

President and CEO Peter Wågström's address at NCC's Annual General Meeting, April 9, 2013

Mr. Chairman, honorable shareholders, ladies and gentlemen. It feels especially gratifying to stand here this year. NCC has had one of its best years ever and this was accomplished despite uncertain market conditions. At such times, it should be easy to lean back. But, now is instead the time for us to move forward instead and drive the development of the company forward.

Our overall objective is to expand profitably in our selected markets. This is our focus. And, there are four issues that I feel are central to us in our efforts to develop our business. Firstly, we must understand the customer's business; secondly, we must regard our sustainability work as an integral part of our business; thirdly, we must comply with our Code of Conduct; and last but not least, we must be able to offer a safe workplace to our own employees and those of our subcontractors. I will return to these four areas later.

But firstly, a brief look at 2012, which was one of the best years in the company's history. Sales rose 9 percent, operating profit improved 26 percent and the profit improvement after tax was a full 45 percent. And, we had our best fourth quarter ever. Historically speaking, the seasonal variation within our industry is often like this, meaning that the beginning of the year is weaker than the end.

We have a strong financial position and a 23-percent return on shareholders' equity, thus surpassing the objective of 20 percent. Net indebtedness is much lower than our target level of 1.5 times shareholders' equity. Earnings per share after tax were SEK 17.51. The dividend policy states that not less than 50 percent of profit after tax is to be distributed. The Board of Directors' proposes to the Annual General Meeting that it resolve on a dividend of SEK 10.00 per share, equal to 57 percent of profit after tax. NCC's total return for 2012, meaning the share price plus dividends, was 21 percent. The average for the Stockholm Exchange was 17 percent. During 2013 – until April 4 – the price of the NCC Series B share rose 20 percent.

So how do things look? And, where do we stand in terms of our objectives for profitable growth within the strategy period? In the Industry business, our sales target was to increase at twice the rate of the GDP. Our sales rose 3.8 percent. This is more than double average Nordic GDP growth of 1.1 percent for 2012. Although the business has grown, the margins for 2012 were lower than 2011. We have more to do here.

With respect to our construction and civil-engineering business, we have the same target as for the Industry business. Here, our sales rose 8 percent, compared with the same average growth of 1.1 percent. And here, the margin improved.

In our third business, Development, our objective was to have no fewer than 7,000 housing units in production and a retained level in the property development portfolio. At year-end, we had 5,768 housing units in ongoing production; an increase of 400 units in 2012. The number of commercial property projects remained unchanged and the level in our portfolio is

satisfactory. Profitability in our development business was positive in 2012 compared with 2011.

In our strategy, three areas are prioritized for growth. Firstly, expansion in Norway in all business areas. According to the current status, sales in Norway rose 22 percent and the order backlog increased 47 percent. With the strong Norwegian construction market, there is excellent potential for continued growth. The second is area is establishment in the civil-engineering market in Finland. Here, establishment is progressing according to plan. And thirdly, the expansion of the housing development business in all markets. Here, we are focusing on enhancing the efficiency of processes, while making changes in the product mix. We have already enhanced efficiency in several markets and in 2013 we will implement changes in the Swedish part of the organization.

During 2012, we had approximately 4,000 construction projects in progress simultaneously, from housing units to major infrastructure projects. I would like to take the opportunity to mention a few examples of projects that we either started or completed during the year. First, let me take you on a tour of the Nordic region. I will begin with Denmark, where we completed a new office for the Danish organization for the disabled in 2012. This was nominated the most accessible building in the world, which is not immediately evident since the solutions are integrated into the architecture and design. The inner courtyard is a pentagon shape instead of round to make it easier for the visually impaired to navigate; two different heights for the reception desk – a special height for those in wheelchairs; signs are provided in text, color and braille; the door handles are specially designed for use by individuals with impaired muscular strength; the lighting favors those with hearing impairments, the visually impaired and people with normal eyesight. These are only a few examples of the features offered.

Still in Denmark, we completed housing for the elderly in Ørestad, Copenhagen. This was developed in collaboration with the residents. Special balconies to bring light into the apartments, while providing privacy and protection from the wind when sitting outside. I would also like to mention Isbjerget, one of our construction projects located in the Port of Aarhus. This project is particularly special because it was nominated the Best Residential Development in the world at the annual MIPIM Real Estate Event in Cannes last month. Isbjerget is a special building. The iceberg design, with inclined facades and where all 208 apartments are different, offered many exciting challenges.

If we move across the Baltic Sea – to Finland – we completed another phase of the Plaza Business Park, which is a proprietary development. In February this year, we handed over the Loiste building to the investor. The five final phases of the Plaza Business Park will all fulfill BREEAM Very Good environmental classification. Pilke was the first of the five buildings and the first office building in Finland to receive a BREEAM Very Good classification.

However, we do not work on new builds alone; we also do refurbishments. Here is an example of our phase 2 work on the refurbishment of Parliament House in Helsinki, which is a valuable cultural building. Continuing to Norway, we are building housing units in Bergen, such as the Blomstertunet proprietary project. This comprises five modern point buildings, with apartments between 45 and 100 square meters in an already well-established and popular residential area.

We are also currently working on a major project in Storberget – a dual-track railway in a tunnel from Larvik to Porsgrunn. A total of 4.8 kilometers of railway tunnel and four kilometers of evacuation tunnels will be constructed. Here is a glimpse of the project. [Movie]

Let us move from the tunnels in Norway to Sweden. At year-end, we started construction of Sweden's first newly built local hospital in Angered, outside Gothenburg. This project was based on the patients' perspective, instead of specialist functions. In simple terms, this means that the specialists will come to the patients and not vice versa. The size of the hospital, which is a Partnering project, is a total of 18,000 square meters and it is scheduled for completion in 2015.

In the heart of Stockholm, behind the PK building, we have started the new construction of 40,000 square meters of offices for approximately SEK 1 billion. The building's environmental classification will be LEED, but with a Platinum objective, which is the highest classification. There are very few projects implemented at this level in Sweden. The office building is a partnership agreement with our customer Pembroke.

To demonstrate the scope of our offering, I could mention that we are building Malmö's first collective housing building for MKB, aimed at people who prefer this type of living, with 170 rental apartments. It will also be an environmental building at Silver level and a Partnering project.

We also completed Sweden's most secure forensic facility last year. This too is a Partnering project, which was nominated Building of the Year in Sweden last year. It is not only the building itself that was judged but also the process for constructing the building. Thanks to partnering, there was understanding for the highly specific requirements for the facility. One tangible example involves ensuring that there is no risk that the choice of material will cause injury to the residents.

In addition to constructing buildings, we also work on operation and maintenance of infrastructure. And, for the first time, we will be responsible for operating and maintaining roads and railways, combined. This is a pilot project commissioned by the Swedish Transport Administration to evaluate whether there are synergies in the new work method. The project will be implemented in collaboration with Infranord. It comprises a nearly 1,000-kilometer stretch of road, as well as 120 kilometers of railway, along the Sollefteå-Forsmo-Hoting section.

I will now continue from the Nordic region to Germany, where we are one of the largest housing developers. For example, we are building 40 row houses in the Hafenberg area in Hamburg and, in Frankfurt, we have completed 350 housing units in Riedberg, with various types of housing; row houses, single-family homes and apartments that are both tenant-owned and rentals.

Moving on to St. Petersburg, we are constructing the proprietary building Swedish Krona, which consists of nearly 900 apartments. The project was ranked number one in the Russian competition for Green Awards housing development last year, but also in 2010.

I will now return to the four issues that I mentioned earlier and which I feel are the key to achieving our aim of developing the business. The first is that we must understand the customer's business better, which makes it one of our strategic initiatives – our objective of becoming the customer's first choice. We are working on this in various ways in the organization. We are continuously developing our customer offering, for private individuals, companies and the public sector.

Some of our customers are families who want to purchase a new home. But, it could also be an airport developer who wants to build a new hotel with a view of the landing strips at Stockholm Arlanda Airport. Here are a few words from the customer for the Clarion hotel project. [Movie]. The hotel has now been opened and completed. And most importantly – we have a satisfied customer and hotel owner.

Our customers could also be municipalities or the government requiring new roads, tunnels, schools or hospitals. All in all, I could say that our customers come from all parts of society and they all have varying needs. Here are more voices from some of our customers. [Movie]. Here, we received some feedback on what we could improve on, which is important to us.

Interest in affordable rental apartments is increasing and we have listened to our customers and this need resulted in the formation of NCC Folkboende. And NCC Folkboende was one of three winning concepts when SABO finalized its framework agreement in Sweden for rental apartments. Here, as in several of our other offerings, sports and swimming facilities are about listening to the customer.

The second central issue is sustainability as an integral feature of our business. This is contributing to our profitability. And, sustainability is not only about the environment; it involves how we work with corporate social responsibility and the work environment, everything with a financially sustainable perspective. Sustainability is a strategic issue and I have therefore established a new position at Group Management level. Christina Lindbäck, who was previously responsible for environmental issues, has been appointed our Senior Vice President Corporate Sustainability as of March 1 this year.

Since we belong to one of the industries that cause a large part of the emissions to the environment, we work hard to find new ways to reduce our impact on the climate and the environment. And we are already doing a great deal. I have some examples from our industrial operation. We already have our green asphalt product and we recycle asphalt, in a number of our asphalt facilities in Norway, where we use oil from fish waste as fuel – thus reducing carbon dioxide emissions. We are now taking another step. We are moving from fuel oil to wood pellets as fuel in our asphalt facilities. We will gradually invest in a fuel change. The method is complicated and patented by us. Here, I would like to say that we are breaking new ground. A transition to wood pellets in all our asphalt facilities in the Nordic region will lead to a reduction corresponding to the emissions from 73,000 cars annually.

Another example in the sustainability area is the energy efficient buildings and passive buildings that we already produce. The future probably lies in starting to

build residences that produce energy, what are known as plus energy housing. Today, green tenders are not standard but we believe in green tenders and that they are here to stay. Many of our current buildings are already environmentally certified and we will focus more on environmental certification of buildings, city districts and complete cities in the future.

And, another area that I believe will expand significantly is recycling. We have worked for a long time with this in paving. In the future, I believe that recycling will become a significant part of our business. It is already being integrated from the start in our business development when we develop our concepts, products and services.

On the whole, I am convinced that work on sustainability issues must be part of the daily business and companies that do not realize this will not survive long term.

The third central issue is that we must and we really want to comply with our Code of Conduct. And, neither we nor the industry has been spared from problems involving inadequate business ethics. It is therefore even more important to work on these issues and for many years we have focused on our values and our Code of Conduct. We are now taking another step in this effort as we launch the Compass. This represents a further developed program and support for our employees in order to comply with our Code of Conduct. It is adapted to the operations – we specify exactly what our values and business ethics mean to us in certain situations in our work. We have trained employees in the organization who will receive and answer questions – we call the function Ask Me. We also have the opposite function, Tell Me, which is an expansion of our whistleblower function. All our employees will now take the next step through training. It must be easy to do the right thing and this will contribute to profitability.

The fourth central issue is safety at our worksites. For us, it is important that our employees have a safe and secure workplace. Accordingly, we have a zero vision for worksite accidents. Since this is one of the most important issues for the Group, the work environment issue is a standing item on the agenda for Group Management and the Board of Directors. We had fewer workplace accidents in 2012 compared with 2011. I am happy that the trend is moving in the right direction but I am not satisfied. Here, Norway is best in the Group and will also be the benchmark for our other countries.

To exert more pressure on the safety issue, we introduced an Awareness Day two years ago, during which work comes to a halt; we discuss safety issues and prepare improvement proposals. The entire Group Management participates – I was in Luleå at our Lulsundsberget project. We were visited by the Minister of Labor, Hillevi Engström, at the project in the Norrström tunnel and here are some of her comments. [Movie]. This year, the Board will participate in Awareness Day and visit various projects. Awareness Day is something we implement with all our employees in all our markets, simultaneously. Safety is something we must never stop talking about – it must be there, every day, all year round. It must be a natural part of our DNA. This is the last of the four issues that I regard as key to developing our business.

But there are naturally other important features with which we work on a daily basis; for example, our purchasing processes, project control and our quality work. But, everything is basically about people in order to be able to develop our business strategically and to secure our daily operation. Accordingly, we need the best expertise for the future to continue to build an even stronger NCC.

We have focused a long time on driving the equal opportunities issue. We are also aware that it is difficult in our industry; it is a matter of culture and traditions, but it is we who must change. If we consider the total distribution of our employees, it is approximately 90/10 in favor of the men. We have a way to go. If we consider the distribution of senior executives in total in NCC, the proportion of women is 22 percent. Our objective is 30 percent, which is the distribution among new graduates from the country's engineering universities. For us, the idea of equal opportunities is not only a percentage. We are convinced that we can do better business with a mixed team, both with respect to a mix of men and women, but also employees from various ethnic backgrounds. For example, last year we went from one woman in our Group Management to four.

To secure the regeneration of expertise for the future, we are focusing on many activities. In Sweden alone, slightly more than 500 young people participate annually in our various ventures for apprentices and trainees. We also invest in our other Nordic countries. We visit colleges and universities. And, for example, we offer trainee positions to students who have completed high school via the Technical Leap project, which is currently driven by IVA, the Royal Swedish Academy of Engineering Sciences, in cooperation with the business community. NCC receives some 40 trainees per term through the initiative.

Every year, we also conduct a human capital survey and have received good ratings over the years. Job satisfaction here is above average for the industry, for which I am delighted because I am convinced that satisfied employees generate better business.

In closing, we have completed a good year. One of the best in NCC's history. I feel highly gratified. But, as I said earlier – it all starts now. We have a strategy that stands firm until 2015 and I am convinced that there will be numerous opportunities to develop profitably in our markets in the future.

Thank you.