

## President and CEO Peter Wågström's speech at NCC's Annual General Meeting on April 12, 2016

Mr. Chairman, honorable shareholders, ladies and gentlemen.

2015 was the best year on record for NCC. We further strengthened our position as the forerunner in the Nordic construction market and I would like to thank all of our employees for their steadfast commitment.

We are now leaving behind us a successful strategy period that has given us a stronger and more profitable NCC. However, aside from the housing development operations, our growth has been insufficient. With this in mind, our efforts to adapt our organization to our new strategy for profitable growth, which was launched at the end of last year, are now fully under way. NCC is transitioning to a specialized Nordic organization with a focus on such rapidly growing segments as infrastructure and refurbishment and, not least, on meeting the acute need for new housing in the Nordic region. In parallel, we have taken the decision to make preparations for a spinoff of our housing development business. We are proposing that we distribute the shares in Bonava, the name of the new company, under the Lex Asea rules and to list the company on Nasdaq Stockholm.

NCC's housing development business has performed strongly. During the strategy period, we doubled the number of units in production to nearly 8,800 at year-end. But now we are proposing that we spin off Bonava, which has clearly posted the strongest growth in the Group, because we believe that there is greater growth potential for NCC and Bonava as separate entities. As an independent company, it will be easier for Bonava to adapt its capital requirements, while we at NCC will increase our ability to use our strong cash flows from the construction and civil engineering operations to grow and increase sales.

I will return to this subject when we look closer at our new strategy. But firstly, I would like to give a resumé of 2015. Orders received increased to SEK 62.5 billion. Sales rose 10 percent and operating profit improved sharply, surpassing the SEK 3 billion mark for the first time. Operating profit for the housing development business improved to nearly SEK 1.4 billion. Profit for our commercial property development business also improved. We recognized a total of eight projects in profit, four of which in Denmark. Our Construction units in Sweden, Denmark and Finland all reported improvements in operating profit. In Norway, sales and earnings were lower due to impairment losses on projects, among other reasons. Roads also performed somewhat poorly, due in part to lower earnings for stone materials operations. But at an overall level, NCC delivered record earnings. Earnings per share after tax were SEK 19.59. The Board of Directors proposes that the AGM approve a spinoff under the Lex Asea rules of our housing development business Bonava and a cash dividend of SEK 3 per share. It is proposed that the spinoff and listing of Bonava occur at some point during the current year and that the cash dividend be distributed in November.

NCC's total return for 2015, meaning the share price plus dividends, was just over 11 percent. The average for the Nasdaq Stockholm was 6 percent. Looking at the trend over the entire strategy period – 2012 to 2015 – the total return was 175 percent. The average for the Nasdaq Stockholm was 79 percent.

So how successful were we in fulfilling our goals for the 2012-2015 strategy period? The company is one of the three industry forerunners. We have grown in line with the industry average, which for us is not enough. Our industrial and construction operations did not achieve the target of growing at a rate of twice GDP growth. However, our housing development business has demonstrated strong growth and increased profitability. We have grown in the Norwegian market, but profitability has been too weak. We have expanded contracting operations in Finland, but they need to grow more.

In terms of our financial objectives, our financial position is strong and we noted a 26-percent return on equity in 2015. We averaged well above the target of 20 percent throughout the strategy period. At no point in time has our debt/equity ratio been above 1.5 times shareholders' equity. At the end of 2015, it was 0.5.

We also have long-term sustainability targets. We have some work to do if we are to achieve the target of reducing carbon-dioxide emissions by at least 20,000 tons compared with the benchmark year 2013. At year-end 2015, carbon-dioxide emissions had been reduced by 14,000 tons. We are now raising the bar for the next strategy period and aim to achieve a 50-percent reduction in carbon-dioxide emissions in our own operations by 2020.

Safety is another area in which we have clear goals and a zero vision. Our work to ensure safer worksites is yielding results. We have halved the number of accidents since 2011. And we aim to halve them again by 2020. However, it is with great sadness that I report that four people lost their lives last year and one this year at our worksites. We must do our utmost to ensure that this does not happen again. We will not be satisfied until we have achieved zero workplace accidents. This will require even better preventive measures and always having the issue of worksite safety at the top of the agenda. One example of our activities is the Health and Safety Week that will be held in May across the organization. We will also continue to arrange Awareness Day on the first Wednesday in September. For this event, all work comes to a standstill throughout NCC in order to facilitate joint discussion on how the work environment and safety can be improved. The theme last autumn was Time Out, and we will also continue this year to push home this message. This means that everybody – anybody – has the right and the obligation, should they deem something to be unsafe, to halt work to rectify the defect or fault so that work can continue safely. Because we want all of our employees and contractors to return home safely after every working day.

Another prioritized area for NCC is our efforts to ensure that our work is based on our values and Code of Conduct, and that we as a company conduct business in a sustainable manner. The NCC Compass is part of this effort and was introduced a few years ago. To date, 16,100 of our 18,000 employees have completed the training course and the remainder of the employees will receive training in the Compass during the year. NCC also works continuously to ensure compliance with its Code of Conduct in various partnerships. Part of this is the development of sustainable and competitive purchasing. Jointly with the

Swedish Association of Local Authorities and Regions, the Swedish Anti-corruption Institute, the Swedish Construction Federation, the Swedish Construction Clients Association and other construction companies, we have developed industry-wide guidelines to combat corruption and bribery. These guidelines were adopted at the end of 2015.

In 2015, we launched a new strategy for the next five-year period when profitable growth was set as the overriding objective. Our ambition is that NCC will grow by an average of 5 percent per year and that the operating margin will amount to at least 4 percent.

Our vision forms the core of our new strategy: To renew our industry and provide superior sustainable solutions. With One NCC, we will have the opportunity to leverage our scale in product development, systems and processes, customer offerings and contacts with suppliers – all with the aim of strengthening our competitiveness. Our employees play an equally important role in this. We will never succeed in achieving profitable growth without having the right people. We must be able to offer our employees the opportunity to grow and we must work with diversity so that we reflect society and are perceived as an attractive employer.

The strategic initiatives required to achieve this level of ambition can be summarized in three “Must Win Battles”. The first of these is Operational Excellence, meaning that NCC must become more efficient and profitable, for example, by strengthening its existing expertise, having more efficient processes, more coordinated purchasing processes and increasing support for digitization. The second is Market Excellence, entailing a focus on our customers and our business. It is crucial to understand our customers’ businesses and what creates value for them – because by doing this we can also become the customer’s first choice. And we will achieve this by selling sustainable offerings and by early marketing of these solutions, among other activities. The third is Investment Initiatives. If we succeed with profitability and growth, we will create investment scope for further growth through such means as public private partnerships, our property development operations and complementary company acquisitions.

We have had a new organization since the beginning of the year. Industry, Infrastructure, Building and Property Development, as well as Housing, which as I said earlier will be named Bonava and, in accordance with the Board’s motion, will be spun off to our shareholders. If an NCC without Housing had existed on December 31, 2015, NCC’s sales would have amounted to just over SEK 53 billion and Bonava’s to SEK 13 billion. NCC’s operating profit would have totaled almost SEK 1.7 billion with a cash flow from operating activities of just over SEK 2.6 billion. Bonava’s operating profit would have totaled almost SEK 1.4 billion, with a cash flow of nearly SEK 1.5 billion.

The new NCC’s targets for 2020 are therefore to achieve average growth of at least 5 percent annually and an operating margin of at least 4 percent. The return on equity must be at least 20 percent, net indebtedness less than 2.5 times EBITDA and the equity/assets ratio is to exceed 20 percent, while at least 40 percent of profit is to be distributed to our shareholders.

I would now like to present some examples of successful projects in the areas we prioritize in our new strategy for NCC:

Let me begin with infrastructure, and the unique bridge construction that I presented at the 2012 AGM before the project startup. I am referring to the new bridges on the E4 Expressway at Rotebro, north of Stockholm, which have been nominated for the 2015 construction of the year award. The first civil engineering project to be launched in Sweden with certification according to the UK sustainability system, Ceequal. Another major infrastructure project with a focus on sustainability is the expansion of the Svealand Railway with double tracks on the Strängnäs-Härad route. We have signed a partnering agreement for this project with the Swedish Transport Administration.

Another priority growth area for NCC is refurbishment. We will now cross over to Sorgenfri, north of Copenhagen, where NCC in Denmark is implementing its largest refurbishment contract to date – an energy retrofit of 431 housing units built in the 1950s. Sustainable refurbishment involves more than environmental aspects. The social dimensions are equally important, such as involving the residents and refurbishing in a smart way so that residents can afford to stay.

This concept is central to the area we call Fittja People's Palace, the refurbishment of housing units in Fittja built as part of Sweden's Million Apartment Housing Program, in close cooperation with the housing company Botkyrkabyggen. With Fittja People's Palace, NCC has shown that socially sustainable refurbishment is possible. We are now in the midst of a new tender process with Botkyrkabyggen, with the aim of refurbishing an additional 1,100 housing units. We are also implementing successful refurbishment programs in Finland. Here you can see our efforts to carefully refurbish the National Library of Finland.

The need for new construction in Sweden is higher than it has been for a long time. The National Board of Housing, Building and Planning estimates that 700,000 new housing units will be needed by 2025. NCC is involved in construction projects all over Sweden. I would particularly like to mention Kvillebäcken in Gothenburg, with apartment blocks scheduled for completion next year. This is one of the first green city districts in Gothenburg, with a focus on vegetation, surface water management and biodiversity. In Denmark, we are extremely proud of Krøyers Plads, the first eco-labeled housing units in Denmark, and named the best housing development project in the world at the international MIPIM property event.

NCC is also driving the development of future workplaces – workplaces that are flexible and sustainable. A typical example is Torsplan 2, where our aim is to achieve the highest BREEAM rating – Outstanding. The property satisfies both social sustainability requirements and the toughest environmental requirements in the world. And one month ago, Torsplan 2's retail section received a BREEAM Award for best new retail park.

NCC has built several large shopping malls across the Nordic region. One example of an ongoing project is the expansion of Iso Omena outside Helsinki, the first shopping mall in Finland to aim for LEED Platinum.

NCC strives for early-stage involvement in projects to develop modern cities with housing units, offices, shops and infrastructure. One good example of this is Mölndal's new city center, which is being renewed during the 2014-2018

period. NCC is a major player in this renewal project and SCA Hygiene's office in western Sweden was the starting point. We are now involved in the construction of Mölndal's new mall and are also building new housing units above the mall.

Sweden and the rest of the Nordic region are faced by a major challenge, but also a fantastic opportunity – to integrate all of the newly arrived refugees in the Nordic region. We see this as an opportunity to capitalize on skills, secure our recruitment needs and to increase diversity. We see a diversity of backgrounds, skills and experience as a means for creating a more innovative company. We have therefore adopted a new diversity policy for the entire NCC Group. We are involved in, and driving, several initiatives aimed at increasing diversity. In Denmark, we recently launched a project for newly arrived refugees called Job School. 16 trainees from Syria and Eritrea are now sitting behind school desks for three weeks of preparatory training, to be followed by practical experience at five different workplaces throughout the Copenhagen area. In Uppsala, we have a partnership with the Public Employment Service to receive trainees. The aim is – through training and practical experience– to provide the conditions for people outside the labor market to secure an apprenticeship upon completion of the project. In Ljusdal, NCC, the Swedish Public Employment Service and Byggstar have collaborated to arrange a construction training course for newly arrived immigrants. We are involved in the My Life mentoring program, whereby some 15 NCC employees from all over Sweden are mentors for adepts with foreign backgrounds who are unemployed and lack the right networks for finding a job. In partnership with the Public Employment Service and Yrkesakademin, NCC and Kunskapsskolan are preparing a fast track for newly arrived engineers. The idea is to offer language training and courses in job terminology and health and safety, alternated with practical experience at our workplaces.

NCC sees a major need to substantially increase the number of women employed in the construction industry. Attracting young women to the engineering profession is a key component. This year, NCC is sponsoring the Tekla Technology Festival at the Royal Institute of Technology, which is intended for girls aged between 11 and 18. The festival is an initiative by artist and musician Robyn Carlsson to make technology more accessible to young girls. For the past two years, NCC has been involved in IGE Day – Introduce a Girl to Engineering – an initiative by women engineers and engineering students. The aim is to introduce girls to the world of engineering, and to meet other women engineers. Another initiative is our Site Manager Program for women. Last autumn, we trained twice as many female site managers as over the past five years combined. We offer traineeships to attract young people to our industry. In 2015, we took on more than 1,189 trainees, summer workers and apprentices. The senior high school Engineering Program that we offer in collaboration with Kunskapsgymnasiet is a long-term commitment to producing new engineers.

Measuring and evaluating employee satisfaction at NCC is essential for attracting new talent. Measurements over the past seven years show a stable and positive trend, with satisfied and loyal employees. NCC performs better than sector indexes in most markets. The respondents believe that NCC is largely a company that focuses on sustainability. That makes me happy and confirms my belief that NCC can offer superior sustainable solutions.

Innovative and sustainable solutions with a customer focus. That is definitely how you could describe Terje, the snow-melting facility in Oslo that sustainably handles tons of snow and the contaminants absorbed by the snow every winter. At the Annual General Meeting one year ago, I mentioned that we were about to have the groundbreaking ceremony for the Dome of Visions project in Stockholm, a concept that we developed in Denmark, and that we were challenging ourselves to create a better tomorrow and world-class sustainable solutions here, in partnership with the Royal Institute of Technology. Since last autumn, the Dome of Visions project in Stockholm has presented many opportunities for discussion, exhibits and seminars on the future of housing and society. To renew our industry and provide superior sustainable solutions. That is the way forward for NCC. Accompany us on our continuing journey toward a more sustainable society.

Thank you!