9,379	10,068
Net indebtedness	4,552	6,836
<i>of which, net indebtedness in ongoing projects in Swedish tenant-owner associations and Finnish housing companies</i>		
Interest-bearing liabilities	3,147	2,056
Cash and cash equivalents	90	93
Net indebtedness	3,056	1,963

TREND IN NET INDEBTEDNESS, PER QUARTER

Net indebtedness is affected by seasonal variations. More capital is normally tied up during the second and third quarters due to high activity in asphalt and stone materials operations, as well as in parts of NCC's Construction units. The dividend to NCC's shareholders is divided into two payment occasions: during the second and the fourth quarter. Net indebtedness declined during 2015, as a result of positive cash flow and the reduced pension debt (according to IAS19).



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The commission relationship between NCC AB and NCC Boende AB ceased on December 1, 2015 due to the planned spinoff of NCC Housing to NCC's shareholders. Accordingly, for 2015, the Parent Company comprises 11 months of commission activities in NCC Boende AB on behalf of NCC AB.

In certain respects, the comparative figures for 2014 are pro forma with adjustments because housing production in Russia and the Baltic countries has been transferred from NCC Construction Finland to NCC Housing.

NOTE 1 ACCOUNTING POLICIES

The NCC Group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretive statements issued by the IFRS Interpretations Committee (IFRIC). The Group also applies the Swedish Annual Accounts Act (1995:1554), recommendation RFR 1, Additional Accounting Regulations for Groups and statements issued by the Swedish Financial Reporting Board. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 16, 2016. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on April 12, 2016 for adoption.

NEW IFRSS AND AMENDMENTS TO IFRS TO BE APPLIED FROM 2015

The following IFRS amendments became effective as of the 2015 fiscal year:

- IFRIC 21 Levies deals with the various fees levied by governments and when these are to be recognized as liabilities in the balance sheet. The interpretation does not specify whether the debit side is a cost or an asset. In most cases, such levies are accrued over the year. Since the interpretation has no material impact on the NCC Group, comparative figures have not been restated. Annual improvements of IFRS (2011-2013) have had no impact or only a minor impact on NCC's financial statements.

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

The amendments below to IFRS do not become effective until the 2016 fiscal year and have not been applied in the preparation of these financial statements.

- Amendment of IAS 19, Employee Benefits Defined benefit plans: Employee Contributions.
 - Annual improvements of IFRSs (2010-2012).
- These amendments are expected to have no or only a minor impact on NCC's financial statements.

IFRS 15 Revenue From Contracts with Customers, assuming it is approved by the EU, will be applied as of 2018 and is a new policy-based standard for recognition of income. According to IFRS 15, all performance undertakings are to be identified on the basis of one or more combined agreements, a transaction price and subsequently the transaction price is to be allocated among every performance undertaking. Thereafter, a performance undertaking is to be recognized as revenue either over time or on one occasion. NCC is continuing to investigate if and in which case what effects, apart from expanded disclosure requirements, that this standard could have on the consolidated financial statements.

IFRS 16 Leases, assuming it is approved by the EU, will be applied as of 2019 and will replace IAS 17 Leases and the associated interpretations. This will require that the lessee recognizes assets and liabilities attributable to all leases, with the exception of contracts shorter than 12 months and/or those pertaining to minor amounts. In all material respects, recognition by the lessor will remain unchanged. NCC has not yet assessed the effect of this standard on the company's financial statements.

Other amended standards that are to begin being applied from 2016 and thereafter, assuming EU approval, are as follows:

- IFRS 9 Financial Instruments is expected to have an impact on disclosures in NCC's financial statements.
- Amendment to IAS 16 and IAS 41: Bearer Plants
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendment to IFRS 10, IFRS 12 and IAS 28: Investment Entities
- Amendment to IFRS 11: Accounting of Acquisitions of Interests in Joint Operations
- IFRS 14: Regulatory Deferral Account
- Amendment to IAS 27: Equity Method on Separate Financial Statements.
- Annual improvement of IFRSs (2012-2014)

These amendments are expected to have no or only a minor impact on NCC's financial statements.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, as well as statements issued by the Swedish Financial Reporting Board. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accord with the alternative rule in RFR 2. For tax reasons, the Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must 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 policies presented below differ from those used in the consolidated financial statements:

- Subsidiaries
- Associated companies
- Joint arrangements
- Construction contracts and similar assignments
- Leasing
- Income tax
- Financial instruments
- Pensions
- Borrowing costs

The differences are presented under the respective headings below.

CONSOLIDATED FINANCIAL STATEMENTS

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

Purchase method

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

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

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

Subsidiaries

Companies in which the Parent Company has a controlling influence, in practice through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling influence is defined as power over the investee, the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Shares in subsidiaries are recognized in the Parent Company at acquisition value (cost). Should the recoverable value of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue. For information on NCC's subsidiaries, refer to Note 17, Participations in Group companies.

Non-controlling interests

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

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

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. Refer to Note 18 for information about the Group's participations in associated companies, and Note 20 for the Parent Company's participations in associated companies.

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

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

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

Joint arrangements

Joint arrangements 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. Joint arrangements are divided into joint ventures, which are consolidated according to the equity method, or into joint venture, which are consolidated according to the proportional method. For additional information, see Note 18, Interests in asso-

ciated companies and joint ventures, and Note 19, Shares in joint operations.

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

Elimination of intra-Group transactions

Receivables, liabilities, revenues and costs, as well as unrealized gains and losses, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there are no impairment requirements. This also applies to joint arrangements and associated companies, in an amount corresponding to the Group's holding. Refer to Note 36, Transactions with related companies.

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

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

REVENUES

With the exception of contracting assignments, the Group recognizes revenues in profit or loss when, among other factors, the material risks and rewards associated with ownership have been transferred to the purchaser.

Construction contracts and similar assignments

Percentage-of-completion income recognition of construction projects

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 (worked-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.

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for 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. As soon as this is possible, the project switches to the percentage-of-completion method.

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. Refer to Note 27 Construction contracts.

The following example illustrates 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 100 and the anticipated profit from the project is 5. On December 31 of year 1, NCC's costs for the project amount to 47.5, 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 5, that is 2.5, 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.

Profit	Year 1	Year 2
Income recognition on completion	0	5
According to percentage-of-completion	2.5	2.5

Contracts connected to operation and maintenance agreements with a central government, county council or municipality

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. Depending on how the payment is to be made, NCC may either receive a financial asset in accordance with a predetermined payment plan or an intangible asset providing the right to possible payment. The payments must be discounted.

The part that pertains to the contract-related service is recognized on a percentage-of-completion basis. Due to the above classification, the operation and maintenance part is recognized as revenue on an even basis over the term of the contract or when the benefits are transferred to NCC.

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 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, refer to Note 33, Work in progress on another party's account and net sales.

Proprietary housing projects

Profit from proprietary housing projects is recognized at the time the housing unit is transferred to the end customer.

Profit from sales of housing units to investors

Profit from sales of housing units to investors is recognized at the time when material risks and rewards are transferred to the acquirer, which normally coincides with the transfer of the right of ownership.

Housing projects sold prior to completion of construction may, if certain conditions have been met, be recognized as profit in two separate transactions; one for the development of land and housing, within NCC Housing, on condition that the risks and benefits have been transferred, and the second one for the construction contract, within NCC's construction units, in pace with completion.

Result from sales of development properties

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 recognized at the time when material risks and rewards are transferred to the purchaser, which normally coincides with the transfer of ownership rights. Property projects sold before construction is completed may, if certain conditions have been met, be recognized as profit in two separate transactions when the property (land or land with ongoing construction) is sold and, at the same time, a separate agreement is signed with the purchaser concerning the construction of a building or completion of the ongoing construction. The first transaction – sale of a property project – which is recognized in NCC Property Development, 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, provided that the material risks and rewards are deemed to have been transferred, in the manner stated above, and the second transaction is recognized as profit within NCC Construction units in pace with the degree of completion of the project. It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain leasing rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as rental activity progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Result from sales of owner-occupied properties

These items include the realized result of sales of owner-occupied properties. Selling and administrative expenses include costs for the company's own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See the income statement.

DEPRECIATION/AMORTIZATION

Straight-line depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value in those cases when the asset does not have an indefinite life. Goodwill and other assets that have an indefinite life are not amortized but subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of their particular useful life.

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

Intangible fixed assets	In line with confirmed depletion of net asset value
Usufructs	
Software	12.5–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	1.4–10 percent
Land improvements	3.7–5 percent
	In line with confirmed depletion of net asset value
Pits and quarries	
Fittings in leased premises	14–20 percent
Plant and equipment	5–33 percent

The distribution of the depreciation/amortization posted in profit or loss and the balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 15, Intangible assets and Note 16, 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.

When necessary, although at least once a year, NCC conducts impairment testing.

An impairment requirement arises when the recoverable amount is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement, Note 8, Impairment losses and reversed impairment losses, Note 15, Intangible assets, and Note 16, Tangible fixed assets.

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

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.

Financial leasing

Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet as of the date on which the agreement was concluded and the asset delivered. Corresponding obligations are entered as long-term and current liabilities.

Operating leases

Operational leasing is recognized in profit or loss. 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, refer to Note 35. In the Parent Company, all leasing agreements are recognized according to the rule for operational leasing.

TAXES

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

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

Deferred tax assets and liabilities are calculated on the basis of the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognized in profit or loss in the consolidated financial statements.

In the Parent Company, untaxed reserves are recognized that consist of the taxable temporary difference arising because of the relationship between

reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in profit or loss, as an appropriation. Group contributions received and paid are recognized in the Parent Company's profit or loss as appropriations.

RECOGNITION OF OPERATING SEGMENTS

An operating segment is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by the chief operating decision maker, who in NCC's case is the President, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the President. Also refer to Note 3 Recognition of operating segments.

EARNINGS PER SHARE

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

INTANGIBLE ASSETS

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

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rates prevailing on the balance-sheet date.

Usufructs consist primarily of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. For the distribution of value, refer to Note 15 Intangible assets.

TANGIBLE FIXED ASSETS

NCC's property holdings are divided into:

- Owner-occupied 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. Also refer to Note 16, Tangible fixed assets.

Machinery and equipment

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

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. 66. For information on the value and type of assets, refer to Note 22 Financial fixed assets. The Parent Company recognizes shares in Group companies at acquisition cost and, where applicable, taking into account write-ups or impairment losses.

CURRENT ASSETS

Properties classed as current assets

Group property holdings recognized as property and housing projects are valued as inventories when the intention is to sell the properties on completion. Property projects are measured at the lower of acquisition value (cost) and net realizable value. Acquisition value includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale within NCC Property Development. Housing projects pertain to unsold residential properties, unsold portion of proprietary residential properties with ownership rights, undeveloped land and properties held for future development in NCC Housing.

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, refer to Note 25, 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 derecognized 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 related to ongoing projects is capitalized. Other borrowing costs are expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, leasing and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

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

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, housing
- Capitalized project development costs
- Ongoing proprietary housing projects
- Completed housing units

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

Properties held for future development are valued taking into consideration whether the properties will be developed or sold on. The valuation of land and development rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price

and cost trend when the market and other circumstances so require. In those cases when a positive contribution margin from the development cannot be obtained taking into consideration normal contract profit, an impairment loss is recognized. In cases where properties are to be sold on, the holdings must be measured at the established market value.

Capitalized project development costs

Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

Ongoing proprietary housing projects

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 as a housing project.

Completed housing units

Project costs for completed unsold residential properties are reclassified from ongoing housing projects to unsold residential properties at the date of final inspection. Completed unsold housing units are measured at the lowest of acquisition value and net realizable value.

Properties classed as current assets transferred from subsidiaries

Due to the commission relationship between NCC AB and NCC Construction Sweden AB, certain properties included in housing projects are recognized in NCC AB's accounts, even if the ownership right remains with NCC Construction Sweden AB until the properties are sold to customers.

INVENTORIES

Inventories are measured at the lower of acquisition value and net realizable value. For a distribution of inventory values, refer to Note 26 Materials and inventories.

FINANCIAL INSTRUMENTS

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset. Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

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

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

Financial instruments are classified in the following categories for measurement: Financial assets 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 category 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 profit or loss. 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.

Investments held to maturity

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 amortized cost. 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 amortized cost, 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.

Accounts receivable are measured on an ongoing basis. As soon as it is doubtful that an invoice will be paid, a provision is made for the amount. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply. Provisions are made for all invoices that are more than 150 days overdue if payment is not secured.

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 recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value. Impairment losses are posted when testing shows that impairment is required.

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 amortized cost.

Hedge accounting

NCC applies hedge accounting in the following categories: Hedging of exchange-rate risk in transaction flows, hedging of net investments, hedging of the group's interest maturities and hedging of price risks associated with bitumen and electricity.

Hedging of exchange-rate risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in other comprehensive income, after taking tax effects into account. Any ineffectiveness is recognized in profit or loss. When the hedged flow is recognized in profit or loss, the value change of the currency forward contract is moved from other comprehensive income to profit or loss, 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 within NCC Housing and NCC Property Development. In the consolidated financial statements, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to other comprehensive income, insofar as they are matched by the year's translation differences within other comprehensive income. 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 other comprehensive income 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.

Hedging of price risks associated with bitumen and electricity

By entering into oil forward contracts, NCC Roads hedges the price risk associated with bitumen in connection with major contracts to be performed later than two months after the order. These oil forward contracts are classified as cash-flow hedges and fulfill effectiveness requirements, whereby all changes resulting from changed prices are recognized in other comprehensive income. To level off price variations in the Swedish electricity market, NCC has chosen, by entering into electricity derivatives gradually over a three-year period, to build up volumes of electricity contracts pertaining to each particular delivery date. Changes in effective hedges are recognized in other comprehensive income and, in the event of ineffectiveness, the changes are recognized in operating profit.

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 meets the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value in the balance sheet, apart from where changes in this 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.

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

Recognition of Group and shareholder contributions

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

Repurchase of shares

The repurchase of shares (treasury shares), including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. Refer to Note 28 Share capital, for more information on treasury shares.

EMPLOYEE BENEFITS

Share-based remuneration

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

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

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

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

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

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

For a description of the NCC Group's share-based remuneration program, refer to Note 5 on p. 72.

Post-employment remuneration

NCC differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any 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	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. The calculation is made annually by independent actuaries. When there is a difference between how pension costs are established in the legal entity and in the Group, a provision or receivable for Swedish pension plans is recognized for the payroll tax based on this difference. Accordingly, the value of the defined-benefit liability is the present value of anticipated future disbursements using a discount rate that corresponds to the interest stated in Note 31 Pensions. The interest rate on first-class housing bonds is used as the basis for calculating the discount interest rate. Swedish defined-benefit pension obligations are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed obligation. Changes in plan assets and obligations stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

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

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. The difference, compared with the principles applied by the Group, 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 profit or loss when they arise.

Severance payments

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.

PROVISIONS

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

Guarantee commitments

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

Other provisions

Provisions for restoration costs are 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.

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

BORROWING COSTS

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

PLEGGED ASSETS

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

For information on types of collateral, refer to Note 37 Pledged assets, guarantees and guarantee obligations.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, in accordance with IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow of acquired and divested subsidiaries, refer to Note 38 Cash flow statement.

CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting records have been made on the basis of what is known when the Annual Report was issued. The estimates and assessments may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this during economic conditions characterized by major uncertainty in terms of the construction market and the global financial market, which has been the case during recent years. The assessments that are most critical to NCC are reported below.

Percentage-of-completion profit recognition

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills.

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion. At year-end, recognized revenues amounted to SEK 49.7 billion (46.9); refer to Note 27 Construction contracts.

Profit recognition of property development projects

Property sales are recognized as of the time when significant risks and rewards are transferred to the purchaser. The actual timing of profit recognition depends on the agreement with the purchaser and could occur when signing the agreement, at a certain leasing rate, on completion or when the right of ownership is transferred, and it could also depend on a combination of these variables. This is determined from agreement to agreement and is subject to elements of estimations and assessments, and also applies to both direct sales of a property and indirect sales via the sale of companies.

Valuation of properties classed as current assets

NCC's properties classed as current assets are recognized at the lower of acquisition value and net realizable value. In 2015, impairment losses on properties classed as current assets amounted to SEK 4 M (4), which may be compared with their year-end carrying amount of SEK 16.7 billion (18.3).

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

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

Valuation of goodwill

Goodwill is measured at the lower of cost and recoverable amount. Goodwill in the Group is valued at SEK 1.8 billion (1.9).

Several assumptions and estimations are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and the weighted average cost of capital. If these assumptions change, the value of the remaining goodwill could be affected; refer to Note 15 Intangible assets, for information on the assumptions and estimations made.

Valuation of receivables

NCC's accounts receivable, including receivables for sold property projects, amount to SEK 7.5 billion (7.5); refer to Note 39 Financial instruments and financial risk management.

Receivables are measured at fair value, which is affected by several assessments, of which the one that is most important to NCC is credit risk and thus any possible need to post provisions for doubtful receivables. Although each receivable must be valued individually, for receivables that are more than 60 days past due special circumstances are generally required for a provision not to be posted in full or in part.

Guarantee commitments

At year-end, the guarantee provision amounted to SEK 1.4 billion (1.4); refer to Note 30 Provisions. Provisions for future costs due to guarantee commitments are recognized at the amount expected to be required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experiences gained from past transactions.

Pension obligations

NCC's net pension obligation amounts to SEK 0.3 billion (0.6)

Recognized amounts are affected by changes in the actuarial assumptions that form the foundation for calculations of plan assets and pension obligations. These actuarial assumptions are described in Note 31 Pensions, as is a sensitivity analysis.

Guarantee obligations, legal disputes, etc.

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

NOTE 2 DISTRIBUTION OF EXTERNAL NET SALES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Construction and civil engineering	35,066	32,215	16,465	17,419
Industrial operations	11,001	11,370		
Housing development projects	13,069	10,224	3,875	2,194
Property development projects	3,264	2,962		
Other	96	96		
Total	62,495	56,867	20,340	19,614
Sales distributed by business segment¹⁾				
NCC Construction Sweden			16,465	17,419
NCC Housing			3,875	2,194
Total			20,340	19,614

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

NOTE 3 REPORTING BY OPERATING SEGMENTS

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

NCC Construction Sweden, Denmark, Finland and Norway, which construct housing, roads and other types of infrastructure, offices, industrial and processing plants, commercial centers and other buildings.

NCC Roads' core operation is the production of aggregates and asphalt, as well as asphalt paving and road services in the Nordic region and St. Petersburg.

NCC Housing develops and sells housing in selected markets in the Nordic region, Germany, Estonia, Latvia and St. Petersburg.

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

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

The segment report also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in "Other and eliminations." Occasionally, "Other and eliminations" may also recognize certain items, primarily impairment losses and provisions attributable to the activities conducted in the segments.

GROUP, 2015	NCC CONSTRUCTION				NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
	Sweden	Denmark	Finland	Norway						
External net sales	20,103	4,516	4,628	5,818	11,001	13,069	3,360	62,495		62,495
Internal net sales	3,348	644	1,015	296	794		68	6,166	-6,166	
Total net sales	23,452	5,160	5,644	6,114	11,795	13,069	3,427	68,661	-6,166	62,495
Depreciation/amortization	-142	-20	-12	-111	-408	-42	-4	-739	-21	-759
Impairment losses and reversal of impairment losses					-39	-3	-4	-46		46 ¹⁾
Share in associated company profits	9				18	-35		-9		-9
Operating profit	743	321	159	-41	349	1,368	423	3,321	-282	3,039
Net financial items										-383
Profit after financial items										2,656
Capital employed	1,070	462	316	1,255	3,623	9,811	4,532	21,070	-1,977	19,093

GROUP, 2014	NCC CONSTRUCTION				NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
	Sweden	Denmark	Finland	Norway						
External net sales	18,408	3,488	4,137	6,181	11,370	10,224	3,058	56,867		56,867
Internal net sales	2,379	842	1,968	552	783	2	68	6,593	-6,593	
Total net sales	20,788	4,330	6,105	6,733	12,153	10,226	3,125	63,460	-6,593	56,867
Depreciation/amortization	-146	-23	-13	-110	-386	-22	-4	-703	-5	-708
Impairment losses and reversal of impairment losses							-4	-5		-5 ²⁾
Share in associated company profits					11	-2		8		8
Operating profit	640	281	111	146	459	949	169	2,755	-151	2,604
Net financial items										-370
Profit after financial items										2,234
Capital employed	991	421	219	1,013	3,619	10,557	4,784	21,604	-2,669	18,935

1) 2015 includes SEK 2 M in impairment losses on housing projects and SEK 4 M in impairment losses on property projects.

2) 2014 includes impairment losses on property projects totaling SEK 5 M.

OTHER AND ELIMINATIONS

	OPERATING PROFIT	
	2015	2014
NCC's Head office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International ¹⁾	-363	-231
Eliminations of inter-company gains	29	-13
Other Group adjustments (essentially comprising the difference in accounting policies pertaining to Swedish pensions between the segments and the Group)	52	93
Total	-282	-151

1) 2015 includes an expense of SEK 82 M for a competition-infringement fee in Norway.

Note 3 Reporting by operating segments, cont'd

GEOGRAPHICAL AREAS

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT		NUMBER OF EMPLOYEES		CAPITAL EMPLOYED		FIXED ASSETS ¹⁾	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sweden	33,406	32,023	28,909	26,429	32,104	26,946	1,650	1,252	9,786	9,517	9,064	8,349	2,253	2,171
Denmark	7,039	8,077	6,920	8,153	8,621	7,576	513	428	2,242	2,086	2,568	3,557	1,401	1,427
Finland	9,161	5,689	6,789	5,343	7,960	9,115	277	267	2,191	2,507	2,856	3,296	324	345
Norway	6,957	9,789	6,809	8,857	9,319	8,989	40	175	2,457	2,348	3,101	3,938	1,352	1,425
Germany	5,422	3,899	6,006	4,227	3,471	3,170	422	328	745	715	1,361	1,268	87	80
St. Petersburg	343	1,697	991	1,659	891	913	192	148	396	402	875	852	55	67
Estonia/Latvia	178	206	164	110	128	157	-54	7	55	78	230	397	1	

1) Pertains to fixed assets that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

NOTE 4 NUMBER OF EMPLOYEES

AVERAGE NO. OF EMPLOYEES

	2015		2014	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	6,675	5,881	6,610	5,868
Subsidiaries				
Sweden	3,043	2,795	2,922	2,718
Norway	2,476	2,267	2,349	2,152
Finland	2,191	1,771	2,507	2,040
Denmark	2,242	1,936	2,086	1,812
Germany	745	562	715	550
Russia	396	259	402	277
Estonia and Latvia	55	42	78	59
Poland	50	48		
Total in subsidiaries	11,197	9,680	11,059	9,608
Group total	17,872	15,561	17,669	15,476

	2015	2014
Percentage of women, %		
Distribution of company management by gender		
<i>Group total, including subsidiaries</i>		
– Boards of Directors	23.5	23.7
– Other senior executives	14.6	12.5
Senior executives in the Group pertain to the senior executives in the Parent Company together with Presidents of subsidiaries with employees.		
Parent Company		
– Board of Directors	30.0	30.0
– Other senior executives	28.6	28.6

NOTE 5 PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

WAGES, SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES ¹⁾ AND OTHER EMPLOYEES

	2015			2014		
	Board of Directors and senior executives (of which, bonus)	Other employees	Total	Board of Directors and senior executives (of which, bonus)	Other employees	Total
Parent Company						
Sweden	49	3,251	3,300	45	3,073	3,118
	(10.0)			(2.9)		
Social security expenses			1,409			1,369
– of which, pension costs	11	285	296	9	294	303
Pension commitment	23			19		
Group	109	8,969	9,078	96	8,860	8,956
	(21.5)			(11.8)		
Social security expenses			2,915			2,815
– of which, pension costs			771			724
Pension commitment	52			37		

1) The senior executives category comprises 16 individuals (15) in the Parent Company, total 41 (48) in the Group.

EMPLOYMENT CONDITIONS AND REMUNERATION OF SENIOR EXECUTIVES

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

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Executive Management Group is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term “other senior executives” pertains to the senior executives who, together with the CEO, constitute the Executive Management Group, as well as those senior executives who are not members of the Executive Management Group but who report directly to the CEO. There were 14 such executives at the start of 2015, and 15 at the end. Of these, ten were employed by the Parent Company and five by subsidiaries.

VARIABLE REMUNERATION

The maximum variable remuneration payable to CEO Peter Wågström in 2015 was capped at 50 percent of his fixed remuneration. The variable remuneration was based on financial targets established by the Board. The amount expensed for the 2015 fiscal year corresponded to 40 percent of fixed remuneration, meaning SEK 2,802,985. In 2014, SEK 711,478 was expensed. Variable remuneration for other senior executives in 2015 corresponded to a maximum of 30 to 50 percent of fixed remuneration based primarily on the outcome of established,

primarily financial, targets. The maximum percentages above for the CEO and other senior executives are adjusted downward by 10 percentage points for participation in LTI 2015. The provision posted for other senior executives during 2015 corresponded to 16 to 46 percent (3-23) of fixed remuneration.

PENSION CONDITIONS FOR THE CEO

CEO Peter Wågström has a defined-contribution pension plan with the premium amounting to 35 percent of his fixed remuneration. Peter Wågström's retirement age is 62.

PENSION CONDITIONS FOR OTHER SENIOR EXECUTIVES

Other senior executives employed in Sweden are covered by a defined-benefit ITP plan with a retirement age of 65, and, in accordance with the current policy, a supplementary defined-contribution pension obligation of 30 percent of pensionable remuneration exceeding 30 income base amounts. In addition, in accordance with the former policy for which no new subscriptions are permissible, four senior executives are encompassed by a supplementary pension plan with retirement ages of 60 or 62. The supplementary pension plan is paid until the age of 65, and has a target pension of 70 percent of pensionable remuneration. Pensionable remuneration is defined as the senior executive's average fixed remuneration over a vesting period of at least ten years. The earned benefit is vested and secured in a pension foundation. The company has undertaken to pay the ITP plan in full on condition that the senior executive remains in service until the agreed age of retirement. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2015

SEK 000s	Total remuneration and benefits ²⁾	of which, benefits	of which, variable remuneration ³⁾	of which, provision for share-based payment ⁴⁾	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,066					
Member of the Board Viveca Ax:son Johnson	494					
Member of the Board Carina Edblad	494					
Member of the Board Olof Johansson	494					
Member of the Board Sven-Olof Johansson	494					
Member of the Board Ulla Litzén	494					
Member of the Board Christoph Vitzthum	494					
President and CEO Peter Wågström	11,948	69	2,803	1,755	2,450	635
Other senior executives (ten individuals)	37,546	733	7,170	4,527	8,715	22,475
Total Parent Company	53,524	802	9,973	6,282	11,165	23,110
Other senior executives employed by subsidiaries (five individuals)	21,015	701	3,146	2,521	3,091	12,475
Total senior executives	74,539	1,503	13,119	8,803	14,256	35,585

Note 5 Personnel expenses and remuneration of senior executives, cont'd

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2014

SEK 000s	Total remuneration and benefits ²⁾	of which, benefits	of which, variable remuneration ³⁾	of which, provision for share-based payment ⁴⁾	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	918					
Member of the Board Antonia Ax:son Johnson ¹⁾	113					
Member of the Board Viveca Ax:son Johnson ¹⁾	355					
Member of the Board Carina Edblad ¹⁾	355					
Member of the Board Olof Johansson	469					
Member of the Board Sven-Olof Johansson	469					
Member of the Board Ulla Litzén	469					
Member of the Board Christoph Vitzthum	469					
President and CEO Peter Wågström	8,913	53	711	2,232	1,800	611
Other senior executives (ten individuals)	32,842	362	2,227	6,165	6,897	18,061
Total Parent Company	45,372	415	2,938	8,397	8,697	18,672
Other senior executives employed by subsidiaries (four individuals)	17,712	802	1,499	3,274	2,188	10,613
Total senior executives	63,084	1,217	4,437	11,671	10,885	29,285

1) Antonia Ax:son Johnson resigned and Viveca Ax:son Johnson and Carina Edblad were elected at the AGM on April 2, 2014.

2) Remuneration and benefits pertain to fixed remuneration, vacation compensation, reduced working hours, company vehicles and, where appropriate, severance pay. Director fees were raised following a resolution at the 2015 and 2014 AGMs. The amounts in the tables are subject to accrual accounting.

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

4) Amount reserved during the year for the ongoing LTI programs 2013, 2014 and 2015.

SEVERANCE PAY

NCC and Peter Wågström are subject to a mutual period of notice of employment termination of six months. Severance pay is payable over 18 months.

Other senior executives are normally subject to 12 months' notice from NCC, or six months' notice if the senior executive resigns of his/her own accord. Other senior executives are normally entitled to 12 months of severance pay, if their employment is terminated by NCC. Remuneration will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without NCC's written consent.

LONG-TERM INCENTIVE PROGRAM

The Annual General Meeting (AGM) in April 2015 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive plan for senior executives and key personnel within the NCC Group (LTI 2015). The purpose of LTI 2015 is to ensure a focus on NCC's long-term return on equity and to provide prerequisites for retaining and recruiting key personnel.

LTI 2015 is a three-year performance-based plan under which the participants will be allotted, free of charge, performance-based share awards that provide entitlement to Series B shares and to performance-based synthetic shares that provide entitlement to cash remuneration. In view of the introduction of LTI 2015, the maximum short-term variable remuneration payable to the participants will be adjusted downwards by five or ten percentage points of their basic salary. LTI 2015 will run parallel in all respects to the LTI program that was adopted by the 2014 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/distributed depends on the extent to which certain predetermined targets are achieved during the performance period (January 1, 2015 through December 31, 2017). The targets that have been set for LTI 2015 comprise the average return on equity in relation to eight benchmark companies during the vesting period, as well as a reduction in the number of worksite accidents as at the end of 2017. For achievement of the first target, 100 percent will be allotted/distributed if the return exceeds the second best benchmark company, while 0 percent will be allotted/distributed if the return does not match the median for the benchmark category. In between the median and second best benchmark company, allotment/payment will occur linearly. For assessment of the second target, an established benchmark figure for the industry will be used based on the number of occupational accidents resulting in one day's absence or more from ordinary work per million working hours. At the end of 2014, NCC's comparative figure was 8.0. Allotment/distribution of 100 percent will occur if the ratio for 2017 is less than 5.0, while 0 percent will be allotted/distributed if the ratio is more than 7.0. Between 5.0 and 7.0, allotment/payment will occur linearly. Another prerequisite for any payment from LTI 2015 is that the NCC Group reports a pretax profit.

ALLOTMENT

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

The share price that is to form the basis for calculating the number of share awards and synthetic shares is to correspond to the average last price paid during a period of ten trading days immediately following the 2015 AGM, a period when the share is traded excluding rights to dividends (SEK 286.40).

Scope and costs of the program

Assuming a share price of SEK 270 and the maximum outcome in accordance with LTI 2015, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2015, including costs for social security fees, will be SEK 74.0 M, corresponding to approximately 0.25 percent of the total number of shares in the company at a share price of SEK 270. The value that a participant may receive at maximum allotment of Series B shares and maximum cash payment is limited to an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average last price paid during a period of ten trading days immediately following the date of the 2015 AGM, a period when the share is traded excluding rights to dividends.

Buyback of company shares

In order to cover commitments in accordance with LTI 2015, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees and payments on the basis of the synthetic shares, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 867,486 Series B shares. The shares are to be acquired on NASDAQ Stockholm and may only be effected at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash.

Transfer of treasury shares

In order to secure delivery of Series B shares in accordance with LTI 2015, the Board proposed that the AGM resolve to permit the transfer of no more than 303,620 Series B shares to the participants of LTI 2015. The prerequisites and conditions for allotment are listed below, according to which all share awards will be regulated through physical delivery of the shares.

LTI 2012

The performance period pertaining to LTI 2012 expired on December 31, 2014. Shares and synthetic shares were delivered as planned in June 2015 to the remaining participants in the program. A total of 92,446 shares, 92,446 synthetic shares and SEK 1,068,138 as compensation for dividends was delivered to 90 participants.

LTI 2013

The performance period pertaining to LTI 2013 expired on December 31, 2015. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2016 AGM.

LTI 2014

The performance period pertaining to LTI 2014 is from December 31, 2014 through December 31, 2016.

LTI 2015

A new LTI program was launched in 2015 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The LTI 2015 performance period is from December 31, 2015 through December 31, 2017.

The prerequisites and conditions for allotment are listed below.

	GROUP		PARENT COMPANY	
	Share awards	Synthetic shares	Share awards	Synthetic shares
Outstanding at the beginning of the period	307,273	307,273	161,746	161,746
Allocated during the period	80,784	80,784	40,959	40,959
Exercised during the period	-92,446	-92,446	-50,575	-50,575
Transferred from Group companies			5,870	5,870
Changed commission relationship			-24,351	-24,351
Forfeited during the period	-29,159	-29,159	-12,346	-12,346
Outstanding at the end of the period	266,452	266,452	121,303	121,303
Puttable at the end of the period	0	0	0	0

All shares and synthetic options have a redemption price of SEK 0.

Outstanding share awards and synthetic shares have a remaining contract term of two and a half years and a half year, respectively.

FAIR VALUE AND ASSUMPTIONS
SHARE AWARDS LTI 2013

	2015		2014	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	8,888	4,252	6,081	3,192
Share price, SEK	144.97	144.97	144.97	144.97
Redemption price, SEK	0	0	0	0
Term of share awards, year	0.5	0.5	1.5	1.5
Risk-free interest rate, %	1.70	1.70	2.20	2.20

SHARE AWARDS LTI 2014

	2015		2014	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	5,184	2,391	3,691	2,038
Share price, SEK	225.66	225.66	225.66	225.66
Redemption price, SEK	0	0	0	0
Term of share awards, year	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.70	1.70	2.20	2.20

SHARE AWARDS LTI 2015

	2015	
	Group	Parent Company
Fair value on date of valuation, SEK 000s	1,684	706
Share price, SEK	286.40	286.40
Redemption price, SEK	0	0
Term of share awards, year	2.5	2.5
Risk-free interest rate, %	1.70	1.70

Dividend has been calculated as a five-year average of NCC AB's dividends.

All fair values and assumptions are the same for all participants in the program.

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS

	2015		2014	
	Group	Parent Company	Group	Parent Company
Share awards	7	5	12	9
Synthetic shares	14	9	21	12
Social security expenses	9	8	9	6
Total personnel expenses for share-based remunerations	30	22	42	27
Total carrying amount pertaining to liability for synthetic shares	48	23	34	18
Total real value of the liability pertaining to vested benefits	48	23	34	18

NOTE 6 DEPRECIATION/AMORTIZATION

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Intangible assets	-83	-44	-44	-12
Owner-occupied properties	-28	-26	-1	-1
Machinery and equipment ¹⁾	-649	-638	-31	-31
Total depreciation/amortization	-759	-708	-76	-44

1) of which, depreciation of leased equipment in the Group amounts to 94 (87).

NOTE 7 FEES AND REMUNERATION TO AUDIT FIRMS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Audit firms				
EY				
Auditing assignments	15		6	
Other assignments	2			
PwC				
Auditing assignments		18		7
Audit in addition to the audit assignment		1		
Other assignments		1		1
<i>Other auditors</i>				
Auditing assignments	1	2		
Other assignments	1	0		
Total fees and remuneration to auditors and audit firms	19	22	6	8

Auditing assignments are defined as the statutory audit of the annual accounts and the consolidated financial statements and of the bookkeeping as well as of the administration of the Board of Directors and the President, and also audit and other examinations conducted pursuant to agreement or contract. This includes 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 IMPAIRMENT LOSSES AND REVERSAL OF IMPAIRMENT LOSSES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Production costs				
Housing projects	-2			
Properties held for future development in NCC Property Development	-4	-4		
Result from participations in subsidiaries				
Shares in subsidiaries			-92	63
Impairment and reversal of impairment losses, fixed assets				
Owner-occupied properties	-1			
Machinery and equipment	-31			
Other intangible assets	-8			
Total	-46	-5	-92	63

NOTE 9 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Dividend			992	1,095
Capital gain/loss on sale		3		-197
Impairment losses			-92	-135
Reversal of impairment losses				199
Total		3	901	962

NOTE 10 OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

GROUP	2015	2014
Production-related goods and services, plus raw materials and supplies	50,963	41,846
Change in inventories	-50	-72
Personnel costs	7,696	11,807
Depreciation/amortization	759	708
Impairment losses	46	5
Total cost of production, and selling and administration costs	59,414	54,293

NOTE 11 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	2015	2014
Interest expense, Group companies	-64	-111
Interest expense to credit institutions	-41	-64
Financial portion of pension cost	-76	-108
Interest expense, others	-3	-8
Exchange-rate differences	22	-53
Other financial items	54	25
Total	-107	-318

NOTE 12 NET FINANCIAL ITEMS

GROUP	2015	2014
Interest income on financial assets held for trading	11	11
Interest income on investments held to maturity	4	5
Interest income on loans and accounts receivable	16	17
Interest income on bank balances	6	10
Net gain on financial assets available for sale	1	0
Net profit on financial assets/liabilities available for sale	3	1
Net exchange-rate changes	8	
Other financial income	1	2
Financial income	50	46
Interest expense on financial liabilities measured at amortized cost	-340	-310
Interest expense on financial liabilities held for trading	-36	-21
Net loss on financial assets/liabilities held for trading	-4	-8
Net exchange-rate changes		-6
Other financial expenses	-54	-71
Financial expense	-433	-416
Net financial items	-383	-370
Of which, changes in value calculated using valuation techniques	7	-7

NOTE 13 EFFECTS ON PROFIT AND LOSS OF EXCHANGE-RATE CHANGES

GROUP	2015 exchange rates 2014 ¹⁾	2015	Exchange- rate effect
Net sales	62,610	62,495	-115
Operating profit	3,061	3,039	-22
Profit after financial items	2,637	2,656	19
Net profit for the year	2,104	2,120	16

1) Figures for 2015 translated at 2014 exchange rates.

Country	SEK	Currency	AVERAGE EXCHANGE RATE JAN-DEC		YEAR-END RATE	
			2015	2014	2015	2014
Denmark	100	DKK	125.44	122.02	122.95	127.35
EU	1	EUR	9.36	9.10	9.17	9.48
Norway	100	NOK	104.73	108.89	96.06	105.04
Russia	1	RUR	0.14	0.18	0.11	0.13

NOTE 14 APPROPRIATIONS AND UNTAXED RESERVES

PARENT COMPANY	APPROPRIATIONS		UNTAXED RESERVES	
	2015	2014	2015	2014
Accumulated depreciation in excess of plan				
- machinery and equipment			1	
Reserve in work in progress	-93	44	441	348
Group contributions received	238	639		
Total	144	684	441	348

NOTE 15 INTANGIBLE ASSETS

2015	GROUP				PARENT COMPANY	
	ACQUIRED INTANGIBLE ASSETS				Goodwill	Development expenses
	Goodwill	Usufructs	Other	Total other		
Recognized cost on January 1	2,128	251	403	654	2	196
Investments	1	4	114	117		94
Divestment and scrappage	-1	-1	-2	-3		-79
Reclassifications		17	-20	-3		20
Translation differences during the year	-79	-7	-5	-12		
Recognized cost on December 31	2,049	265	489	754	2	231
Accumulated amortization on January 1	-1	-127	-136	-263	0	-23
Divestment and scrappage	-1		2	2		18
Reclassifications			32	32		
Translation differences during the year	1	4	3	7		
Amortization according to plan during the year		-14	-69	-83	-1	-43
Accumulated amortization on December 31	-2	-136	-167	-303	-1	-48
Accumulated impairment losses on January 1	-261	-2	0	-2		
Reclassifications		-8	8			
Translation differences during the year	6					
Impairment losses for the year			-8	-8		
Accumulated impairment losses on December 31	-255	-11	0	-11	0	0
Residual value on January 1	1,865	123	266	389	2	173
Residual value on December 31	1,792	118	321	439	2	182

2014	GROUP				PARENT COMPANY	
	ACQUIRED INTANGIBLE ASSETS				Goodwill	Development expenses
	Goodwill	Usufructs	Other	Total other		
Recognized cost on January 1	2,056	214	270	484		86
Investments	16	23	136	158	2	109
Divestment and scrappage	-2	-5	-1	-6		
Reclassifications		13	-7	6		
Translation differences during the year	58	6	6	12		
Recognized cost on December 31	2,128	251	403	654	2	196
Accumulated amortization on January 1	0	-115	-100	-215		-11
Divestment and scrappage		4		4		
Change due to sale of companies			1	1		
Translation differences during the year	-2	-3	-5	-8		
Amortization according to plan during the year		-12	-32	-44		-12
Accumulated amortization on December 31	-1	-127	-136	-263		-23
Accumulated impairment losses on January 1	-255	-2	0	-2		0
Translation differences during the year	-6					
Accumulated impairment losses on December 31	-261	-2	0	-2	0	0
Residual value on January 1	1,802	97	170	267	2	75
Residual value on December 31	1,865	123	266	389	2	173

Note 15 Intangible assets, cont'd

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill totaling SEK 1,792 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2015	2014
NCC Construction Sweden	401	401
NCC Construction Denmark	113	117
NCC Construction Finland	66	70
NCC Construction Norway	241	263
NCC Roads	950	993
NCC Housing	22	22
NCC Group	1,792	1,865

Every year impairment requirement testing for goodwill is conducted. Impairment testing is based on the future cash-flow of the units, taking into account the market's yield requirement and their risk profile.

Cash flow was based on forecasts established by company management. When deemed necessary, the forecasts have been established with a greater degree of detail focused on the period immediately ahead (five years). The following key assumptions were used:

Long-term growth: In all cases, a long-term sustainable growth rate of 2.0 (2.0) percent has been assumed when the forecast period is over, which reflects anticipated long-term growth in the market. Subject to the exceptions specified below, it is assumed that the growth rate also applies to sales during the forecast period.

Operating margin: The forecast operating margin has been assumed to equal the average for the most recent three years. The measurement of NCC Construction Norway is in accordance with the financial scenario stated in the strategy plan for 2016–2020.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2015, with a growth rate equal to the sustainable long-term growth rate.

Discount interest rate: The weighted average cost of capital (WACC) is calculated for the various units on the basis of beta value, and local conditions in respect of market interest rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. Although the after-tax discount interest rate varies among the different cash-generating units, in NCC's scenario it amounts on the whole to 8.2 percent (8.3) percent and 6.4 percent (6.5) after tax. NCC's impairment testing reveals no impairment requirement for goodwill.

Risk analyses: The difference between the value in use and the carrying amount is lowest for NCC Construction Norway, for which goodwill is attributable to construction operations. The sensitivity analysis of the assumptions used in impairment testing shows that reasonable changes in sales growth do not give rise to any impairment, while changes in the operating margin and the discount interest rate result in a greater risk. For NCC Construction Norway, a decrease of 0.5 percentage points in the operating margin would give rise to goodwill impairment of SEK 241 M, meaning all goodwill, and an increase in the discount interest rate by 0.5 percentage points would give rise to an impairment loss of SEK 113 M.

IMPACT ON VALUE IN USE

	NCC Construction Norway	NCC Roads
Value in use - carrying amount (SEK M)	58	5,470
Discount rate, WACC (%)	9.1	5.0
0.5-percentage-point decrease in operating margin during the forecast period	-443	-2,008
One-percentage-point decrease in sales growth	-52	-1,771
0.5-percentage-point increase in discount rate (WACC)	-113	-1,293

OTHER INTANGIBLE ASSETS

Usufructs include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to long periods.

Amortization of quarries occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel. The Other item consists mainly of software and licenses.

The periods of use range from three to five years and amortization is applied on a straight-line basis.

In the Parent Company, development expenses primarily comprise system support for personnel administration.

AMORTIZATION IS INCLUDED IN THE FOLLOWING LINES
IN THE INCOME STATEMENT

	GROUP	
	2015	2014
Production costs	-38	-32
Selling and administrative expenses	-44	-12
Total	-83	-44

NOTE 16 TANGIBLE FIXED ASSETS

2015	GROUP			PARENT COMPANY		
	Owner-occupied properties	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	1,338	7,903	9,241	27	511	537
Investments	100	870	969		56	57
Divestment and scrappage	-15	-668	-683		-19	-20
Reclassifications	8	-253	-246		-24	-20
Translation differences during the year	-44	-249	-292			
Recognized cost on December 31	1,386	7,602	8,988	27	524	551
Accumulated impairment losses and depreciation on January 1	-564	-5,416	-5,980	-9	-426	-435
Divestment and scrappage	14	540	553		18	18
Reclassifications	1	216	217		2	
Translation differences during the year	18	154	172			
Impairment losses for the year ¹⁾	-1	-31	-32			
Depreciation during the year	-28	-649	-677	-1	-31	-32
Accumulated impairment losses and depreciation on December 31¹⁾	-560	-5,186	-5,746	-10	-437	-447
Accumulated write-ups at beginning of the year		1	1			
Accumulated write-ups at end of year		1	1			
Residual value on January 1	774	2,487	3,262	18	84	103
Residual value on December 31	826	2,417	3,243	17	88	105
Carrying amount of financial leasing		333	333			
1) Accumulated impairment losses on December 31	-10	-81	-91			

Note 16 Tangible fixed assets, cont'd

	GROUP			PARENT COMPANY		
	Owner-occupied properties	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
2014						
Recognized cost on January 1	1,306	7,590	8,896	26	552	578
Investments	53	751	804	3	43	46
Increase through acquisitions		1	1			
Divestment and scrappage	-18	-320	-338	-3	-15	-18
Decrease through company divestments	-7	-66	-73			
Reclassifications	-12	-143	-155		-69	-69
Translation differences during the year	17	89	106			
Recognized cost on December 31	1,338	7,903	9,241	27	511	537
Accumulated impairment losses and depreciation on January 1	-602	-5,089	-5,691	-9	-478	-488
Divestment and scrappage	14	251	265	2	14	16
Decrease through company divestments	2	46	48			
Reclassifications	63	86	149		69	69
Translation differences during the year	-16	-72	-88			
Depreciation during the year	-26	-638	-664	-1	-31	-32
Accumulated impairment losses and depreciation on December 31¹⁾	-564	-5,416	-5,980	-9	-426	-435
Accumulated write-ups at beginning of the year		1	1			
Accumulated write-ups at end of year		1	1			
Residual value on January 1	704	2,502	3,206	17	74	91
Residual value on December 31	774	2,487	3,262	18	84	103
Carrying amount of financial leasing		298	298			
1) Accumulated impairment losses on December 31	-12	-55	-67			

NOTE 17 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY				CARRYING AMOUNT		PARENT COMPANY				CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of participations ²⁾	2015	2014	Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of participations ²⁾	2015	2014		
Real estate companies:											
NCC Property Development BV, 33.213.877, Netherlands				4	JCC Johnson Construction Company AB, 556113-5251, Solna	100	1				
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	961	961	Kallax Cargo AB, 556565-1147, Solna				1		
Total participations in real estate companies			961	965	Kungsplattan AB, 556713-0850, Solna	100	1	1	1		
Other companies:											
Alsike Utvecklings AB, 556245-9452, Uppsala				2	Kvarntorget Bostad AB, 556729-8541, Uppsala				1		
Anjo Bygg AB, 556317-8515, Halmstad	100	9	13	29	LLC NCC Center, INN7841457408, Russia				5		
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1			LLC NCC Ostland, INN7802379530, Russia						
Däldehög AB, 556268-5700, Gothenburg	100	9	1	1	LLC NCC Real Estate, INN7841322136, Russia				85		
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1	LLC NCC Village, INN7842398917, Russia				9		
Ekängens Handelsträdgård AB, 556188-6903, Solna	100	1	4	4	Luzern AB, 556336-4727, Lund	100	1	3	3		
Elpolerna i Malmö AB, 556720-5934, Malmö	100	1			NCC Aktivt Boende AB, 556889-1393, Solna						
Frösunda Exploaterings AB, 556430-1876, Solna					NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	1		
Fågelbro Mark AB, 556234-0868, Stockholm				30	NCC Boende AB, 556726-4121, Solna				4		
Hercules Grundläggning AB, 556129-9800, Stockholm	100	196	59	59	NCC Boende Holding 1 AB, 556761-3459, Solna						
HoldCo Residential 1 AB, 556928-0380, Solna	100	1	5,007		NCC Boende Holding 2 AB, 556795-2089, Solna						
Jaktbacken AB, 556908-8932, Solna	100	1			NCC Boende Holding 3 AB, 556795-2287, Solna						
					NCC Boende Holding 4 AB, 556824-7901, Solna						
					NCC Boende Holding 5 AB, 556824-7919, Solna				82		

Note 17 Participations in Group companies, cont'd.

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Owner- ship share, % ¹⁾	No. of participa- tions ²⁾	CARRYING AMOUNT	
			2015	2014
NCC Boende Holding 6 AB, 556824-7927, Solna				
NCC Boende Holding 7 AB, 556824-8230, Solna				
NCC Boende Holding 8 AB, 556824-8248, Solna				65
NCC Boende Holding 9 AB, 556845-8797, Solna				
NCC Boende Holding 10 AB, 556845-8821, Solna				
NCC Boende Holding 11 AB, 556866-8692, Stockholm				
NCC Boende Holding 12 AB, 556887-7079, Solna			60	
NCC Boende Holding 13 AB, 556966-2835, Solna				
NCC Boende Holding 14 AB, 556973-2273, Solna				
NCC Boende Holding 15 AB, 556987-3770, Solna				
NCC Bolig AS, 32 65 55 05, Denmark				456
NCC Bolig AS, 997 671 783, Norway				41
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	116	116
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	161	161
NCC Construction Sverige AB, 556613-4929, Solna	100	500	56	55
NCC Deutschland GmbH, HRB 8906 FF, Germany	10 ³⁾	10 ³⁾	41	410
NCC Elamuarendus, 11398856, Estonia				6
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Hyresboende AB, 556889-1401, Solna				
NCC Hällevik AB, 556749-6251, Solna	100	1		
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	41	41
NCC Kaninen Projekt AB, 556740-3638, Solna				
NCC Komponent AB, 556627-4360, Solna	100	1		

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Owner- ship share, % ¹⁾	No. of participa- tions ²⁾	CARRYING AMOUNT	
			2015	2014
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Purchasing Group AB, 556104-9932, Solna	100	2	1	1
NCC Rakennus Oy, 1765514-2, Finland	100	4	393	392
NCC Roads Holding AB, 556144-6732, Solna	100	275	1,638	1,637
NCC Skakt Aps, 36 95 64 88, Denmark	5 ³⁾	2,500		
NCC Södra Ekkällan AB, 556679-8780, Solna				1
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
NCC Utvikling AS, 980 390 020, Norway				3
Nils P Lundh AB, 556062-7795, Solna				
Norrströmstunneln AB, 556733-7034, Solna	100	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Siab Investment AB, 556495-9079, Stockholm				
SIA NCC Housing, 40003941615, Latvia				24
Sintrabergen Holding AB, 556498-1248, Stockholm				
Ställningsmontage och Industrijänt i Södra Norrland AB, 556195-2226, Solna	100	2		
Svelali AB, 556622-7517, Halmstad	100	1		
Svenska Industribyggen AB, 556087-2508, Stockholm				
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100	1	1	10
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	1
Total participations in other companies			8,683	4,944
Total participations in Group companies			9,644	5,909

1) The ownership share corresponds to the shareholding.

2) Number of shares in thousands.

3) The remaining shares are held by subsidiaries of the NCC Group.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the acquisition method. NCC's assessment is that it has no controlling influence in any holdings in which the ownership share amounts to 50 percent or less. The amended control concept in IFRS 10 has not resulted in any change in this assessment.

Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year. After the commission relationship between NCC AB and NCC Boende AB ceased on December 1, 2015, companies have been removed from this specification, but remain in the Group.

Only directly owned subsidiaries were specified. The number of indirectly owned subsidiaries is 218 (184).

NOTE 18 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

GROUP	2015	2014
Carrying amount on January 1	52	9
Adjustment for amended accounting policies, IFRS 11		45
Divestment of associated companies	-9	-3
Share in associated company profits ¹⁾	11	1
Carrying amount on December 31	54	52

1) Participations in associated companies' profit after tax and non-controlling interests in associated companies.

GROUP	Name of company, Corp. Reg. No., Registered office	Owner- ship share, % ¹⁾	No. of participa- tions ²⁾	CARRYING AMOUNT	
				2015	2014
	Agder Bygg-Gjennvinning AS, 880 704 53, Norway	50		1	1
	Asfalt & Maskin, 960 585 593, Norway	50		3	2
	Glysisvallen AB, 556315-5125, Hudiksvall	50			1
	Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	4	1
	Kalati SIA, 40003783689, Riga	50			7
	PULS-ISAB Relining i Skandinavien AB, 556813-5890, Mölndal	25			3
	PULS Planerad Underhållsservice AB, 556379-1259, Malmö	50	15	29	23
	Oraser AB, 556293-2722, Stockholm	50	1	6	6
	Sjaellands Emulsionsfabrik I/S, 18004968, Roskilde	50		5	4
	SHH Hyresproduktion AB, 556889-3746, Stockholm	50	1	4	3
	Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
	Other NCC-owned associated companies 12 (12)			1	1
Total				54	52

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

2) Number of shares in thousands.

NOTE 19 INTERESTS IN ASSOCIATED COMPANIES AND JOINT OPERATIONS

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

GROUP	2015	2014
Revenue	99	75
Expenses	-105	-69
Profit	-6	6
Fixed assets	30	17
Current assets	876	740
Total assets	906	757
Long-term liabilities	204	195
Current liabilities	483	351
Total liabilities	687	546
Net assets	219	211

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

SPECIFICATION OF JOINT OPERATIONS

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Elinegård Holding AB	50
Elinegård Holding kv DGHK AB	50
Elinegård Holding kv SS2TQ AB	50
Elinegård Holding kv UXY södra VY2 AB	50
Elinegård Holding kv WZM1M2Ö norra VY2 AB	50
Elinegård Utvecklings AB	50
Entreprise 23 konsortiet	50
Entreprise 26 konsortiet	50
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
GR2012 Konsortiet I/S	50
Holding Big Apple Housing Oy	50
Holding Metrokeskus Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Langebro 2	50
Limhamn kv G AB	50
Limhamn kv H AB	50
Limhamn kv K AB	50
Limhamn kv M1M2 AB	50
Limhamn kv norra VY2 AB	50
Limhamn kv Q AB	50
Limhamn kv S AB	50
Limhamn kv S Två AB	50
Limhamn kv södra VY2 AB	50
Limhamn kv T AB	50
Limhamn kv U AB	50
Limhamn kv W AB	50
Limhamn kv X AB	50
Limhamn kv Y AB	50
Limhamn kv Z AB	50
Limhamn kv Ö AB	50
Limhamn kvarter D AB	50
M11-Entreprenør	50
Milman Miljømuddring	50
NCC-LHR Gentofte Konsortiet	65
NCC-MJEkonsortie I/S	50
NCC-SMET konsortiet	50
NCC-SMET konsortiet Østerbro Tunnel Konsortiet	50
NFO konsortiet I/S	50
Norvikudde, konsortie	50
NVB Beckomberga KB	25
NVB Sköndalsbyggarna AB	33
NVB Sköndalsbyggarna II AB	33
NVB Sköndalsbyggarna II KB	33
NVB Sköndalsbyggarna KB	33
Polaris Business Park Oy	50
Stora Ursvik KB	50
Tipton Brown AB	33
Öhusen, KB	50
Ørestad Down Town P/S	60

NOTE 20 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

PARTICIPATIONS IN ASSOCIATED COMPANIES INCLUDED IN FINANCIAL FIXED ASSETS

PARENT COMPANY	Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾³⁾	No. of participations ²⁾	CARRYING AMOUNT	
				2015	2014
	Oraser AB, 556293-2722, Stockholm	50	1	6	6
	PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	8	8
	Stora Ursvik KB, 969679-3182, Stockholm				156
	Tipton Brown AB, 556615-8159, Stockholm				15
	Other 2 (6)			1	1
Total				14	185

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands. 3) See Note 17 for a description of controlling influence.
The commission relationship between NCC AB and NCC Boende AB was discontinued on December 1, 2015. This is the reason for the Parent Company's lower number of shares in associated companies and their lower carrying amount compared with 2014. Companies for which ownership shares and number of shares are not stated are those that are no longer owned by the Parent Company because the commission relationship has ceased.

NOTE 21 FINANCIAL INVESTMENTS

GROUP	2015	2014
Financial investments classified as fixed assets		
<i>Available-for-sale financial assets</i>		
Unlisted securities	43	40
<i>Investments held to maturity</i>		
Interest-bearing securities	104	115
Total	147	156
Short-term investments classified as current assets		
<i>Financial assets at fair value through profit or loss</i>		
Interest-bearing securities	119	115
<i>Investments held to maturity</i>		
Interest-bearing securities	71	127
Total	190	242

Investments held to maturity had an established interest rate ranging from negative 0.6 (plus 1.0) percent to plus 4.0 (4.0) percent, and had due dates ranging from 6 (2) years to 2 (3) years.

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

NOTE 22 FINANCIAL FIXED ASSETS

PARENT COMPANY, 2015	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables, associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Recognized cost on January 1	14,363	10	217	185	11	131	14,918
Assets added	5,007						5,007
Transferred within the Group	-1,269		-171				-1,440
Reclassifications	-636		-20				-656
Assets removed	-106	-10		-185		-47	-348
Recognized cost on December 31	17,359		26		11	84	17,480
Accumulated write-ups at beginning of the year	268						268
Accumulated write-ups at end of year	268						268
Accumulated impairment losses on January 1	-8,723		-33	-1	-6	-2	-8,764
Transferred within the Group	173						173
Reclassifications	636		20				656
Assets removed	22			1			23
Impairment losses for the year	-92						-92
Accumulated impairment losses on December 31	-7,983		-12		-6	-2	-8,003
Residual value on December 31	9,644		14		5	82	9,745
PARENT COMPANY, 2014							
Recognized cost on January 1	14,766	10	473	185	11	141	15,586
Assets added	23		12				35
Reclassifications	-136		-265				-401
Assets removed	-290		-2			-10	-302
Recognized cost on December 31	14,363	10	217	185	11	131	14,918
Accumulated write-ups at beginning of the year	268						268
Accumulated write-ups at end of year	268						268
Accumulated impairment losses on January 1	-8,922		-297	-1	-6	-2	-9,228
Reversal of impairment losses	199						199
Reclassifications	136		265				401
Impairment losses for the year	-135						-135
Accumulated impairment losses on December 31	-8,723		-33	-1	-6	-2	-8,764
Residual value on December 31	5,909	10	185	184	5	129	6,422

NOTE 23 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2015	2014
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	223	94
Receivables from divested property and housing projects	74	
Derivative instruments held for hedging	183	223
Other long-term receivables	77	117
Long-term receivables classified as fixed assets	557	434
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	28	70
Receivables from divested property and housing projects	161	129
Advance payments to suppliers	6	4
Derivative instruments held for hedging	278	221
Other current receivables	934	589
Other receivables classified as current assets	1,407	1,013

NOTE 24 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Tax on net profit for the year				
Current tax cost	-543	-420	-219	-249
Deferred tax revenue/cost	7	24	-25	4
Total recognized tax on net profit for the year	-536	-396	-244	-245

	GROUP				PARENT COMPANY			
	2015		2014		2015		2014	
	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Effective tax								
Pretax profit		2,656		2,234		1,656		2,022
Tax according to company's current tax rate	-22%	-586	-22%	-492	-22%	-364	-22%	-445
Effect of other tax rates for non-Swedish companies	-1%	-36	-1%	-29		-1		
Changed tax rates in Denmark and Norway in 2015 and in Denmark in 2014		3		5		2		
Other non-tax-deductible costs	-2%	-46	-1%	-22	-2%	-41	-1%	-46
Non-taxable revenues	7%	181	5%	110	12%	196	12%	248
Tax effect resulting from utilization of non-capitalized tax loss carryforwards	1%	36		-1				
Tax effect resulting from non-capitalized tax loss carryforwards	-2%	-46	1%	28				
Tax attributable to prior years	-2%	-42			-1%	-24	1%	-5
Other		-1		5	-1%	-13		4
Average tax rate/recognized tax	-20%	-536	-18%	-396	-15%	-244	-10%	-245

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

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2015	2014
Current tax in hedging instruments	-17	19
Deferred tax on cash flow hedging		13
Deferred tax attributable to the revaluation of defined-benefit pension plans	-59	109
Total	-76	141

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Opening carrying amount	-31	-165	86	83
Acquisition of subsidiaries	-23			
Recognized tax on net profit for the year	4	19	-27	4
Changed tax rates in Denmark and Norway in 2015 and in Denmark in 2014	3	5	2	
Tax items recognized in other comprehensive income		13		
Tax item attributable to revaluation of defined-benefit pension plans recognized in other comprehensive income	-59	109		
Translation differences	-19	-12	2	
Other	8		3	
Closing carrying amount	-117	-31	66	86

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

GROUP	ASSETS		LIABILITIES		NET	
	2015	2014	2015	2014	2015	2014
Tangible fixed assets			-34	-28	-34	-28
Financial fixed assets	-4	27			-4	27
Non-completed projects			-552	-595	-552	-595
Properties held for future development			-30	-38	-30	-38
Untaxed reserves			-202	-166	-202	-166
Provisions	188	173			188	173
Personnel benefits/pension provisions	90	133			90	133
Tax loss carryforwards	382	365			382	365
Other	86	117	-41	-20	45	97
Deferred tax asset/deferred tax liability	742	816	-859	-847	-117	-31
Offsetting	-326	-382	326	382		
Net deferred tax asset/tax liability	416	434	-533	-465	-117	-31

PARENT COMPANY	ASSETS		LIABILITIES		NET	
	2015	2014	2015	2014	2015	2014
Provisions	82	81			82	81
Personnel benefits/pension provisions	4	5			4	5
Tax loss carryforwards	-20				-20	
Net deferred tax asset/tax liability	66	86			66	86

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 this the case for the participations owned by NCC companies in other countries.

The Group has non-capitalized tax loss carryforwards corresponding to SEK 0 billion (0.1). These mainly derive from operations conducted outside Sweden, primarily in Germany. During the year, it was deemed possible to capitalize the final portion of previously non-capitalized loss carryforwards.

In the Parent Company, all tax loss carryforwards from the operations are capitalized.

NOTE 25 PROPERTIES CLASSIFIED AS CURRENT ASSETS

GROUP, 2015	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ²⁾	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects ³⁾	Total
Recognized cost on January 1	2,108	2,256	781	5,145	6,304	6,246	1,119	13,669	18,814
Investments	287	1,391	13	1,691	1,200	8,590	-19	9,772	11,462
Increase through acquisitions	129			129					129
Divestment and scrappage	-278	-1,226	-839	-2,343	-713	-7,662	-1,486	-9,861	-12,204
Decrease through divestments					-427		21	-406	-406
Reclassifications	-136	-379	489	-26	-1,214	44	1,151	-20	-46
Translation differences during the year	-62	-29	-33	-125	-235	-214	-50	-500	-624
Recognized cost on December 31	2,047	2,013	410	4,470	4,914	7,004	736	12,654	17,124
Accumulated impairment losses on January 1	-44	0	-41	-85	-255	-12	-155	-422	-507
Divestment and scrappage					23	10		33	33
Reclassifications	46			46	14	-14			46
Translation differences during the year	1		1	2	3		3	5	7
Impairment losses for the year ¹⁾			-4	-4	18			18	14
Accumulated impairment losses on December 31	3	0	-43	-40	-196	-17	-152	-366	-406
Residual value on January 1	2,064	2,256	740	5,059	6,049	6,234	963	13,246	18,305
Residual value on December 31	2,050	2,013	367	4,430	4,718	6,987	583	12,288	16,718

1) Impairment losses are included in "Production costs" in the income statement.

2) Pertains primarily to properties classified as current assets recognized in NCC Property Development.

3) Pertains primarily to properties classified as current assets recognized in NCC Housing.

Note 25 Properties classified as current assets, cont'd

GROUP, 2014	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ²⁾	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects ³⁾	Total
Recognized cost on January 1	2,276	1,996	1,065	5,337	6,556	5,315	1,286	13,157	18,494
Investments	364	1,615	38	2,017	2,068	7,300	284	9,652	11,669
Increase through acquisitions					95			95	95
Divestment and scrappage	-97	-1,208	-878	-2,183	-118	-6,854	-1,599	-8,571	-10,754
Decrease through divestments					-390			-390	-390
Reclassifications	-511	-200	519	-192	-1,685	586	1,169	70	-122
Translation differences during the year	76	53	37	166	-222	-101	-21	-344	-178
Recognized cost on December 31	2,108	2,256	781	5,145	6,304	6,246	1,119	13,669	18,814
Accumulated impairment losses on January 1	-51	0	-34	-85	-370	-12	-150	-532	-617
Divestment and scrappage	11			11	4			4	15
Decrease through divestments					9			9	9
Reclassifications	-1			-1	112	1		113	112
Translation differences during the year	-3		-3	-6	-9	-1	-5	-15	-21
Impairment losses for the year ¹⁾			-4	-4					-4
Accumulated impairment losses on December 31	-44	0	-41	-85	-255	-12	-155	-422	-507
Residual value on January 1	2,224	1,996	1,031	5,251	6,186	5,303	1,136	12,625	17,876
Residual value on December 31	2,064	2,256	740	5,059	6,049	6,234	963	13,246	18,305

- 1) Impairment losses are included in "Production costs" in the income statement.
2) Pertains to properties classified as current assets recognized in NCC Property Development.
3) Pertains primarily to properties classified as current assets recognized in NCC Housing.

PARENT COMPANY	2015				2014			
	Properties held for future development	Completed housing units	Participations in tenant-owner associations	Total housing projects	Properties held for future development	Completed housing units	Participations in tenant-owner associations	Total housing projects
Recognized cost on January 1	118	42	79	239	101	258	161	520
Investments					39	28		67
Divestment and scrappage	-22		-79	-101	-24	-263	-83	-370
Reclassifications	-96	-42		-138	2	19		21
Recognized cost on December 31	0	0	0	0	118	42	79	239
Accumulated impairment losses on January 1	-9	-6	0	-15	-9	-6	0	-15
Transferred within the Group		6		6				
Reclassifications	9			9				
Accumulated impairment losses on December 31	0	0	0	0	-9	-6	0	-15
Residual value on January 1	109	36	79	225	92	252	161	505
Residual value on December 31	0	0	0	0	109	36	79	225

- 1) Impairment losses are included in "Production costs" in the income statement.

NOTE 26 MATERIALS AND INVENTORIES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Stone materials	416	421		
Building materials	142	169	45	59
Other	138	156		
Total	696	746	45	59

NOTE 27 CONSTRUCTION CONTRACTS

WORKED-UP, NON-INVOICED REVENUES

GROUP	2015	2014
Worked-up revenues from ongoing contracts	19,729	14,560
Invoicing for ongoing contracts	-18,329	-13,494
Total	1,400	1,066

INVOICED REVENUES, NOT WORKED UP

GROUP	2015	2014
Invoicing for ongoing contracts	34,210	36,730
Worked-up revenues from ongoing contracts	-29,966	-32,322
Total	4,244	4,408

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 49,695 M (46,882). Advanced payments received amounted to SEK 2,490 M (2,603). Amounts withheld by the customer amounted to SEK 651 M (752).

NOTE 28 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 acquisition 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
	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital ¹⁾		-1,844
2015	End of year	108,435,822	867

1) The quotient value was changed from SEK 25.00 to SEK 8.00.

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	Sales	-4,840,998
2006	Sales	-843,005
2007	Sales	-330,251
2011	Sales	-21,138
2012	Repurchases	415,500
2013	Repurchases	177,000
2015	Repurchases	68,000
2015	Distribution of shares to participants in incentive programs	-92,446
2015	End of year	568,054

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8.00 each. During the year, 500,000 Series A shares (1,685,025) were converted into Series B shares.

The shares are distributed into the following classes:

	Series A	Series B	Total
Number	25,523,097	82,912,725	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 p. 56.

SERIES A AND B SHARES			
	Series A	Series B	Total Series A and Series B
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares 2000–2014	-37,088,585	37,088,585	
Share buybacks 2000–2014		-6,627,892	-6,627,892
Sale of treasury shares 2005–2014		6,035,392	6,035,392
Number of shares outstanding at Dec 31, 2014	26,023,097	81,820,225	107,843,322
Conversion of Series A to Series B shares 2015	-500,000	500,000	
Share buybacks 2015		-68,000	-68,000
Distribution of shares to participants in incentive programs, 2015		92,446	92,446
Number of shares outstanding at Dec 31, 2015	25,523,097	82,344,671	107,867,768
Number of voting rights	255,230,970	82,344,671	337,575,641
Percentage of voting rights	76	24	100
Percentage of share capital	24	76	100
Closing price, Dec. 31, 2015	263.00	263.00	
Market capitalization, SEK M	6,713	21,657	28,369

NOTE 29 INTEREST-BEARING LIABILITIES

GROUP	2015	2014
Long-term liabilities		
Liabilities to credit institutions and investors ¹⁾	3,481	5,381
Financial lease liabilities	216	193
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,905	1,032
Liabilities to associated companies	89	85
Other long-term loans	196	266
Total	5,887	6,957
Current liabilities		
Current portion of liabilities to credit institutions and investors	1,649	1,140
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,363	1,239
Liabilities to associated companies	22	40
Financial leasing, current portion	116	104
Other current liabilities	4	3
Total	3,154	2,526
Total interest-bearing liabilities	9,041	9,483

1) Including reloaning of SEK 1,500 M (1,700) from the NCC Group's Pension Foundation.

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

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

FINANCIAL LEASING

For information on payment schedules for financial leasing liabilities, also see Note 35 Leasing.

PARENT COMPANY	2015	2014
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,500	1,700
Total	1,500	1,700
Current liabilities		
Group companies	5,452	3,296
Other current liabilities	25	
Total	5,477	3,296
Total interest-bearing liabilities	6,977	4,996

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

NOTE 30 OTHER PROVISIONS

GROUP, 2015	Guarantees	Other	Total
On January 1	1,366	651	2,017
Provisions during the year	442	304	746
Reclassification	2	2	5
Amount utilized during the year	-341	-285	-626
Reversed, unutilized provisions	-59	-17	-76
Reclassifications	-7	7	0
Translation differences	-26	-11	-37
On December 31	1,377	651	2,028
GROUP, 2014	Guarantees	Other	Total
On January 1	1,535	535	2,070
Provisions during the year	401	219	620
Reclassification	1	-9	-8
Amount utilized during the year	-456	-190	-646
Reversed, unutilized provisions	-56	-5	-61
Reclassifications	-91	91	0
Translation differences	32	10	42
On December 31	1,366	651	2,017

Note 30 Other provisions, cont'd.

PARENT COMPANY, 2015	Guarantees	Other	Total
On January 1	549	66	616
Provisions during the year	153	30	183
Amount utilized during the year	-163	18	-146
Changed commission relationship	-35	-75	-111
On December 31	504	38	543

PARENT COMPANY, 2014	Guarantees	Other	Total
On January 1	631	56	686
Provisions during the year	141	-30	111
Amount utilized during the year	-155	-27	-182
Reclassifications	-67	67	0
On December 31	549	66	616

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Restoration reserve	154	149		
Restructuring costs	59		18	
Other	438	502	20	66
Other provisions	651	651	38	66
Guarantee commitments	1,377	1,366	504	549
Total	2,028	2,017	543	616

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. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

RESTORATION RESERVE

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

OTHER

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

NOTE 31 PENSIONS

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

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

The Board of Directors of NCC Group Pension Foundation consists of an equal number of representatives for the NCC Group and employees covered by the ITP plan. The Board holds meetings four times per year and addresses the Foundation's quarterly accounts, investment strategy, reference portfolio and sensitivity analyses. Under certain conditions, the NCC Group can request compensation from the Foundation for pension payments. There are no minimum funding requirements for the IPT2 plan.

The risks associated with the Swedish pension plans are:

- Interest-rate risks; with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk; the debt will increase with higher salary increases.
- Volatility of assets; the portfolio largely contains equity funds, which can rise and fall sharply in the short term, but the long-term aim of the portfolio is to generate the best possible return.
- Useful life assumption; the longer the individuals covered by the plan live, the higher the commitment.

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

PENSION COST

GROUP	2015	2014
<i>Defined-benefit plans:</i>		
Current service cost	184	127
Interest expense	150	175
Estimated return on plan assets	-135	-175
Total cost of defined-benefit plans	199	127
Total cost of defined-contribution plans	572	597
Payroll taxes and yield tax	76	47
Total cost of post-employment remuneration	847	771

Current service cost is recognized in operating profit and the interest-rate component, together with the anticipated return on plan assets, is recognized in net financial items.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Swedish Financial reporting Board, UFR 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2015 fiscal year, NCC did not have access to the type of information required for reporting its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to report these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.62 percent (0.32).

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 percent. If Alecta's collective solvency rate falls below 125 percent or exceeds 155 percent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure can be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2015, Alecta's surplus in the form of its collective solvency rate was 153 percent (144).

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2015	2014
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	5,176	5,220
Fair value of plan assets	4,902	4,748
Net value of obligations funded in full or in part	274	472
Special payroll tax/employer contributions	64	112
Net amount in balance sheet (obligation +, asset -)	338	585
Net amount is recognized in the following balance-sheet items:		
Fixed assets		1
Provisions for pensions and similar obligations	338	583
Net amount in balance sheet (obligation +, asset -)	338	585

Note 31 Pensions, cont'd.

GROUP	2015	2014
Net amount is distributed among plans in the following countries:		
Sweden	327	572
Norway	11	12
Net amount in balance sheet (obligation +, asset -)	338	585

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS		
GROUP	2015	2014
Obligation for defined benefit plans on January 1	5,220	4,314
Benefits paid	-168	-154
Current service cost plus interest expense	334	303
Settlements	-114	-16
Actuarial gains and losses on changed demographic assumptions	37	31
Actuarial gains and losses on changed financial assumptions	-131	742
Exchange-rate differences	-2	
Obligation for defined benefit plans on December 31	5,176	5,220

Weighted average maturity for the plans is 27 years (27).

CHANGE IN PLAN ASSETS		
GROUP	2015	2014
Fair value of plan assets on January 1	4,748	4,380
Contribution by employer	3	6
Benefits paid		-8
Compensation	-102	-12
Estimated return	135	175
Actuarial gains and losses	118	207
Fair value of plan assets on December 31	4,902	4,748
The plan assets comprise:		
Swedish stock market, listed	730	724
International stock market, listed	1,153	1,209
Hedge funds, listed	684	559
Interest-bearing securities, listed	835	556
Interest-bearing securities, unlisted	1,500	1,700
Fair value of plan assets on December 31	4,902	4,748

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

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %		
GROUP	2015	2014
Discount interest rates, %	3.00	2.85
Future salary increases, %	3.0	3.0
Anticipated inflation, %	1.5	1.5
Useful life assumption at 65 years, years	22.4	20.8

SENSITIVITY ANALYSIS: PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2015

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	-7.9	9.0
Future salary increases, 0.5 percentage points change	3.7	-3.3
Anticipated inflation, 0.5 percentage points change	6.5	-5.9
Useful life assumption at 65 years, 1 year change	3.5	-3.5

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

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

The Group's estimates that SEK 45 M will be paid in 2016 to funded and unfunded defined-benefit plans.

PENSION COSTS		
PARENT COMPANY	2015	2014
<i>Proprietary pension payments</i>		
Proprietary costs, excluding interest expense	162	171
Interest expense	74	108
Cost of proprietary pension payments	236	279
<i>Pension payments through insurance</i>		
Insurance premiums	162	141
Subtotal	398	420
Special payroll tax on pension costs	65	67
Pension costs during the year	463	487

CAPITAL VALUE OF PENSION OBLIGATIONS		
PARENT COMPANY	2015	2014
Capital value of pension obligations pertaining to proprietary pension payments on January 1	3,176	3,025
Cost, excluding interest expense, charged against profit	162	171
Interest expense	74	108
Pension payments	-138	-128
Capital value of pension obligations pertaining to proprietary pension on December 31	3,274	3,176

FAIR VALUE OF ESPECIALLY DETACHED ASSETS		
PARENT COMPANY	2015	2014
Fair value of especially detached assets on January 1	4,147	3,807
Return on especially detached assets	213	340
Payment from pension foundations	-40	
Fair value of especially detached assets on December 31	4,320	4,147
<i>Fair value of especially detached assets distributed as:</i>		
Shares	1,561	1,551
Funds	567	448
Interest-bearing receivables	2,192	2,148
Fair value of especially detached assets on December 31	4,320	4,147

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 1,500 M (1,700) from NCC AB.

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

NET PENSION OBLIGATION		
PARENT COMPANY	2015	2014
Capital value of pension obligations pertaining to proprietary pension on December 31	3,274	3,176
Fair value of especially detached assets on December 31	4,320	4,147
Surplus on especially detached assets	1,048	973
Net recognized pension obligation	2	2

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS		
PARENT COMPANY	2015	2014
Discount interest rate on December 31	3.84	3.84

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

NOTE 32 OTHER LIABILITIES

GROUP	2015	2014
Other long-term liabilities		
Liabilities to associated companies	5	7
Derivative instruments held for hedging	43	98
Liabilities, property acquisitions	90	215
Other long-term liabilities	471	228
Total	609	548
Other current liabilities		
Advances from customers	2,490	2,603
Liabilities to associated companies	1	
Derivative instruments held for hedging	114	161
Liabilities, property acquisitions	320	545
Other current liabilities	1,188	1,472
Total	4,112	4,782

NOTE 33 WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2015	2014
Invoicing excluding withheld amount	21,178	19,664
Withheld amount	222	260
Total invoicing	21,400	19,924
Costs incurred excluding reserve for losses	-17,860	-18,428
Reserve for losses	94	153
Total costs incurred	-17,766	-18,275
Total work in progress on another party's account	3,634	1,649
Profit-recognized invoicing		
Invoicing during the year	21,816	20,158
Invoiced but not recognized as profit on January 1	19,924	19,380
Less: Invoiced but not recognized as profit on December 31	-21,400	-19,924
Total revenues	20,340	19,614

NOTE 34 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Payroll-related costs	2,175	2,165	918	910
Financial expense	15	22		
Prepaid rental revenues	8	11	1	1
Prepaid revenues from rental guarantees	67	94		
Project-related costs	1,352	1,213	159	218
Administrative costs	134	99		6
Operating and sales costs	262	221		
Other expenses	-2	127	13	74
Total	4,012	3,952	1,091	1,209

NOTE 35 LEASING

In Sweden, there are framework agreements for the financial leasing of cars and trucks, with some related administrative services. The agreements are based on variable interest rates. NCC recommends purchasers and has the opportunity to extend leasing agreements.

In Finland, Norway and Denmark, framework agreements have been concluded for the operational leasing of cars and trucks, including related 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.

Within NCC Roads and NCC Construction Norway, there are framework agreements for the operational leasing of production equipment. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

In 2006, a sale-leaseback agreement was signed 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. This lease was terminated in connection with the sale of Sonnengarten in December 2015.

GROUP	2015	2014
Financial lessee		
<i>Leasing contracts that expire:</i>		
Within one year	38	35
Later than one year but earlier than five years	294	263
<i>Future minimum leasing fees</i>		
Within one year	83	99
Later than one year but earlier than five years	252	202
<i>Present value of future minimum leasing fees</i>		
Within one year	82	98
Later than one year but earlier than five years	251	199
<i>Reconciliation of future leasing fees and their present value:</i>		
Future minimum leasing fees	335	301
Less interest charge	-2	-4
Present value of future minimum leasing fees	333	297
<i>Variable fees included in net profit for the year:</i>		
Interest on leased machinery and equipment	3	5
Total	3	5

OPERATING LEASES

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Operational lessor				
Future minimum leasing fees - lessor (leased premises)				
<i>Distributed by maturity period:</i>				
Within one year	23	26	12	11
Later than one year but earlier than five years	40	61	30	28
Later than five years	10	5		
Operational lessee				
Future minimum leasing fees - lessee				
<i>Leasing contracts that expire:</i>				
Within one year	310	369	123	115
Later than one year but earlier than five years	813	773	260	294
Later than five years	115	463		
The year's cost for operational leasing amounts to	745	751	115	114

NOTE 36 TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to the NCC Group are firstly the Nordstjernan Group, companies in the Axel Johnson Group, the FastPartner Group and associated companies and joint arrangements.

The Parent Company has a close relationship with its subsidiaries; refer to Note 17, Participations in Group companies. For information on NCC's senior executives, refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions pertaining to NCC Group's Pension Foundation, refer to Notes 31 and 39.

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

GROUP	2015	2014
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	446	371
Purchases from associated companies and joint arrangements	39	45
Dividend from associated companies	1	
Long-term receivables from associated companies and joint arrangements	223	94
Current receivables from associated companies and joint arrangements	34	78
Interest-bearing liabilities to associated companies and joint arrangements	110	125
Operating liabilities to associated companies and joint arrangements	9	12
Contingent liabilities to associated companies and joint arrangements	11	11
GROUP	2015	2014
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	52	10
Purchases from the Nordstjernan Group	800	688
Current receivables from the Nordstjernan Group	3	1
Operating liabilities to the Nordstjernan Group	64	70
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	6	6
Transactions with the FastPartner Group		
Purchases from the FastPartner Group	2	
Operating liabilities to the FastPartner Group	1	
PARENT COMPANY	2015	2014
Transactions with Group companies		
Sales to Group companies	1,910	2,065
Purchases from Group companies	1,044	920
Interest income from Group companies	20	79
Interest expense to Group companies	64	111
Dividend from Group companies	992	1,095
Long-term receivables from Group companies		10
Current receivables from Group companies	11,158	10,703
Interest-bearing liabilities to Group companies	5,452	3,296
Operating liabilities to Group companies	1,191	1,423
Contingent liabilities for Group companies	23,932	21,868
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	10	8
Purchases from associated companies and joint arrangements	20	24
Long-term receivables from associated companies and joint arrangements		184
Current receivables from associated companies and joint arrangements	3	4

Note 36 Transactions with related companies, cont'd.

PARENT COMPANY	2015	2014
Operating liabilities to associated companies and joint arrangements	2	4
Contingent liabilities to associated companies and joint arrangements	60	54
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	51	8
Purchases from the Nordstjernan Group	475	467
Current receivables from the Nordstjernan Group	3	1
Operating liabilities to the Nordstjernan Group	43	59
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	2	3
Transactions with the FastPartner Group		
Purchases from the FastPartner Group	2	

NOTE 37 PLEDGED ASSETS, CONTINGENT LIABILITIES AND GUARANTEE OBLIGATIONS

	GROUP		PARENT COMPANY	
	2015	2014	2015	2014
Assets pledged				
<i>For own liabilities:</i>				
Property mortgages	859	1,112		
Assets subject to liens, etc.	333	298		
Restricted bank funds	10	43		
Total	1,201	1,452	0	0
Other pledged assets:				
Other	55	58		
Total	55	58	0	0
Total assets pledged	1,257	1,510	0	0
Contingent liabilities				
<i>Own contingent liabilities:</i>				
Guarantees on behalf of Group companies			23,992	21,922
Deposits and concession fees	718	1,839	718	1,839
Other guarantees and contingent liabilities	71	69	71	69
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, trading companies and limited partnerships	42	129	2	2
Total guarantees and guarantee obligations	831	2,037	24,784	23,833

ASSETS SUBJECT TO LIENS

Pertains to leased equipment in the form of vehicles and trucks.

GUARANTEES ON BEHALF OF GROUP COMPANIES

Sureties on behalf of Group companies have mainly been issued as collateral for:

- utilized guarantee limits with banks and insurance companies,
- NCC Treasury AB's borrowing,
- construction period financing for tenant-owner associations formed by NCC and
- fulfilment 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 are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

NOTE 38 CASH FLOW STATEMENT

CASH AND CASH EQUIVALENTS		
GROUP	2015	2014
Cash and bank balances	2,771	2,591
Short-term investments	1,406	
Total according to balance sheet and cash flow statement	4,177	2,592
PARENT COMPANY		
GROUP	2015	2014
Cash and bank balances ¹⁾	8,817	1,938
Short-term investments		6,400
Total according to cash flow statement	8,817	8,337

1) Cash and bank balances of the Parent Company includes the Parent Company's share of funds on group accounts held by NCC Treasury AB.

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 AND NON-CONTROLLING INTERESTS

According to the acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	2015	2014
Goodwill		16
Intangible fixed assets		15
Tangible fixed assets		2
Inventories		1
Accounts receivable and other current receivables		5
Cash and cash equivalents		9
Long-term liabilities		-1
Accounts payable and other current liabilities		-7
Deferred tax liability		-4
Purchase considerations	0	36
Acquired cash and cash equivalents		-9
Impact on the Group's cash and cash equivalents	0	27

There were no acquisitions during the year.

ACQUISITION OF FIXED ASSET

Group

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 919 M (820), of which SEK 0 M (0) was financed through loans.

Acquisition of subsidiaries and non-controlling interests totalled SEK 0 M (27), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 0 M (0), of which SEK 0 M (0) had no effect on cash flow.

Parent Company

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 151 M (155), 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 PAYMENTS

Group

Interest received during the year amounted to SEK 35 M (44). Interest paid during the year amounted to SEK 414 M (371).

Parent Company

Interest received during the year amounted to SEK 24 M (84). Interest paid during the year amounted to SEK 181 M (286).

Note 38 Cash flow statement, cont'd.

CASH FLOW DERIVED FROM PARTICIPATIONS IN JOINT VENTURES

GROUP	2015	2014
Operating activities	83	66
Change in working capital	-42	-51
Investing activities	-1	21
Financing activities	-72	-54
Total cash flow	-32	-18

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	2015	2014
Restricted bank funds	8	43
Cash and cash equivalents in joint ventures	57	93
Total cash and cash equivalents unavailable for use	65	136

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	2015	2014
Acquisition of assets through financial leasing	165	131

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 defined as refinancing, liquidity, interest-rate, exchange-rate, credit, counterparty risks and guarantee capacity risks. NCC's finance policy for managing financial risks has been decided by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

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

CONTRACTUAL CONDITIONS

NCC is subject to a covenant in the form of the debt/equity ratio that is associated with the syndicated credit facility of EUR 400 M that was concluded with a group of banks and has a remaining term to maturity of five years. Towards the end of the preceding year, NCC exercised one of the two-year extension options. NCC satisfies the financial covenants.

REFINANCING RISK

The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in 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 company's debt portfolio has a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturity periods must be well-diversified over time. 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 31 months (34) in respect of the company's debt portfolio.¹⁾ Financing of SEK 3,268 M (2,271) pertaining to construction by Finnish housing companies and Swedish tenant-owners' associations is linked to each particular housing development project and capital was tied up for 18 (22) months, in financing reflects this relationship. At December 31, capital tied up in total interest-bearing liabilities excluding pension debt, according to IAS 19, was SEK 9,041 M (9,483) and was tied up for 26 months (31).

1) NCC's borrowing portfolio: Interest-bearing liabilities excluding the Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as excluding the pension debt according to IAS 19.

Note 39 Financial instruments and financial risk management, cont'd.

MATURITY STRUCTURE, TIED-UP CAPITAL, 2015¹⁾

Matures	INTEREST-BEARING LIABILITIES	
	Amount	Proportion, %
2016	3,154	35
2017	2,604	29
2018	1,001	11
2019	633	7
2020 ²⁾	1,524	17
2021	6	0
2022–	119	1
Total	9,041	100

1) Excluding pension debt according to IAS 19.

2) Of which, reloaning from the NCC Group's pension foundation accounted for SEK 1,500 M.

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

MARKET FINANCING PROGRAMS

	Limit	Utilized norm SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden ¹⁾	SEK 5,000 M	3,200
Total		3,200

1) Of which a nominal amount of SEK 2,450 M listed on Nasdaq Stockholm.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)¹⁾

	2015						2014					
	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
Reloaning from the NCC Group's Pension Foundation	1,669		30	71	1,568		1,904		41	82	1,781	
Interest-bearing liabilities	4,068	15	1,732	1,688	628	5	5,501	77	1,228	2,732	1,450	14
Interest-bearing liabilities in Finnish housing companies and Swedish housing companies ²⁾	3,329	10	1,027	2,159	4	129	2,343	96	1,176	832	8	231
Financial lease liabilities	339	1	118	186	34		308	1	108	165	34	
Interest-rate swaps	71	6	33	30	2		116	6	36	63	11	
Oil derivatives	54		32	21	1							
Electricity derivatives	10	1	6	3								
Accounts payable	4,694	4,694					3,960	3,960				
Total	14,234	4,727	2,978	4,158	2,237	134	14,132	4,140	2,589	3,874	3,284	245

1) Excluding pension debt according to IAS 19.

2) The due date for interest-bearing liabilities in unsold completed housing units in Finnish housing companies is defined as the due date for the long-term loan agreements. The loans are transferred to Finnish housing companies in connection with the sale of housing units.

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

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)

	2015						2014					
	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
Currency forward contracts and cross-currency swaps												
- outflow	-9,366	-8,564	-491	-311			-11,420	-6,378	-4,451	-379	-212	
- inflow	9,715	8,725	533	457			11,518	6,395	4,432	407	284	
Net flow from gross settled derivatives	349	161	42	146			98	17	-19	28	72	

INTEREST-RATE RISKS

The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. 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 borrowing portfolio¹⁾ when exposure is reduced by the maturity for cash and cash equivalents²⁾ 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

Of NCC's total interest-bearing liability, excluding pension debt according to IAS 19, investor-related loans accounted for 35 percent (46).

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, NCC's finance 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. At the end of the year, the volume of unutilized committed lines of credit amounted to SEK 4,670 M (4,774), with a remaining average maturity of 4.1 years (4.4). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 4,367 M (2,833). Access to funds on December 31 corresponded to 14 percent (13) of sales.

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

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 statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest-rate swaps.

The average interest rate maturity of the corporate borrowing portfolio¹⁾ reduced by interest-rate exposure associated with cash and cash equivalents²⁾ was 10 months (13), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents²⁾ amounted to SEK 4,277 M (2,740) and the average interest-rate maturity for these assets was 1 month (2).

Note 39 Financial instruments and financial risk management, cont'd.

At the end of 2015, NCC's interest-bearing gross debt excluding pension debt according to IAS 19 amounted to SEK 9,041 M (9,483) and the average interest-rate maturity was 7 months (11). Excluding loans in Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as the pension debt according to IAS 19, the gross liability amounted to SEK 5,773 M (7,213) and the average interest-rate maturity was 11 months (13), including interest-rate swaps linked to the borrowing portfolio.

On December 31, 2015, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 1,770 M (1,771). Other interest-rate swaps, intended for the hedging of the interest-rate risk in a leasing contract, were terminated during 2015 and had a nominal value of SEK 0 M (332). On December 31, 2015, the interest-rate swaps (linked to the borrowing portfolio) had a negative fair value of SEK 63 M (neg: 77) net, comprising assets of SEK 0 M (0) and liabilities of SEK 63 M (77). The other interest-rate swaps had a negative fair value of SEK 0 M (neg: 33) net, comprising liabilities of SEK 0 M (33). The interest-rate swaps linked to the borrowing portfolio have expiration dates ranging from 0.4 (1.4) to 4.0 (5.0) years. The other interest-rate swaps have expiration dates of 0 (2.5) years. An increase in interest rates by one percentage point would result in a negative change of SEK 5 M (neg: 14) in net profit for the year, assuming the interest-bearing assets and liabilities that existed on the balance-sheet date, excluding the pension debt according to IAS 19. An increase in interest rates by one percentage point would result in a positive change of SEK 4 M (6) in net profit for the year, as well as a positive change of SEK 14 M (31) in other comprehensive income resulting from a change in fair value of the Group's interest-rate swaps.

1) NCC's borrowing portfolio: Interest-bearing liabilities excluding the Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as excluding the pension debt according to IAS 19, including interest-rate swaps linked to the borrowing portfolio.

2) Cash and cash equivalents and short-term investments excluding cash and cash equivalents in Swedish tenant-owners' associations.

MATURITY STRUCTURE, INTEREST TERM 2015¹⁾

Matures	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS	
	Amount	Proportion, %
2016	7,772	86
2017	550	6
2018	551	6
2019	120	1
2020		
2021	48	1
2022–		
Total	9,041	100

1) Excluding pension debt according to IAS 19.

EXCHANGE-RATE RISKS

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

Transaction exposure

In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known. Contractual and probable forecast flows are hedged, mainly by using currency forward contracts. Contractual net exposure in each currency is hedged at a rate of 100 percent. Forecast net exposure is hedged successively over time, which entails that the quarters that are closest in time are hedged to a greater extent than the following quarters. Accordingly, each quarter is hedged on several occasions and is covered by several hedged contracts that have been entered into at different times. The target is to hedge 90 percent of the forecast for the current quarter and 70 percent of the forecast for the following quarter, followed by 50, 30 and 10 percent, respectively, in the following quarters. In the financial statements, hedge accounting is applied when the requirements for hedge accounting are fulfilled.

The following table shows the Group's net outflows of various currencies, and the hedged portion, during the year.

COUNTER-VALUE IN SEK M

Currency	2015			2014		
	Net out-flow	Of which, hedged	Hedged portion, %	Net out-flow	Of which, hedged	Hedged portion, %
EUR	925	681	74	910	742	82
Other	158	70	44	166	46	28
Total	1,083	751	69	1,076	788	73

The forward contracts used to hedge contractual and forecast transactions are classified as cash flow hedges. During 2015, no cash-flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

The following table shows forecast currency flows during 2016 through the first quarter of 2017, the outstanding hedge position at year-end and the hedged portion.

COUNTER-VALUE IN SEK M

Currency	Q1 2016			Q2 2016			Q3 2016		
	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	181	163	90	182	128	70	190	95	50
Target value %			90			70			50

COUNTER-VALUE IN SEK M

Currency	Q4 2016			Q1 2017			TOTAL		
	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	163	49	30	141	14	10	858	449	52
Target value %			30			10			

The outstanding hedge position (nominal volume) at year-end in terms of contractual net currency flows had a value of SEK 25 M (14), of which SEK 23 M (13) will fall due within three months. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to a negative SEK 4 M (pos: 11). Of this amount, assets of SEK 3 M (15) and liabilities of SEK 7 M (4) have been recognized in the balance sheet. Should the SEK depreciate 5 percent in relation to the EUR, assuming the same volume, as well the same hedge proportion as the outcome for the year, the result would be a negative change of SEK 9 M (neg: 6) in net profit for the year, due to losses arising when translating accounts payable in EUR.

According to NCC's Finance Policy, the Group's assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs primarily through the central treasury unit and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while external financing largely occurs in SEK and EUR. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets.

The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying capital amounts.

INTEREST-BEARING LIABILITIES 2015 ¹⁾

Counter-value in SEK M	Amount	Proportion, %
EUR	1,172	13
NOK	408	5
SEK	7,460	82
Total	9,041	100

1) Excluding pension debt according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES¹⁾ 2015

Counter-value in SEK M	
Sell DKK	-55
Sell EUR	-2,364
Sell NOK	-2,568
Sell RUB	-772
Net	-5,759

1) Currency swaps and cross-currency swaps

Note 39 Financial instruments and financial risk management, cont'd.

Translation exposure

The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged. Exceptions are made for development operations such as NCC Property Development and NCC Housing. In those cases where hedging occurs, not more than 90 percent of foreign net assets may be hedged, without taking the tax effect into account. The President and CEO may decide on the hedging of foreign net assets in selected companies in excess of the above guidelines.

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, was SEK 2,031 M (1,828), of which SEK 550 M (569) for loans and SEK 1,481 M (1,260) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate gain of SEK 76 M (loss: 85) before tax has been recognized in other comprehensive income. For more information on hedge accounting, refer to Note 1 Accounting policies, Hedging of net investments. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. At December 31, 2015, unhedged translation exposure resulting from a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 95 M (108) in shareholders' equity and a change of SEK 0 M (0) in net profit for the year.

The table below shows the Group's net investments in NCC Property Development and NCC Housing, and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

Currency	2015					2014				
	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %
DKK	658	526	80	410	62	567	481	85	375	66
EUR	1,469	1,193	81	930	63	1,322	1,123	85	876	66
NOK	261	263	101	205	79	233	200	86	156	67
RUB	118	49	41	38	32	23	24	107	19	83
Total	2,506	2,031	81	1,584	63	2,145	1,828	85	1,426	67

PRICE RISKS

Price risks associated with bitumen

Since a large part of NCC Roads' sales of paving contracts is effected at indexed prices, NCC Roads is not subject to any risk in the event of a change in the price of bitumen. However, there are cases of fixed price contracts that are not indexed, whereby NCC Roads is exposed to a risk should the price of bitumen change. NCC Roads' policy is to hedge bitumen in larger contracts if the work is to be performed later than two months from the ordering date.

The following table shows the Group's purchases of bitumen, and the hedged portion, during the year.

Tons	2015		
	Total purchases	Of which, hedged	Hedged portion, %
Bitumen	301,691	43,673	14.5%

The outstanding hedge position at year-end in terms of contractual volumes of bitumen amounted to SEK 124 M, of which 0 will fall due within three months, SEK 20 M will fall due in three-six months, SEK 31 M will fall due in six-nine months, SEK 5 M will fall due in nine-12 months and SEK 68 M will fall due after one year.

The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed prices are recognized in other comprehensive income. The forward contracts used to hedge contractual purchases of bitumen are classified as cash flow hedges.

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was a negative SEK 54 M. Of this amount, assets of SEK 0 M and liabilities of SEK 54 M have been recognized in the balance sheet.

A 10-percent increase in the price of bitumen at December 31, 2015 would give rise to a change of SEK 7 M in shareholders' equity and a change of SEK 0 M in profit. The sensitivity analysis assumes that all other factors remain unchanged.

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to level off price variations occurring in the electricity market. NCC progressively hedges the price for up to three years and is building up the volume of electricity contracts at the particular delivery date.

The outstanding volume of electricity derivatives amounted to SEK 38 M, of which SEK 3 M will fall due within three months, SEK 18 M will fall due in three-six months and SEK 17 M will fall due after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was a negative SEK 10 M. Of this amount, assets of SEK 0 M and liabilities of SEK 10 M have been recognized in the balance sheet.

CREDIT RISKS

Credit and counterparty risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and characterized by caution. Transactions are only entered into with credit-worthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations.

ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 542 M (493) at the end of 2015. The net receivable per counterparty is calculated in accordance with the market valuation method (FFFS 2007:1). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 4,367 M (2,833).

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.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2015		2014	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	5,960		6,128	
Past-due accounts receivable 1-30 days	565		598	
Past-due accounts receivable 31-60 days	112	2	83	
Past-due accounts receivable 61-180 days	155	2	132	14
Past-due accounts receivable > 180 days	706	306	584	203
Total	7,498	180	7,525	217

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

PROVISION FOR DOUBTFUL RECEIVABLES

	2015	2014
On January 1	217	180
Provision for the year	63	101
Reversal of previously posted impairment losses	-96	-66
Translation differences	-4	3
On December 31	180	217

Note 39 Financial instruments and financial risk management, cont'd.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The measurement to fair value of currency-forward contracts, cross currency swaps, oil forward contracts and electricity forward contracts is based on published forward rates in an active market. The measurement of interest-rate swaps is based on forward interest rates prepared based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP, 2015	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				104	43			147	149
Long-term receivables	182		329					511	511
Accounts receivable			7,083					7,083	7,083
Prepaid expenses and accrued income			4					4	4
Other receivables	237	42	280					558	558
Short-term investments	119			71				190	191
Cash and cash equivalents			4,177					4,177	4,177
Total assets	538	42	11,872	176	43			12,670	12,673
Long-term interest-bearing liabilities ²⁾							5,887	5,887	5,917
Other long-term liabilities		34				9	566	609	609
Provisions for pensions and similar obligations							338	338	338
Current interest-bearing liabilities							3,154	3,154	3,165
Accounts payable							4,694	4,694	4,694
Accrued expenses and deferred income							15	15	15
Other current liabilities		89				25	379	493	493
Total liabilities		123				34	15,033	15,190	15,231
GROUP, 2014	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				115	40			156	160
Long-term receivables	223		127					350	350
Accounts receivable			7,178					7,178	7,178
Prepaid expenses and accrued income			2					2	2
Other receivables	194	27	324					545	545
Short-term investments	115			127				242	243
Cash and cash equivalents			2,592					2,592	2,592
Total assets	532	27	10,223	242	40			11,065	11,070
Long-term interest-bearing liabilities ²⁾							6,957	6,957	7,059
Other long-term liabilities		86				12	450	548	548
Provisions for pensions and similar obligations							585	585	585
Current interest-bearing liabilities							2,526	2,526	2,531
Accounts payable							3,960	3,960	3,960
Accrued expenses and deferred income							22	22	22
Other current liabilities		55				106	546	707	707
Total liabilities		141				118	15,046	15,305	15,412

1) Held for resale.

2) Reloading of SEK 1,500 M (1,700) from NCC's Pension Foundation is included.

Note 39 Financial instruments and financial risk management, cont'd.

PARENT COMPANY, 2015	Derivatives used in hedge accounting	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Receivables from associated companies					0	0
Other long-term holdings of securities			5		5	5
Other long-term receivables		15			15	15
Accounts receivable		2,631			2,631	2,631
Current receivables from Group companies		2,344			2,344	2,344
Current receivables from associated companies		3			3	3
Other current receivables		73			73	73
Short-term investments		0			0	0
Cash and bank balances		8,817			8,817	8,817
Total assets		13,883	5		13,887	13,888
Long-term liabilities to credit institutions ¹⁾				1,500	1,500	1,500
Long-term liabilities to Group companies				1,054	1,054	1,054
Other long-term liabilities				19	19	19
Accounts payable				1,784	1,784	1,784
Current liabilities to Group companies				5,591	5,591	5,591
Current liabilities to associated companies				2	2	2
Other current liabilities				25	25	25
Total liabilities				9,975	9,975	9,975

PARENT COMPANY, 2014	Derivatives used in hedge accounting	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Receivables from associated companies		184			184	184
Other long-term holdings of securities			5		5	5
Other long-term receivables		20			20	20
Accounts receivable		2,792			2,792	2,792
Current receivables from Group companies	4	2,369			2,373	2,373
Current receivables from associated companies		4			4	4
Other current receivables		116			116	116
Short-term investments		6,400			6,400	6,400
Cash and bank balances		1,938			1,938	1,938
Total assets	4	13,823	5		13,832	13,832
Long-term liabilities to credit institutions ¹⁾				1,700	1,700	1,700
Long-term liabilities to Group companies				1,061	1,061	1,061
Other long-term liabilities				29	29	29
Accounts payable				2,092	2,092	2,092
Current liabilities to Group companies	31			3,648	3,678	3,678
Current liabilities to associated companies				4	4	4
Other current liabilities				0	0	0
Total liabilities	31			8,534	8,564	8,564

1) Reloaning of SEK 1,500 M (1,700) from NCC's Pension Foundation is included.

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

In the tables below, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognized at fair value in NCC's balance sheet. When determining fair value, assets have been divided into the following three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

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

Note 39 Financial instruments and financial risk management, cont'd.

GROUP	2015			2014		
	Level 1	Level 2*	Total	Level 1	Level 2*	Total
<i>Financial assets measured at fair value</i>						
Financial assets measured at fair value through profit or loss						
– Derivative instruments held for trading		419	419	417		417
– Securities held for trading	119		119	115		115
Derivative instruments used for hedging purposes		42	42	27		27
Available-for-sale financial assets		43	43	40		40
<i>Financial assets not recognized at fair value</i>						
Investments held to maturity	178		178	247		247
Total assets	297	504	801	362	484	846
<i>Financial liabilities measured at fair value</i>						
Financial liabilities measured at fair value through profit and loss						
– Derivative instruments held for trading		34	34	118		118
Derivative instruments used for hedging purposes		123	123	141		141
<i>Financial liabilities not recognized at fair value</i>						
Other liabilities (interest-bearing liabilities)	2,471	6,611	9,082	3,015	6,575	9,590
Total liabilities	2,471	6,768	9,239	3,015	6,834	9,849

PARENT COMPANY	2015			2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<i>Financial assets measured at fair value</i>						
Derivative instruments used for hedging purposes					4	4
Total assets	0	0	0		4	4
<i>Financial liabilities measured at fair value</i>						
Derivative instruments used for hedging purposes					31	31
Total liabilities	0	0	0		31	31

*Trading with cross-country swaps and currency forward contracts in ruble is deemed to occur in an active market and will therefore remain in Level 2. On December 31, 2015, NCC had cross-currency swaps and currency forward contracts linked to the ruble with a negative nominal value of SEK 821 M (neg: 829). On the same date, the fair value of the cross-currency swaps and the currency forward contracts was a positive SEK 312 M (pos: 334).

OFFSETTING FINANCIAL INSTRUMENTS

NCC has binding netting arrangements (ISDA agreements) with all counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting.

GROUP	2015		2014	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount ¹⁾	461	157	444	259
Amount included in the netting agreement	–138	–138	–179	–179
Net amount after netting agreement	323	19	265	80

1) The recognized gross amount of financial assets includes SEK 182 M (223) for derivatives measured at fair value through profit or loss in long-term receivables, SEK 237 M (194) in other receivables and SEK 42 M (27) in derivatives used in hedge accounting for other receivables.

The recognized gross amount of financial liabilities includes SEK 9 M (12) for derivatives measured at fair value through profit or loss, SEK 25 M (106) for other current liabilities, SEK 34 M (86) for derivatives used in hedge accounting for other long-term liabilities and SEK 89 M (55) in other current liabilities.

The Parent Company's derivatives pertain to holding in the Group's internal bank, NCC Treasury AB, that is offsettable.

PARENT COMPANY	2015		2014	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount			4	31
Amounts possible for offsetting			–4	–4
Net amount	0	0	0	27

NOTE 40 INFORMATION ABOUT THE PARENT COMPANY

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

The address of the head office is NCC AB, Vallgatan 3, SE-170 170 Solna, Sweden

The consolidated financial statements for 2015 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 financial statements. Nordstjernan AB accounts for 20.1 percent of the share capital and 64.2 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 41 EVENTS AFTER BALANCE SHEET DATE

In connection with publication of the 2015 year-end report on January 28, 2016, the Board presented its motion to spin off and list NCC Housing as an independent housing development company. For further information, refer to the Report of the Board of Directors, p. 44 and the section "Spinoff of NCC Housing", pp. 4-5.

NCC has a new organization and a new Executive Management Team effective January 1, 2016. For information, refer to the Report of the Board of Directors, p. 44.

Appropriations of profits

The Board of Directors proposes that the available funds	6,996,238,481
be appropriated as follows:	
Ordinary dividend to shareholders of SEK 3.00 per share ¹⁾	323,603,304
Spinoff of all of the shares in the wholly owned subsidiary NCC Housing, including underlying subsidiaries ²⁾	5,002,850,000
To be carried forward	1,669,785,177
Total, SEK	6,996,238,481

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 16, 2016.

2) The carrying amount in the Parent Company of NCC Housing at December 31, 2015 is stated in the appropriation of profits.

The Board of Directors and the CEO hereby give their assurance that the Annual Report and the consolidated financial statements 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 and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial

positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 16, 2016. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on April 12, 2016 for adoption.

Solna, March 16, 2016

Tomas Billing
Chairman of the Board

Viveca Ax:son Johnson
Board member

Carina Edblad
Board member

Olof Johansson
Board member

Sven-Olof Johansson
Board member

Ulla Litzén
Board member

Christoph Vitzthum
Board member

Karl-Johan Andersson
Board member
Employee representative

Lars Bergqvist
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Peter Wågström
President and CEO

Our audit report was submitted on March 16, 2016

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of NCC AB,
Corp. Reg. No. 556034-5174

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2015, with the exception of the Corporate Governance Report on pp. 102–107. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 44–96.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board and the CEO are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not pertain to the Corporate

Governance Report on pp. 102–107. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Other disclosures

The audit of the 2014 Annual Report was performed by another auditor who submitted an audit report on February 27, 2015 with an unmodified opinion on the Report on the annual accounts and consolidated accounts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of NCC AB for the 2015 fiscal year. We have also performed a statutory review of the Corporate Governance Report.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board and the CEO are responsible for administration under the Companies Act, as well as for ensuring that the Corporate Governance Report on pp. 102–107 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

We have also read the Corporate Governance Report and, based on this reading and our knowledge of the company and the Group, we believe that we have sufficient grounds for our opinions. This means that our statutory review of the Corporate Governance Report has a different orientation and a significantly more limited scope than the orientation and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

A Corporate Governance Report has been prepared and its statutory content is consistent with the other components of the annual accounts and the consolidated accounts.

Stockholm, March 16, 2016

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015
Net sales	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823	56,867	62,495
Production costs	-50,729	-52,572	-52,005	-46,544	-50,263	-44,487	-47,721	-51,724	-51,731	-52,027	-51,176	-56,009
Gross profit	5,147	5,825	5,460	5,273	5,742	4,933	4,814	5,503	5,495	5,796	5,691	6,486
Selling and administrative expenses	-2,795	-3,059	-3,197	-3,035	-3,035	-2,682	-2,774	-2,978	-2,988	-3,130	-3,117	-3,405
Result from property management	-5											
Result from sales of managed properties	9											
Result from sales of owner-occupied properties	22	19	15	10	10	2	7	3	3	6	20	7
Impairment losses on fixed assets	-22	-245	-76	-7	-7	-2	-38	-2	-2	7		-40
Result from sales of Group companies	7	415	8	5	5		3	6	6		3	
Competition-infringement fee		-175		-95	-95							
Result from participations in associated companies	29	11	9	-1	-1	4	5	5	5	1	8	-9
Operating profit	2,392	2,790	2,219	2,150	2,619	2,254	2,017	2,537	2,519	2,679	2,604	3,039
Financial income	116	131	615	70	78	99	76	74	74	75	46	50
Financial expense	-245	-313	-449	-526	-592	-345	-284	-348	-315	-354	-416	-433
Net financial items	-129	-182	166	-456	-514	-246	-208	-274	-241	-279	-370	-383
Income after financial items	2,263	2,608	2,385	1,694	2,105	2,008	1,808	2,263	2,277	2,400	2,234	2,656
Tax on profit for the period	-555	-357	-565	-432	-449	-481	-496	-364	-367	-411	-396	-536
Profit for the period	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989	1,838	2,120
Attributable to:												
NCC's shareholders	1,706	2,247	1,809	1,261	1,654	1,524	1,310	1,894	1,905	1,986	1,835	2,113
Non-controlling interests	1	4	11	1	1	4	2	5	5	3	3	6
Profit for the period	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989	1,838	2,120

2006: A boom in the Nordic region gave rise to high activity, resulting in rising sales and earnings. Sales of housing, above all else, contributed to the healthy earnings, as did contracting operations, which showed increased profitability. Costs of SEK 186 M for the NCC Complete development project were charged against earnings.

2007: The economic boom in combination with strong earnings from property development operations contributed to the highest earnings in NCC's history and all of the financial objectives were achieved. Costs of SEK 645 M for the NCC Complete development project were charged against earnings, as was a competition-infringement fee of SEK 175 M. Operating profit included SEK 383 M from the sale of the Polish asphalt and aggregates operations.

2008: NCC reported historically high earnings and all of the financial objectives were achieved. This was also the year that the housing market came to an abrupt halt and a recession started, which was compounded by a global financial crisis. Impairment losses and restructuring costs totaling SEK 741 M were charged against earnings. The divestment of NCC's share in the Polish concession company AWSA contributed SEK 493 M to earnings.

2009: The year was characterized by recession and reduced demand in the Nordic construction market. While volumes declined, margins remained healthy. Although sales of housing units were favorable, they were impacted by price discounts. Earnings were charged with SEK 192 M for impairment losses on land and unsold housing units.

2010: The economic recovery had a favorable impact on the year's earnings. The lower volume was due mainly to fewer completed and handed over projects in NCC Housing and NCC Property Development, a reduction in orders received by the Construction units in 2009 and a cold winter, which resulted in delays and lower activity.

2011: The market trend was positive in 2011 and demand was favorable in the building, civil engineering and housing operations. Favorable earnings were reported, primarily as a result of more completed and handed over projects in NCC Housing and high volumes in NCC Roads thanks to a long season. SEK 172 M was charged against profit for impairment losses on goodwill in Finland and land in Denmark and Latvia.

2012: Operating profit was high, with the development business accounting for 45 percent thanks to more completed and handed over projects, which contributed to the strong cash flow. During the year, construction and civil-engineering operations reported higher sales and earnings than in the preceding year.

2013: The construction market strengthened slightly during the second half of 2013 and operating profit for the year improved thanks to more completed and handed over projects in NCC Property Development. The Norwegian operation reported weaker earnings due to impairment losses on projects.

2014: Operating profit was strong but not as high as in 2013. Continued favorable housing sales in NCC Housing, higher earnings in all Construction units and NCC Roads were offset by weaker profit for NCC Property Development. However, activity was lower in our commercial property development operations, particularly compared with 2013, which was somewhat of a record year with several major completed projects.

2015: A strong end to the year enabled NCC to report its best ever full-year earnings. Housing sales in NCC Housing remained favorable and property projects were recognized in NCC Property Development's profit, at the same time as the trend for NCC Construction Denmark and NCC Construction Finland was positive. The Norwegian operation reported weaker earnings due to impairment losses on projects and NCC Roads noted reduced earnings from its stone materials operations. Net profit for the year was adversely impacted by costs for the cartel case in Norway and costs for

REVISED ACCOUNTING POLICIES – IFRIC 15. COMPARATIVE FIGURES FOR 2009 HAVE BEEN RECALCULATED.

In the Annual Report, comparative figures for 2009 have been recalculated due to the application of IFRIC 15, Agreements for the Construction of Real Estate, as of January 1, 2010. This applies for all tables and figures pertaining to 2009, unless otherwise stated. In brief, the change entails that revenues and earnings from the sale of property and housing projects are normally not to be recognized until the property or the home has been sold, completed and handed over to the customer. This usually results in recognition of a sale being delayed compared with the past. Application of IFRIC 15 also affects assets and liabilities. Among other consequences, tenant owner associations and Finnish housing companies, are recognized, in contrast to the past, in NCC's balance sheet. This primarily increases interest-bearing liabilities but also has an impact on NCC's other key figures.

AMENDED ACCOUNTING POLICY – IAS 19 COMPARATIVE FIGURES FOR 2012 HAVE BEEN RECALCULATED.

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

BALANCE SHEET, SEK M	2006	2007	2008	IFRIC 15 2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015
ASSETS													
<i>Fixed assets</i>													
Goodwill	1,700	1,651	1,772	1,772	1,750	1,750	1,613	1,607	1,827	1,827	1,802	1,865	1,792
Other intangible assets	113	96	122	122	120	120	115	167	204	204	267	389	439
Managed properties	65	21	12	12									
Owner-occupied properties	796	640	682	682	647	647	576	596	662	662	704	774	826
Machinery and equipment	1,940	1,774	1,975	1,975	1,910	1,910	1,816	2,209	2,395	2,395	2,502	2,487	2,417
Participations in associated companies	47	25	10	10	9	9	7	8	9	9	9	52	54
Other long-term holdings of securities	242	250	227	227	203	203	182	173	158	158	131	156	147
Long-term receivables	2,739	1,968	1,338	1,366	1,378	1,397	1,431	1,750	1,859	615	496	671	761
Total fixed assets	7,642	6,424	6,139	6,166	6,016	6,035	5,739	6,511	7,114	5,870	5,910	6,395	6,435
<i>Current assets</i>													
Property projects	1,955	2,145	3,439	4,018	2,835	2,835	2,931	4,475	5,321	5,321	5,251	5,059	4,430
Housing projects	5,979	8,553	11,377	15,060	8,363	10,137	8,745	9,860	11,738	11,738	12,625	13,246	12,288
Materials and inventories	443	474	624	624	514	514	537	557	655	655	673	746	696
Accounts receivable	7,934	8,323	7,820	7,794	6,355	6,340	6,481	7,265	7,725	7,725	7,377	7,178	7,083
Worked-up, non-invoiced revenues	2,840	2,956	1,854	841	1,459	777	804	910	782	782	918	1,066	1,400
Prepaid expenses and accrued income	852	1,048	1,169	1,119	844	982	988	1,114	1,544	1,544	1,325	1,415	1,262
Other receivables	1,532	1,979	1,778	1,602	1,472	1,747	1,425	1,151	1,277	1,277	1,024	1,048	1,441
Short-term investments	173	483	215	215	286	286	741	285	168	168	143	242	190
Cash and cash equivalents	1,253	1,685	1,832	1,919	1,831	2,317	2,713	796	2,634	2,634	3,548	2,592	4,177
Total current assets	22,961	27,645	30,108	33,193	23,959	25,935	25,366	26,414	31,844	31,844	32,883	32,592	32,967
TOTAL ASSETS	30,603	34,069	36,247	39,359	29,976	31,970	31,104	32,924	38,958	37,713	38,793	38,987	39,402
SHAREHOLDERS' EQUITY													
Shareholders' equity	6,796	7,207	6,840	6,243	7,667	7,470	8,111	8,286	8,974	7,634	8,658	8,847	9,691
Non-controlling interests	75	30	25	25	18	18	21	11	15	15	17	20	23
Total shareholders' equity	6,870	7,237	6,865	6,268	7,685	7,488	8,132	8,297	8,988	7,649	8,675	8,867	9,714
LIABILITIES													
<i>Long-term liabilities</i>													
Long-term interest-bearing liabilities	2,023	1,590	2,620	2,721	2,941	2,972	2,712	3,850	7,102	7,102	7,029	6,957	5,887
Other long-term liabilities	561	816	837	837	558	558	921	643	841	841	299	548	609
Deferred tax liabilities	461	431	492	436	710	641	439	669	725	436	414	268	322
Provisions for pensions and similar obligations	119	112	42	42	18	18	1	6	9	393	125	585	338
Other provisions	2,157	2,729	3,190	3,029	3,023	2,932	2,722	2,619	2,435	2,435	2,070	2,017	1,970
Total long-term liabilities	5,321	5,678	7,180	7,065	7,250	7,121	6,796	7,788	11,113	11,208	9,937	10,376	9,126
<i>Current liabilities</i>													
Current interest-bearing liabilities	552	1,701	2,929	7,036	391	1,739	1,546	1,585	2,141	2,141	2,515	2,526	3,154
Accounts payable	4,874	4,974	4,356	4,356	3,545	3,536	3,414	4,131	4,659	4,659	4,096	3,960	4,694
Tax liabilities	170	101	140	140	38	38	449	60	122	122	58	117	287
Invoiced revenues, not worked up	4,823	4,971	5,300	4,784	4,516	4,250	4,092	4,176	4,241	4,241	4,264	4,408	4,244
Accrued expenses and deferred income	4,592	5,177	4,371	4,234	3,598	3,682	3,336	3,277	3,748	3,748	3,888	3,952	4,012
Provisions													59
Other current liabilities	3,400	4,231	5,106	5,474	2,954	4,117	3,341	3,611	3,945	3,945	5,360	4,782	4,112
Total current liabilities	18,411	21,154	22,202	26,026	15,041	17,361	16,177	16,839	18,855	18,856	20,181	19,745	20,562
Total liabilities	23,732	26,832	29,382	33,090	22,291	24,482	22,973	24,627	29,968	30,063	30,118	30,120	29,688
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30,603	34,069	36,247	39,359	29,976	31,970	31,104	32,924	38,958	37,713	38,793	38,987	39,402

NCC's reorganization. Orders received during the year remained buoyant, thus strengthening the order backlog.

2006: As a result of additional sales of property projects within NCC Property Development, long-term receivables from sales of property projects increased. Investments in land for housing projects increased. All financial objectives were achieved and net indebtedness was reduced to SEK 0.4 billion.

2007: Capital tied-up in property projects increased at NCC Property Development, and in housing projects within NCC's Construction units in Sweden, Denmark and Finland.

2008: Continued increase in tied-up capital, primarily in housing operations.

2009: Total assets declined as a result of an intensified focus on cash flow and tied-up capital, resulting in, for example, higher sales of property and housing projects.

2010: Increased investments in properties held for future development were offset by higher sales of housing units, which resulted in a decrease in housing projects. NCC's positive cash flow resulted in an increase in cash and cash equivalents and short-term investments. Interest-bearing liabilities were amortized.

2011: Continued investments in housing projects at NCC Housing and in property

projects at NCC Property Development resulted in an increased need for financing, which is the main reason for the rise in net indebtedness by SEK 3.5 billion.

2012: Total assets increased mainly due to continued investment in housing and property projects in the development operation. Cash and cash equivalents also increased due to higher payment preparedness.

2013: Continued investments in housing projects in NCC Housing generated an increase in total assets. Cash and cash equivalents were at a high level thanks to healthy cash flow in the fourth quarter.

2014: Total assets were slightly higher than in 2013. Tied-up capital continued to increase in housing operations through investments in housing projects in NCC Housing. Strong cash flow in the final quarter reduced net indebtedness and the debt/equity ratio was a multiple of 0.8.

2015: During the year, the housing projects item was reduced by the many delivered and profit-recognized housing units. An increase in profit-recognized property projects also reduced capital tied-up. NCC's positive cash flow increased cash and cash equivalents. All financial objectives were achieved and net indebtedness was reduced by a total of SEK 2.3 billion.

Multi-year review, cont.

KEY DATA	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015
Financial statements, SEK M												
Net sales	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823	56,867	62,495
Operating profit	2,392	2,790	2,219	2,150	2,619	2,254	2,017	2,537	2,519	2,679	2,604	3,039
Income after financial items	2,263	2,608	2,385	1,694	2,105	2,008	1,808	2,263	2,277	2,400	2,234	2,656
Profit for the period	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989	1,838	2,120
Investments in fixed assets	798	780	983	584	584	667	1,257	1,345	1,345	1,055	987	1,092
Investments in property projects	1,049	1,493	2,210	1,054	1,215	1,533	2,333	2,692	2,692	3,890	2,255	1,858
Investments in housing projects ¹⁾	3,908	5,392	5,010	1,262	3,193	3,171	7,529	8,997	8,997	7,912	9,712	9,725
Cash flow, SEK M												
Cash flow from operating activities	2,171	1,031	128	3,318	6,440	2,423	-1,547	-26	-26	2,532	1,345	4,061
Cash flow from investing activities	-514	134	-306	-481	-481	-489	-857	-906	-906	-870	-771	-730
Cash flow before financing	1,657	1,165	-178	2,837	5,960	1,935	-2,404	-932	-932	1,661	574	3,331
Cash flow from financing activities	-2,307	-763	298	-2,827	-5,549	-1,504	491	2,774	2,774	-741	-1,515	-1,713
Change in cash and cash equivalents	-666	432	147	-1	399	396	-1,916	1,838	1,838	914	-956	1,586
Profitability ratios												
Return on shareholders' equity, %	27	34	27	18	25	20	17	23	28	26	22	26
Return on capital employed, %	24	28	23	17	17	19	16	15	17	15	14	17
Financial ratios at year-end, SEK M												
Interest-coverage ratio, times	11.5	10.2	7.0	4.5	5.0	6.9	7.4	7.0	7.5	7.8	6.4	7.1
Equity/assets ratio, %	22	21	19	26	23	26	25	23	20	22	23	25
Interest-bearing liabilities/ total assets, %	9	10	15	11	15	14	17	24	26	25	26	24
Net indebtedness	430	744	3,207	754	1,784	431	3,960	6,061	6,467	5,656	6,836	4,552
Debt/equity ratio, times	0.1	0.1	0.5	0.1	0.2	0.1	0.5	0.7	0.8	0.7	0.8	0.5
Capital employed at year-end	9,565	10,639	12,456	11,034	12,217	12,390	13,739	18,241	17,285	18,345	18,935	19,093
Capital employed, average	10,198	10,521	11,990	12,659	15,389	12,033	13,101	16,632	15,755	18,005	18,531	18,672
Capital turnover rate, times	5.5	5.6	4.8	4.1	3.6	4.1	4.0	3.4	3.6	3.2	3.1	3.3
Share of risk-bearing capital, %	24	23	20	28	25	28	27	25	21	23	23	25
Closing interest rate, % ²⁾	4.8	5.2	5.9	4.5	4.5	4.6	4.2	3.6	3.6	3.3	2.8	2.8
Average period of fixed interest, years ²⁾	2.6	1.8	1.6	1.8	1.8	1.5	0.8	1.1	1.1	1.2	1.1	0.9
Closing interest rate, % ³⁾						2.3	2.7	2.4	2.4	2.7	1.8	1.3
Average period of fixed interest, years ³⁾						0.1	0.1	0.1	0.1	0.1	0.1	0.1
Order status, SEK M												
Orders received	57,213	63,344	51,864	45,957	46,475	54,942	57,867	55,759	55,759	56,979	61,379	62,506
Order backlog	36,292	44,740	40,426	34,084	35,951	40,426	46,314	45,833	45,833	47,638	54,777	56,588
Per share data, SEK												
Profit after taxes, before dilution	15.80	20.75	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59
Profit after taxes, after dilution	15.74	20.73	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59
Cash flow from operating activities, after dilution	20.03	9.51	1.18	30.60	59.39	22.35	-14.27	-0.24	-0.24	23.46	12.47	37.65
Cash flow before financing, after dilution	15.29	10.75	-1.64	26.17	54.96	17.84	-22.17	-8.61	-8.61	15.40	5.32	30.88
P/E ratio, before dilution	12	7	3	10	8	11	10	8	8	11	15	13
Dividend, ordinary	8.00	11.00	4.00	6.00	6.00	10.00	10.00	10.00	10.00	12.00	12.00	3.00 ⁴⁾
Extraordinary dividend	10.00	10.00										
Dividend yield, %	9.6	15.1	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9	1.1
Dividend yield excl. extraordinary dividend, %	4.3	7.9	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9	1.1
Shareholders' equity before dilution	62.86	66.48	63.10	70.72	68.91	74.81	76.41	82.97	70.58	80.24	82.04	89.85
Shareholders' equity after dilution	62.69	66.48	63.10	70.70	68.90	74.80	76.41	82.97	70.58	80.24	82.04	89.85
Share price/shareholders' equity, %	298	209	78	167	172	198	158	164	193	262	301	293
Share price at year-end, NCC B	187.50	139.00	49.50	118.25	118.25	147.80	121.00	136.20	136.20	209.90	246.80	263.00
Number of shares, millions												
Total number of issued shares ⁵⁾	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end	0.3							0.4	0.4	0.6	0.6	0.6
Total number of shares outstanding before dilution at year-end	108.1	108.4	108.4	108.4	108.4	108.4	108.4	108.0	108.0	107.8	107.8	107.9
Average number of shares outstanding before dilution for the period	108.0	108.3	108.4	108.4	108.4	108.4	108.4	108.2	108.2	107.9	107.8	107.9
Market capitalization before dilution, SEK M	20,242	14,999	5,209	12,809	12,809	16,005	13,136	14,706	14,706	22,625	26,574	28,369
Personnel												
Average number of employees	21,784	21,047	19,942	17,745	17,745	16,731	17,459	18,175	18,175	18,360	17,669	17,872

1) As of 2007, investments are included in the unsold share of ongoing proprietary housing projects. As of 2008, costs incurred are included prior to project start.

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

3) Pertains to liabilities attributable to Swedish tenant-owner associations and Finnish housing companies.

4) Dividend for 2015 pertains to the Board of Directors' motion to the AGM.

5) All shares issued by NCC are common shares.

Figures for 2006 to 2008 are not adjusted for IFRIC 15.

Figures for 2006 to 2011 are not adjusted for IAS 19, Employee benefits.

For definitions of key figures, see page 113.

Quarterly data

SEK M	QUARTERLY AMOUNTS, 2015					FULL YEAR	QUARTERLY AMOUNTS, 2014					FULL YEAR
	Q1	Q2	Q3	Q4	2015		Q1	Q2	Q3	Q4	2014	
Group												
Orders received	13,368	15,754	13,005	20,379	62,506		13,223	17,303	12,383	18,469	61,379	
Order backlog	56,062	58,380	57,074	56,588	56,588		50,798	56,657	54,609	54,777	54,777	
Net sales	11,208	14,152	14,724	22,412	62,495		9,832	13,479	14,796	18,760	56,867	
Operating profit	-161	649	900	1,650	3,039		-162	677	989	1,101	2,604	
Operating margin, %	-1.4	4.6	6.1	7.4	4.9		-1.7	5.0	6.7	5.9	4.6	
Income after financial items	-254	541	808	1,562	2,656		-239	576	881	1,017	2,234	
Profit/loss for the period attributable to NCC's shareholders	-202	433	645	1,238	2,113		-185	447	695	877	1,835	
Cash flow before financing	-998	-1,079	1,004	4,405	3,331		-960	-1,267	-627	3,428	574	
Net indebtedness	-8,754	-9,725	-9,130	-4,552	-4,552		-6,572	-8,760	-9,823	-6,836	-6,836	
Earnings per share after dilution, SEK	-1.88	4.02	5.98	11.47	19.59		-1.71	4.14	6.45	8.13	17.01	
Average number of shares outstanding after dilution during the period, million	107.8	107.8	107.9	107.9	107.9		107.8	107.8	107.8	107.8	107.8	
NCC Construction Sweden												
Orders received	5,320	6,488	3,927	7,928	23,663		4,935	7,758	5,233	6,974	24,899	
Order backlog	20,525	20,911	19,565	20,440	20,440		16,947	19,562	19,941	20,321	20,321	
Net sales	5,104	6,114	5,180	7,054	23,452		4,195	5,145	4,854	6,594	20,788	
Operating profit	82	168	214	279	743		49	146	182	263	640	
Operating margin, %	1.6	2.7	4.1	4.0	3.2		1.2	2.8	3.8	4.0	3.1	
Capital employed	425	512	633	1,070	1,070		348	384	472	991	991	
NCC Construction Denmark												
Orders received	1,190	970	507	1,862	4,529		820	1,803	1,212	1,752	5,587	
Order backlog	5,965	5,693	5,138	5,228	5,228		4,401	5,384	5,482	6,056	6,056	
Net sales	1,135	1,204	1,180	1,641	5,160		883	963	1,094	1,390	4,330	
Operating profit	64	76	76	104	321		50	65	67	99	281	
Operating margin, %	5.6	6.3	6.5	6.4	6.2		5.7	6.8	6.1	7.1	6.5	
Capital employed	459	318	384	462	462		349	275	327	421	421	
NCC Construction Finland												
Orders received	795	2,030	1,682	2,289	6,797		1,065	1,814	802	1,488	5,169	
Order backlog	3,989	4,624	5,020	5,490	5,490		4,971	5,247	4,513	4,504	4,504	
Net sales	1,223	1,350	1,382	1,688	5,644		1,259	1,674	1,508	1,664	6,105	
Operating profit	7	35	55	62	159		20	37	27	28	111	
Operating margin, %	0.5	2.6	4.0	3.7	2.8		1.6	2.2	1.8	1.7	1.8	
Capital employed	248	208	258	316	316		248	195	219	219	219	
NCC Construction Norway												
Orders received	997	1,078	1,536	834	4,445		1,770	1,038	1,055	3,790	7,653	
Order backlog	6,808	6,283	6,030	5,100	5,100		6,792	6,287	5,865	7,258	7,258	
Net sales	1,552	1,517	1,407	1,639	6,114		1,498	1,587	1,659	1,989	6,733	
Operating profit	29	11	-105	24	-41		4	24	75	44	146	
Operating margin, %	1.8	0.7	-7.4	1.5	-0.7		0.3	1.5	4.6	2.2	2.2	
Capital employed	1,044	1,145	1,044	1,255	1,255		996	915	1,104	1,013	1,013	
NCC Roads												
Orders received	3,720	3,503	2,740	3,036	13,000		3,045	3,082	2,291	2,108	10,526	
Order backlog	6,948	7,180	6,071	5,552	5,552		6,715	7,894	6,155	4,608	4,608	
Net sales	1,304	3,218	3,805	3,467	11,795		1,217	3,271	4,044	3,620	12,153	
Operating profit	-399	259	363	126	349		-389	255	407	186	459	
Operating margin, %	-30.6	8.1	9.5	3.6	3.0		-32.0	7.8	10.1	5.1	3.8	
Capital employed	3,380	4,227	4,290	3,623	3,623		3,337	4,313	4,510	3,619	3,619	
NCC Housing												
Orders received	2,248	3,099	3,351	6,208	14,906		2,683	2,928	3,064	3,844	12,518	
Order backlog	17,288	18,309	19,497	19,302	19,302		15,655	17,044	17,736	16,878	16,878	
Net sales	1,764	1,863	2,128	7,313	13,069		1,353	2,051	2,258	4,564	10,226	
Operating profit	77	110	183	998	1,368		53	159	243	493	949	
Operating margin, %	4.4	5.9	8.6	13.6	10.5		3.9	7.8	10.8	10.8	9.3	
Capital employed	11,013	11,243	11,287	9,811	9,811		10,913	11,213	11,397	10,557	10,557	
NCC Property Development												
Net sales	472	511	968	1,477	3,427		738	579	645	1,164	3,125	
Operating profit	28	53	141	201	423		49	40	36	43	169	
Capital employed	5,263	5,486	5,179	4,532	4,532		3,653	4,118	4,518	4,784	4,784	

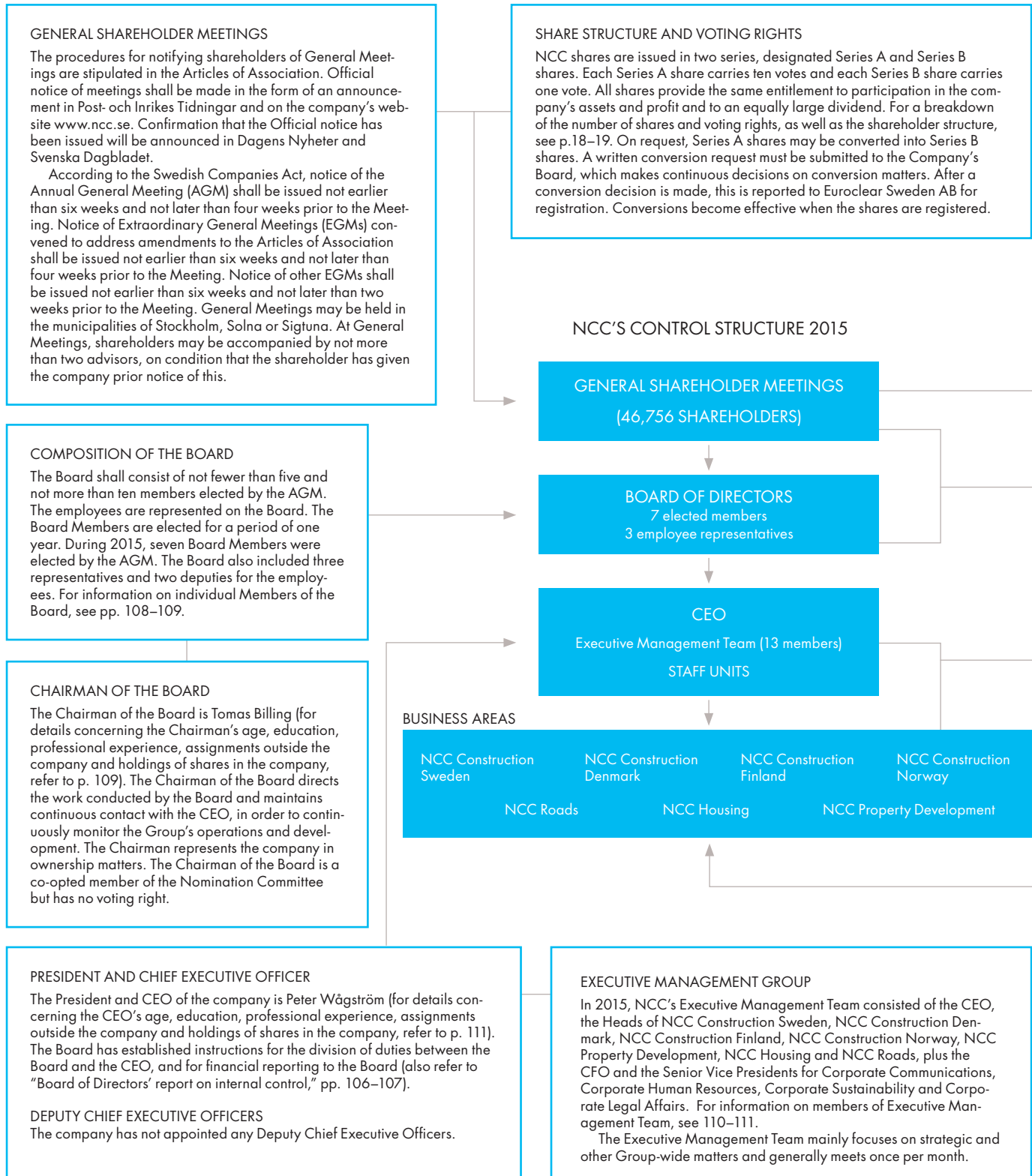
The comparative figures are pro-forma with adjustments because housing production in Russia and the Baltic countries was transferred from NCC Construction Finland to NCC Housing. The asphalt and civil-engineering operations of NCC Roads and certain activities within NCC's Construction units are affected by seasonal variations in their production caused by cold weather conditions. The first quarter is normally weaker than the rest of the year.

Corporate governance report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and the regulations of Nasdaq Stockholm, which include the Swedish Code of Corporate

Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se). NCC has applied the Code since it was introduced in 2005. This report has been issued by the Board of Directors but is not part of the formal Annual Report documentation.

This is how NCC is governed



NOMINATION COMMITTEE

The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board members, and to propose the fees to these officers. The Nomination Committee shall also nominate auditors and propose the fees to be paid to them.

The Nomination Committee complies with the instructions adopted by the AGM.

EVALUATION OF THE BOARD AND AUDITORS

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 also constitutes part of the Nomination Committee's evaluation.

The Board also assists the Nomination Committee in evaluating the work of the auditors.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO, the AGM 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 nominates auditors. Auditors are currently appointed for a period of one year. Until the close of the AGM in 2016, the registered firm of accountants Ernst & Young AB, EY, is serving as NCC's auditors. Authorized Public Accountant Mikael Ikonen has been elected EY's auditor-in-charge. For more information on elected auditors, see p. 109

INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide decision-making procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide control documents govern communication, finance, code of conduct, the environment and work environment.

The number of ongoing projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the Business Area Manager, CEO, CFO and the Senior Legal Counsel. 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 50 M must be approved by the CEO and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments corresponding to less than SEK 50 M are the responsibility of the particular business area.

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. These regulations are summarized in a Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

In 2015, NCC continued to refine its compliance program since a new Group-wide, needs-adapted process was launched in 2013. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. NCC Compass is available via NCC's intranet (Starnet) and via a special mobile application. This enables all NCC employees to make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to about 47 employees in all business areas in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. NCC has also introduced advanced system support for the internal and external reporting of irregularities. Everything within the framework of the value-driven and transparent corporate culture that NCC is working to refine. Moreover, NCC has undertaken a comprehensive overhaul of the operations and identified risk areas and risk processes. The purpose of NCC's new procedures is to make it easier for employees to dare to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation of the new methods that started in the form of training programs and discussions with NCC employees continued in 2015. All NCC's employees are included in the training programs and to date, about 16,100 white-collar employees and blue-collar workers have completed the training.

Employees who suspect unethical behavior or improper action should firstly report this to the immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information will result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for. NCC has been a driver of a project, together with other parties in the construction industry, to formulate anti-bribery and anti-corruption guidelines. The aim has been to formulate a joint method of collaboration between clients and suppliers, to ensure a sound business culture.

NOMINATION COMMITTEE
Election and remuneration
of the Board of Directors
and auditors

EXTERNAL AUDIT
(Audit firm)

INTERNAL CONTROL
ENVIRONMENT

GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. In all significant respects, the legal corporate structure matches the operational structure. Each business area is managed by a business area head and has a Board of Directors, of which, among others, NCC AB's CEO, CFO and Senior Legal Counsel are members. For certain decisions, the approval of the CEO, 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 and the heads of NCC's Housing units in Germany and St. Petersburg) are responsible for initiating coordination in matters involving several NCC units in the particular country. The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of Nasdaq Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Operating procedures for Board work
- Division of work between Board/CEO
- Decision-making procedures for Group and business areas
- NCC's Code of Conduct
- NCC Compass
- Governing documents in the form of policies-regulations, guidelines and instructions

Corporate governance at NCC in 2015

ANNUAL GENERAL MEETING 2015

The 2015 Annual General Meeting (AGM) was held in Stockholm on March 24. 491 shareholders were present representing 48.6 percent of the share capital and 79.0 percent of the total number of votes. The minutes of the 2015 AGM and from previous AGMs are available at www.ncc.se. The 2015 AGM passed the following resolutions, among others:

Payment of a cash dividend of SEK 12.00 (12.00) per share for the 2014 fiscal year, distributed in two payments of SEK 6.00 each.

Tomas Billing, Ulla Litzén, Carina Edblad, Viveca Ax:son Johnson, Olof Johansson, Sven-Olof Johansson and Christoph Vitzthum were reelected Members of the Board. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees be paid in a total amount of SEK 4,100,000, distributed in the amount of SEK 1,100,000 to the Chairman of the Board and SEK 500,000 to each other AGM-elected member.

Viveca Ax: son Johnson (chairman), Marianne Nilsson and Johan Strandberg were elected members of the Nomination Committee. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right.

Guiding principles were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive plan (LTI 2015) for senior executives and key personnel.

To cover the commitment according to LTI 2015, the AGM authorized the Board, until the next Meeting, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 303,620 Series B shares to participants of LTI 2015.

Income statements and balance sheets for 2014 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2015, NCC's Board held seven scheduled meetings, three non-scheduled meeting and the statutory meeting held directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's 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 a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

On several occasions, the Board has evaluated the matter of establishing committees to deal with remuneration and audit-related issues. The Board has decided not to establish such committees and instead to address audit-related and remuneration issues within the framework of ordinary Board work (also see "Board of Directors' report on internal control" on pp. 106–107). The Board of Directors' evaluation of its work was conducted with the assistance of an external consultant, who also conducted separate interviews of members of the Board and executive management. The results of these interviews were then compiled by the consultant and provided to the Board of Directors of NCC AB and executive management. Subsequently at a Board meeting, the Board discussed the conclusions of the evaluation in question. Documentation for this matter has been submitted to the Nomination Committee.

BUYBACK OF COMPANY SHARES

The company holds 568,054 Series B shares to cover its commitments under long-term incentive programs.

BOARD OF DIRECTORS 2015

BOARD MEETINGS AND ATTENDANCE 2015

	Elected Year	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fee, SEK 000s	Jan. 26	Mar. 24	Mar. 24 ¹⁾	Apr. 28	Jun. 24	Jul. 8	Jul. 16	Sep. 18	Sep. 20	Nov. 5	Dec. 9
Board Members elected by the AGM															
Tomas Billing	1999	yes	no	1,066	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax: son Johnson	2014	yes	no	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad	2014	yes	yes	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Olof Johansson	2012	yes	yes	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sven-Olof Johansson	2012	yes	yes	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Christoph Vitzthum	2010	yes	yes	494	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regular employee representatives															
Lars Bergqvist	1991			–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	✓

¹⁾ Statutory Board meeting.

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. If, as in the case at NCC, the Board considers it more appropriate, the entire Board may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the company's senior executives are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. In the Swedish Code of Corporate Governance, it is stipulated that for agreements signed as of July 1, 2010, the total amount of pay during a period of notice and severance pay may not exceed a sum corresponding to two years of fixed salary. The Board follows up and evaluates application of the remuneration program applicable for senior executives. 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 on p. 71.

NOMINATION COMMITTEE 2015

At the AGM on March 24, 2015, Viveca Ax: son Johnson (Chairman of Nordstjernan AB), Marianne Nilsson (Executive Vice President of

Swedbank Robur AB), and Johan Strandberg (Analyst at SEB Fonder) were elected members of the 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. No remuneration was paid to members of the Nomination Committee.

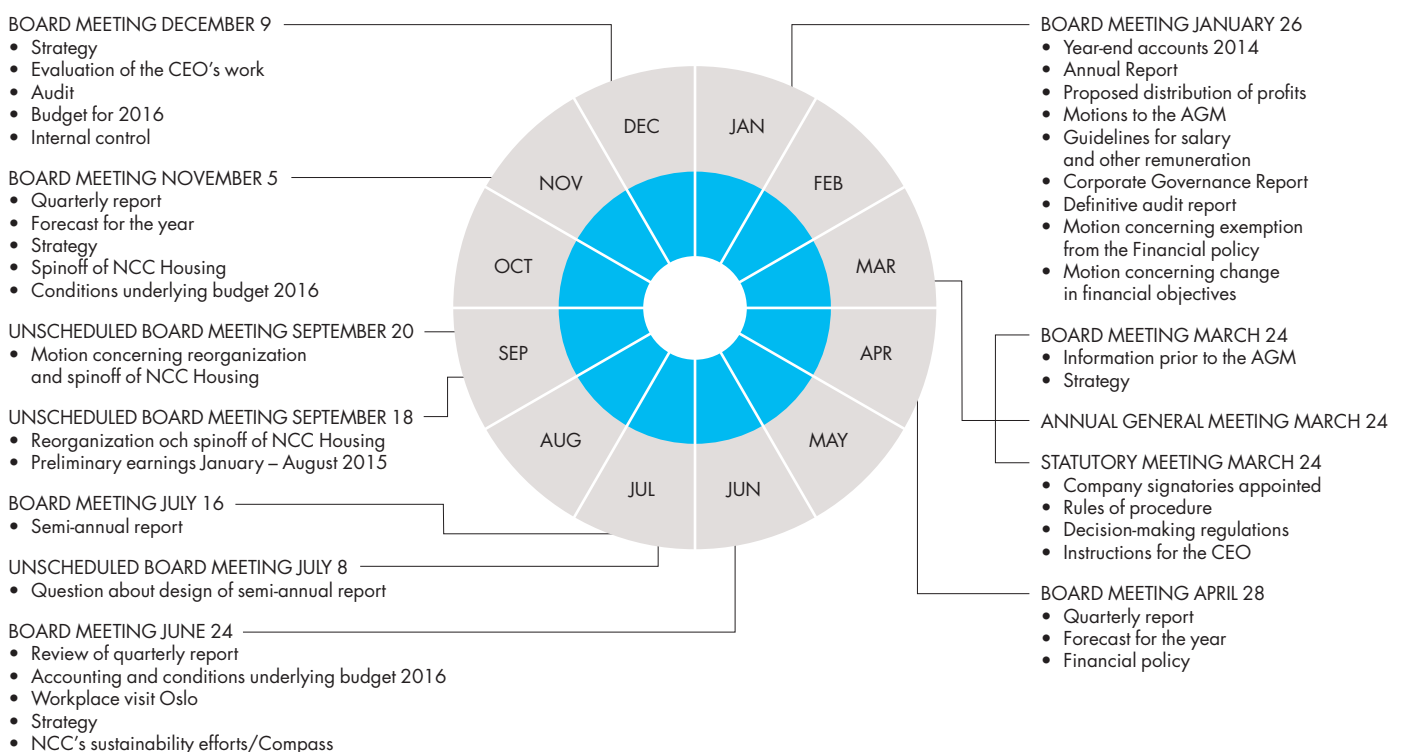
NOMINATION COMMITTEE'S PROPOSALS

The Nomination Committee proposes that the Board of Directors, insofar as it is elected by the AGM, comprise six members with no deputies. The Nomination Committee proposes reelection of the current Board members: Tomas Billing (member since 1999, Chairman since 2001), Carina Edblad (member since 2014), Sven-Olof Johansson (member since 2012), Viveca Ax:son Johnson (member since 2014), Ulla Litzén (member since 2008) and Christoph Vitzthum (member since 2010). Olof Johansson has declined reelection. The Nomination Committee proposes reelection of Tomas Billing as Chairman. The Nomination Committee proposes that director fees be paid in a total amount of SEK 3,600,000, distributed so that the Chairman of the Board receives SEK 1,100,000 and each other elected member receives SEK 500,000. The Nomination Committee's proposal in this respect corresponds to a reduction of SEK 500,000, since it is proposed that the fees paid to the Board members remain unchanged and that the number of Board members be reduced by one. No fees are payable for work on committees.

The Nomination Committee proposes reelection of the auditing firm EY for one year, with Mikael Ikonen as Auditor-in-Charge. It is proposed that the auditors be remunerated in return for approved invoices.

The Nomination Committee proposes that Chairman of the Board Tomas Billing be appointed Chairman of the 2016 AGM.

THE BOARD OF DIRECTORS' WORKING YEAR 2015 – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING



Board of Directors' report on internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal-control and risk-management systems in connection with financial reporting and the preparation of the consolidated financial statements. Information on this is provided in this section.

1 RISK-ASSESSMENT AND RISK-MANAGEMENT

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial statements, are addressed within the processes that have been established.

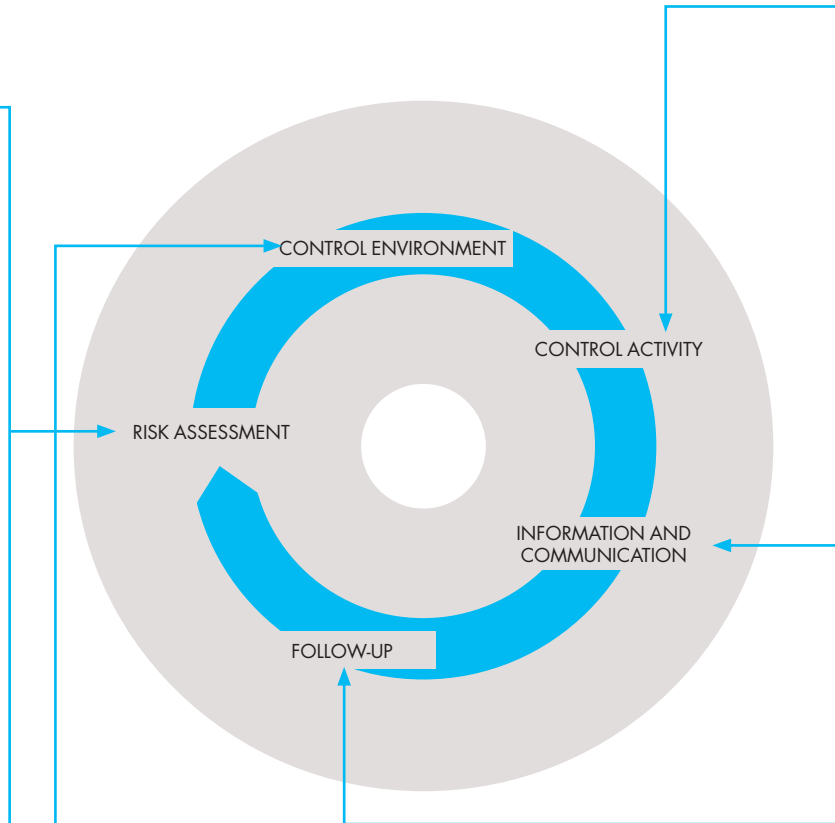
The material risks that have to be taken into account include market risks, operating risks and the risk of errors in financial recognition. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk of errors in percentage-of-completion profit recognition and items based on assessments and estimates, such as valuations of land held for future development and ongoing property-development, goodwill and provisions.

At NCC, risks are followed up in several different ways, including via:

- **Regular status checks** with the Business Area Manager and financial manager of each particular business area. Representing NCC AB, these meetings are always attended by the CEO and the CFO. The status checks address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- **Board meetings** in the various business areas, which are held at least five times per year. Board meetings are minuted. 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, or budget. Forecasts are formulated and are checked on three occasions: in connection with the quarters ending March, June and September, and in the following-year budget in November. The meetings also address tenders, investments and sales, in accordance with the decision-making regulations. Investments and divestments of properties exceeding SEK 150 M must be approved by NCC AB's Board. All investments exceeding SEK 50 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board. Projects exceeding SEK 300 M are also monitored via the NCC Project Trend Report (PTR) process.
- NCC AB's Board receives monthly **financial reports** and NCC's current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Finance. NCC's **finance policy** stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and shortcoming in insurance coverage. These risks are monitored by the Compliance and Insurance function.

For more information on control and governance at NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.



2 CONTROL ENVIRONMENT

The Board has overall responsibility for the internal control of financial reporting. At NCC, a good control environment is characterized by the existence of and compliance with policies, guidelines, manuals and work descriptions that are documented and accessibility to those to whom they pertain. For NCC, this means that the Board establishes rules of procedure for the Board's work each year. The Board also prepares an instruction concerning the division of work between the Board and the CEO. According to this instruction, the CEO is responsible for the internal control and for contributing to an efficient control environment.

The NCC Group is a decentralized international organization with business areas structured in a corporate format based on company law rules for the governance of companies. At Board meetings, the CEO and, where applicable, subsidiary presidents present the matters that require treatment by the Board. Operational management of the Group is based on decision-making regulations within the NCC Group that are 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 corresponding decision-making regulations and attestation regulations applying for the subsidiaries. The basis for the internal control of financial reporting comprises everything that is documented and communicated in control documents, such as internal policies, guidelines and manuals. Considerable effort has been devoted to achieving a structure between the policies that are to be regarded as central and the policies to be regarded as local, and that all significant areas are covered.

3 CONTROL ACTIVITIES

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units. The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal control of identified risks. For the business operations, operational control systems form the basis for the control structure established and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects. NCC attaches considerable weight to project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting.

For a number of years, NCC has had several SSCs, in part NCC Business Services (NBS), which manages most of the transactions of the Nordic opera-

tions, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Group IT, which has central responsibility for the most significant IT systems in NCC.

All these functions require that their processes must include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. These units systematically and continuously develop their processes, by using control target matrixes that connect risks, control and measurement of efficiency, ensure that the control is documented and that proof of control being implemented exists (automatically or manually prepared and a system that works). SSC has considerable potential to reach a high level of maturity in internal control by monitoring that testing of the existing controls is efficient instead of being informal, meaning that controls exist but are not always documented or controls in standardized environment are documented but not tested.

4 INFORMATION AND COMMUNICATION

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (Starnet Economy).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. Starnet/Economy is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and NASDAQ Stockholm. NCC's CFO has principal responsibility for Starnet/Economy. Starnet Economy includes the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- 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/Economy.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with specially formulated templates. Instructions and regulations concerning both written and figure-based reporting are available on Starnet/Economy. The rules and regulations are updated regularly under the auspices of the CFO.

Regular training programs and conferences are also arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject. This is within the CFO's sphere of responsibility.

The status of the internal control set-up is reported annually at a meeting of the NCC AB Board. Such reporting also occurs at business area level.

5 FOLLOW-UP

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component for the Board's assessment of internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of the operations, following which any shortcomings are 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, or external consultants with suitable expertise for the assignment. 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, except for the operational audits.

As part of its audit of the financial statements and the administration, NCC's auditor, EY, also examines a selection of NCC's controls. The Board receives the auditors' reports and meets the auditors twice annually, including one meeting 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. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. The views that arise are to be addressed and followed up systematically within the particular unit. NCC's auditor also reviewed the company's nine-month report.

AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the AGM of NCC AB, Corp. Reg. No. 556034-5174

It is the Board of Directors that is responsible for the 2015 Corporate Governance Report on pp. 102–107 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on this reading and our knowledge of the company and the Group, we believe that we have sufficient grounds for our opinions. This means that our statutory review of the Corporate Governance Report has a different orientation and a significantly more limited scope than the orientation and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices in Sweden.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Stockholm, March 16, 2016

EY

Mikael Ikonen
Authorized Public Accountant

Board of Directors and Auditors



1. TOMAS BILLING

Chairman. Born 1963. Board member since 1999 and Chairman since 2001. President of Nordstjernan AB. Chairman of the Board of Nobia. Board member of BiJaKa AB and Parkinson Research Foundation. Previous experience includes President of Hufvudstaden AB and Monark Bodyguard AB. *Shareholding in NCC AB: 20,600 Series A shares and 75,400 Series B shares.*

4. SVEN-OLOF JOHANSSON

Born: 1945. Board member since 2012. President and principal owner of FastPartner AB since 1996. Board member of Allenex AB and Autoropa AB. Previous experience: own business and entrepreneur. *Shareholding in NCC AB: 100,000 Series B shares via companies.*

7. CARINA EDBLAD

Born 1963. Board member since 2014. CEO of Thomas Betong AB. Board member of Hifab Group AB and Svensk Betong. 25 years of experience from Skanska AB, where she was Line Manager and Chief of Staff in various operations in the Nordic region. *Shareholding in NCC AB: 0 shares.*

2. VIVECA AX:SON JOHNSON

Born 1963. Board member since 2014. Chairperson of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation for Public Benefit and FPG Media AB. Board member of HoldCo Residential 1 AB (NCC Housing), Rosti Group AB, the Axel and Margaret Ax:son Johnson Foundation and Antti Ahlström Perilliset Oy. Previous experience: Deputy Chairman of the Board of Nordstjernan AB 1997–2007, Chairman since 2007 – and various positions in the Nordstjernan Group. *Shareholding in NCC AB: 79,000 Series B shares (including related-party holdings), as well as 25,000 Series A shares and 44,000 Series B shares via private companies.*

5. ULLA LITZÉN

Born 1956. Board member since 2008. Board member of Alfa Laval AB, Atlas Copco AB, Boliden AB and Husqvarna AB. President of W Capital Management AB (2001–2005) and Vice President of Investor AB (1996–2001), among other positions. *Shareholding in NCC AB: 3,400 Series B shares*

EMPLOYEE REPRESENTATIVES**8. 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). *Shareholding in NCC AB: 1,140 Series A shares and 200 Series B shares (including related-party holdings).*

10. KARL G. SIVERTSSON

Born 1961. Carpenter. Board member since 2010. Employed since 1981. Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet. Other assignments: Vice Chairman of Svenska Byggnadsarbetareförbundet, Central Norrland Region, and deputy member of Federation Board of Svenska Byggnadsarbetareförbundet. *Shareholding in NCC AB: 0 shares.*

12. KARL-JOHAN ANDERSSON

Born 1964. Paver. Board member since 2011. Employed since 1984. Shop steward at NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors). Other assignments: Member of SEKO's Road and Rail Department in Skåne. Senior shop steward of the paving section in Skåne. *Shareholding in NCC AB: 0 shares.*

3. OLOF JOHANSSON

Born 1960. Board member since 2012. Partner and CEO of SveaNor Fastigheter AB. Chairman of the Board of Pangea Property Partners. Member of the Board of Vitartes AB. Previously active in the Skanska Group for 16 years including in charge of Skanska's project-development operations, 1996–2002. *Shareholding in NCC AB: 4,000 Series B shares.*

6. CHRISTOPH VITZTHUM

Born 1969. Board member since 2010. President and CEO of Oy Karl Fazer AB. Previous experience: VP Wärtsilä Services 2009–2013, Wärtsilä Power Plants (2006–2009), President of Wärtsilä-Propulsion (2002–2006) and CFO at Wärtsilä Oyj Abp, Ship Power (1999–2002). *Shareholding in NCC AB: 0 shares.*

9. LIS KARLEHEM

Born 1963. Team leader Group IT. Deputy Board member since 2009. Employed since 1999. Employee representative of Unionen (formerly SF, Swedish Industrial Salaried Employees' Association). *Shareholding in NCC AB: 0 shares.*

11. MATS JOHANSSON

Born 1955. Carpenter. Deputy Board member since 2011. Employed since 1977. Construction carpenter and shop steward at NCC, as well as chief safety officer. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers Union). Other assignments: Deputy Chairman and Board member of AB Ronneby Industri-fastigheter, Byggnadsarbetareförbundet in the Småland/Blekinge region. *Shareholding in NCC AB: 100 Series B shares.*

AUDITORS – EY (ERNST & YOUNG AB)**MIKAEL IKONEN**

Auditor-in-charge. Born 1963. *Other significant assignments:* auditor of D. Carnegie AB, Corem Property Group, Tribona AB and Hemsö Fastighets AB.

SECRETARY OF THE BOARD**HÅKAN BROMAN**

Born 1962. General Counsel at NCC AB. NCC AB's Board Secretary since 2009. *Shareholding in NCC AB: 2,488 Series B shares.*

Executive Management Group



1. PETER WÄGSTRÖM

Born 1964.
President and CEO since 2011. Employed by NCC since 2004. Previous experience: Business Area Manager of NCC Housing (2009–2010), President of NCC Property Development (2007–2008), Head of NCC Property Development's Swedish operations (2004–2006), various management positions in Drott (currently Fabege) (1998–2004) and various positions in Skanska's real estate operations (1991–1998).
Shareholding in NCC AB: 25,642 Series B shares (including related-party holdings) and 10,694 call options on Series B shares.

4. SVANTE HAGMAN

Born 1961.
Head of NCC Infrastructure since January 1, 2016. Employed by NCC since 1987.
Previous experience includes: Business Area Manager of NCC Construction Sweden (2012–2015), Head of NCC Housing (2011–2012), Head of Stockholm/Mälardalen Region at NCC Construction Sweden and Head of Market and Business Development at NCC Construction Sweden.
Other assignments: Board member of Swedish Construction Federation.
Shareholding in NCC AB: 4,797 Series B shares and 4,010 call options on Series B shares.

7. ANN LINDELL SAEBY

Born 1962.
Head of Corporate Relations since January 1, 2016. Employed by NCC since 2012.
Previous experience includes: Senior Vice President Corporate Communications at NCC (2012–2015), Senior Vice President Corporate Communications at Fortum (2004–2012) and communications consultant and partner at Kream Gavin Anderson (1998–2004).
Shareholding in NCC AB: 1,740 Series B shares.

2. MATTIAS LUNDRÉN

Born 1971.
Chief Financial Officer since January 1, 2016. Employed by NCC since 1998.
Previous experience: Head of Mergers & Acquisitions and Strategy (2015), Head of NCC Housing Sweden 2012–2015 and various business development roles in NCC.
Shareholding in NCC AB: 652 Series A shares.

5. KLAUS KAAE

Born 1959.
Head of NCC Building since January 1, 2016. Employed by NCC since 1985.
Previous experience includes: Business Area Manager of NCC Construction Denmark (2012–2015) and Vice President of NCC Construction Denmark (2009–2012). Executive Director of NCC Construction Denmark 2002–2009.
Other assignments: Member of the Board of Dansk Byggeri.
Shareholding in NCC AB: 3,226 Series B shares.

8. HÅKAN BROMAN

Born 1962.
General Counsel in NCC AB since 2009. Employed by NCC since 2000.
Previous experience includes: corporate lawyer at NCC International Projects and NCC Property Development (2000–2008), corporate lawyer at ABB/Daimler Chrysler Transportation (1996–2000), lawyer at Ekelunds advokatbyrå (1993–1996), positions in Swedish court system (1991–1993), active in the European International Contractors (EIC) (2001–2010) and Member of the Board (2008–2010).
Shareholding in NCC AB: 2,488 Series B shares.

3. PETER GJÖRUP

Born 1959.
Head of Purchasing since 2013. Employed by NCC since 1984.
Previous experience: Business Area Manager of NCC Construction Norway and Manager of Norrland Region in NCC Construction Sweden, among other positions in both civil engineering and building.
Shareholding in NCC AB: 53 Series A shares, 6,065 Series B shares and 8,020 call options on Series B shares.

6. CAROLA LAVÉN

Born 1972.
Head of NCC Property Development since 2013. Employed by NCC since 2013.
Previous experience includes: Business Development Director at Atrium Ljungberg (2006–2013), Business Development Director at Ljungberg-Gruppen (2003–2006) and Property Manager for Stockholm/Uppsala at Drott (1998–2003).
Shareholding in NCC AB: 0 shares.

9. JYRI SALONEN

Born 1965.
Head of NCC Industry since January 1, 2016. Employed by NCC since 2007.
Previous experience includes: Business Area Manager of NCC Roads (2015), Division Manager of NCC Roads Services 2014, Business Unit Manager of NCC Roads in Finland 2009–2013, various positions at ExxonMobil and Esso in Finland.
Shareholding in NCC AB: 1,230 Series B shares.

Changes in Executive Management Team 2016:

In 2015, the Executive Management Team had 13 members; see p.102. Due to the reorganization of NCC and the motion to spin off NCC Housing, the Executive Management Team now comprises the nine people presented above.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2015. For updated information about shareholdings, see the Group's www.ncc.se website, under investor relations, which includes information from the Swedish Financial Supervisory Authority's insider register.

Financial information/contact

NCC will publish financial information regarding the 2016 fiscal year on the following dates:

April 12	Annual General Meeting
April 29	Interim report January–March
July 20	Six-month report January–June
October 28	Interim report January–September
January 2017	Year-end report 2016

NCC's interim reports are downloadable from the NCC Group's website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 2009 and annual reports dating back to 1996. NCC does not print or distribute its interim reports. The printed Annual Report is sent to those who request it.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are relevant financial figures. NCC's press releases are available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.se website, by e-mailing ir@ncc.se, writing to NCC AB, SE-170 80 Solna, Sweden, or calling NCC AB at +46 8 585 510 00. The person at the NCC Group responsible for shareholder-related issues and financial information is Johan Bergman (Tel: +46 8 585 523 53; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING

The AGM will be held on April 12, 2016, at 4:30 p.m. (CET).

Location: Aula Medica, Nobels väg 6, Solna. Notification can be made by post to the following address: NCC AB, Attn: Anna Strömqvist, SE-170 80, Solna; via the Group's website at www.ncc.se, by telephoning +46 8 585 515 38; or e-mailing anna.stromqvist@ncc.se. Notification should include name, personal identification number or corporate registration number, address, telephone number and registered shareholding.

Registration at the Meeting will begin at 3:30 p.m. (CET) The official notification of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- and Inrikestidningar on March 8, 2016. Confirmation that the official notification had been issued was announced the same day in Dagens Nyheter and Svenska Dagbladet.

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Addresses to the companies in the NCC Group are available at www.ncc.se.

SHAREHOLDER INFORMATION ON NCC.SE

All financial information concerning the NCC Group and everything that concerns you as a NCC shareholder is available on NCC's website under the Investor Relations tab.

SHAREHOLDER SERVICE. From our Shareholder Service, you can subscribe for the information you would like to receive and also decide the format in which you will receive it, on paper or by e-mail.

SHARE-PRICE INFORMATION Share-price information with a 15-minute delay is available and it will also be possible to see the total return (including reinvested dividends) and compare the performance of the NCC share with that of Nordic competitors.

LIST OF ANALYSTS. Here, you will find a list of the analysts who regularly monitor NCC and their expectations of the company.



**MORE INFORMATION/
CONTACT PERSON.**

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IR Manager
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E-mail: ir@ncc.se

Definitions/glossary

FINANCIAL KEY FIGURES

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.

Buyback of company shares (treasury shares) in share data: Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.

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.

Closing date interest rate: Nominal interest rate weighted by interest-bearing liabilities outstanding on the balance-sheet date.

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 financial statements on translation into SEK.

Interest-coverage ratio: Profit after financial items following the reversal of 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 pertaining to fixed assets and properties classed as current assets.

Net sales: The net sales of construction operations are recognized in accordance with the percentage-of-completion principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. For NCC Housing, net sales are recognized when a housing unit is transferred to the end customer. Property sales are recognized on the date when significant risks and rewards are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

Order backlog: Year-end value 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 projects received and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as are finished properties included in inventory.

Operating margin: Operating profit as a percentage of net sales.

Operating net: Result from property management before depreciation.

P/E ratio: Market price of the shares at year-end divided by earnings per share after taxes.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of financial expenses in relation to average capital employed.

Return on shareholders' equity: Net profit for the year according to the income statement excluding non-controlling interests as a percentage of average shareholders' equity.

Share of risk-bearing capital: Sum 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 DEFINITIONS

Buildings/other buildings: In descriptions of operations, this term pertains in part to commercial buildings, mainly offices, retail facilities, shopping malls, garages, hotels and industrial buildings and in part to such public premises and buildings as hospitals, schools, healthcare and care facilities and public administration buildings.

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.

Detailed development plan: Municipal plan for the use of land in a certain area, which is legally binding and can form the foundation for the granting of building permits.

Development rights: Estimated possibility to develop a site. With respect to housing, a development right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site concerned is a prerequisite for being granted access to a development right. For commercial properties, development rights are measured in square meters.

Function contract: Usually a multi-year contract in which the customer imposes functional requirements rather than detailed requirements concerning materials and design.

General plan: Municipal plan for the use of land in a certain area, which is not legally binding and normally necessitates being followed up and defined in greater detail in detailed development plans.

Leasing rate: The percentage of anticipated rental revenues matching signed leases (also called leasing rate based on revenues).

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.

Platforms: Group-wide standardized technical solutions have been developed for everything from sports arenas, offices, logistics facilities and bridges to single-family and multi-family housing.

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 yield required by purchasers in connection with acquisitions of property and housing projects. Operating revenues less operating and maintenance expenses (operating net) divided by the investment value.

VDC: Virtual Design and Construction.


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NCC is one of the leading construction and property development companies in the Nordic region, with sales of SEK 62 billion and 18,000 employees. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure.

NCC also offers input materials used in construction and accounts for paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

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