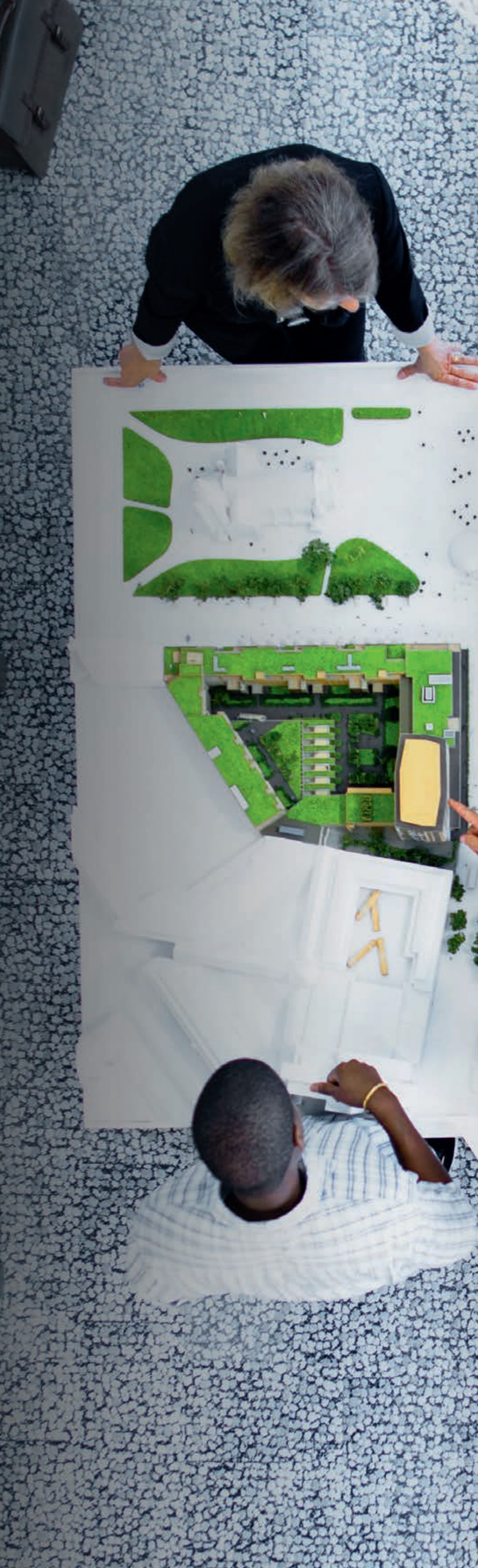
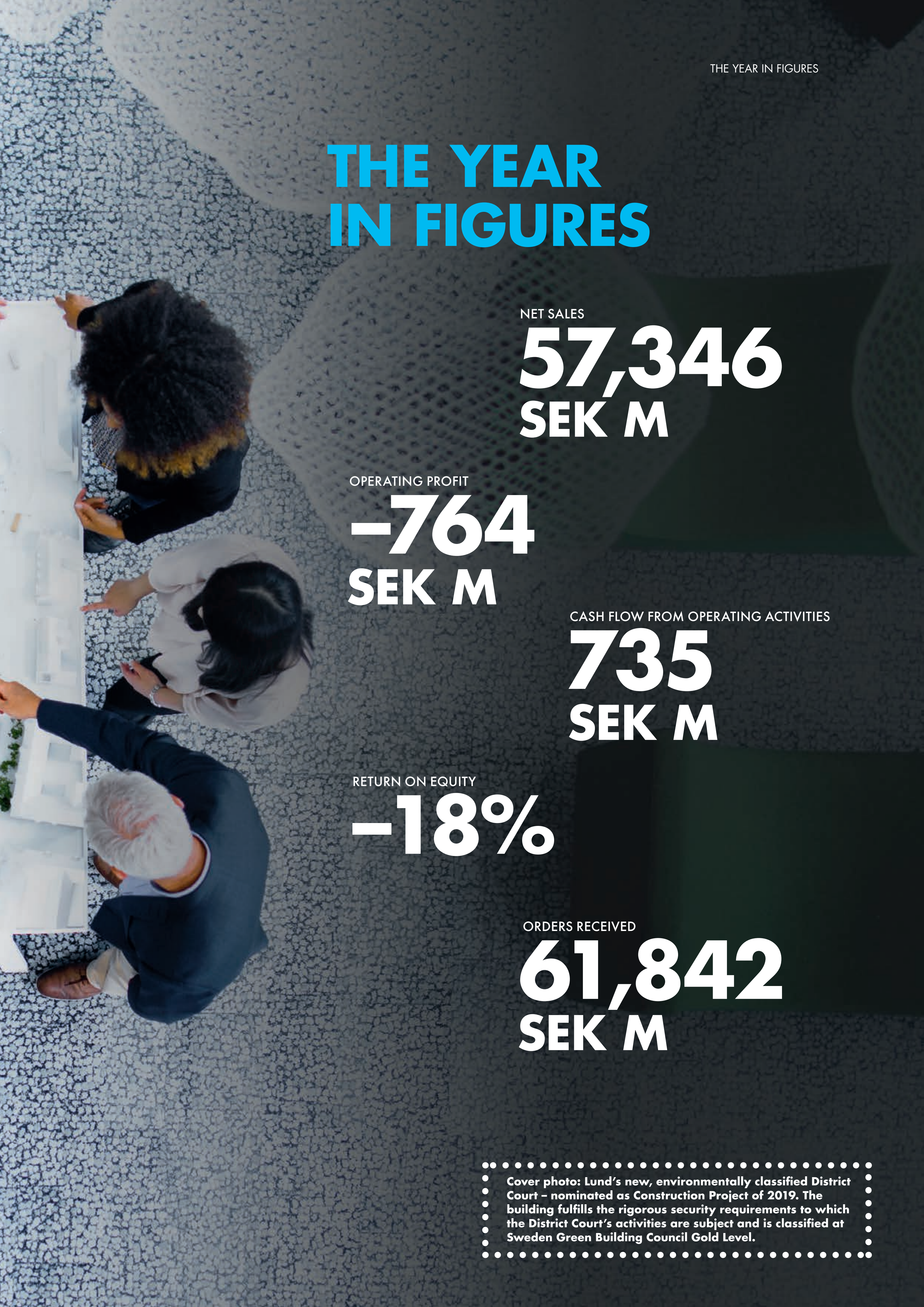
Annual Report 2018

CONTENTS





THE YEAR IN FIGURES

NET SALES
57,346 SEK M

OPERATING PROFIT
–764 SEK M

CASH FLOW FROM OPERATING ACTIVITIES
735 SEK M

RETURN ON EQUITY
–18%

ORDERS RECEIVED
61,842 SEK M

Cover photo: Lund's new, environmentally classified District Court – nominated as Construction Project of 2019. The building fulfills the rigorous security requirements to which the District Court's activities are subject and is classified at Sweden Green Building Council Gold Level.

FOUNDATION FOR A STRONG FUTURE FOR NCC

Since assuming the role as President and CEO in May, I have traveled around the organization and had many meetings with employees to discuss the operations. I have had meetings with all parts of the Group in all markets and have been strengthened by the expectations for change that exist in NCC. This adds power to the change process and is a platform for a strong future.

I spent my first two quarters gaining an impression of where NCC currently stands. By October, my analysis was ready and can be outlined as follows: NCC have a strong core. About two-thirds of the Group is performing well. We have successful operations in all countries and business areas, but we also have a number of operations that are not. One-third of the Group's operations are underperforming or operating at a loss. This is something we must change.

In October, I therefore presented an action plan aimed at strengthening profitability throughout the organization. The actions included:

- Processes for the divestment and closure of unprofitable operations.
- Turnaround plans for the civil engineering operations in Norway and the Building Nordics business area.
- Strengthened organization with new recruitments to key positions, training initiatives and the development of control and follow-up processes for tendering and projects. The aim of all of this is to achieve a general improvement.
- Enhanced process for risk assessment of projects.

We then launched the process of implementing these measures. We have already made considerable progress. The restructuring measures have begun. Several key recruitments have been made. A number of Danish, Finnish and Norwegian properties have been sold, and we have reduced the company's risk level by more cautious income recognizes of construction projects. We have closed down four unprofitable asphalt plants. ViaSafe, which accounts for road safety solutions, was divested in December. The sales process for the Road Service division is proceeding as planned.

These are key actions for creating a foundation for a strong future for NCC. But more has to be done. And it will take time before the measures gain their full effect. This will be a stable improvement journey with the long-term aim of ringing in and further improving the core operations. Rather than focus on rapid short-term changes, we are letting the process take time so that we will achieve the right objectives.

We are now entering the next stage of the change process. My mission is to further increase our focus on and proximity to our projects. We must be more meticulous in how we select projects, how we approach and implement them, and how we manage risks.

Healthy market

The market conditions in 2018 were generally good. The economies in the Nordic countries are stable. All of our business areas had a healthy level of orders received throughout the year. The order backlog was added to and totaled SEK 56.8 billion at year-end.

In the construction sector, a changed demography and expanding cities are driving the demand for schools, hospitals and retirement homes. The market for refurbishment is favorable in Denmark and Finland. Demand for newly produced tenant-owner apartments has weakened in Sweden and toward the end of the year also in Denmark but we have offset this by increasing orders in other segments where NCC's specialist expertise and experience are of great significance. Customer demand for long-term partnerships and early involvement is increasing throughout the contracting operations.

Public-sector infrastructure initiatives are fueling the Nordic infrastructure market and generating strong growth in Norway and Sweden. The share of projects in excess of SEK 100 M is increasing.

In the industrial segment, a strong civil engineering market is driving demand for asphalt and stone materials in Norway and Sweden. Sales of stone materials are being boosted by multiple infrastructure projects. The demand for asphalt is healthy, apart from in Denmark, driven by such factors as higher funding of roads and increased maintenance.

Transaction volumes for property development in the Nordic region are at a high level. Low yield requirements from investors and high demand for modern and sustainable new premises provide favorable market conditions.

We are now entering the next stage of the change process.

The net result for the year reflects the need for restructuring

The full-year result was a loss, due to provisions, revaluations, impairment losses and restructuring costs being charged against profit. The result was naturally a disappointment but the actions taken are necessary and create conditions for improving profitability.

NCC has the financial strength needed to drive and develop the business and, by the end of the year, we had also reduced the Group's risk level.

Although a company's success is measured in many ways, its financial performance is still the main ratio. When evaluating these performances, our focus is on three objectives and a dividend policy.

- An operating margin of at least 4 percent.
- A return on shareholders' equity of at least 20 percent.
- Net debt of no higher than 2.5 times EBITDA.
- A dividend to shareholders of at least 40 percent of profit after tax.

These objectives are reasonable and realistic. We are currently some way from achieving them but we are working determinedly to do so in the future.

NCC is at the heart of society

The Nordic societies where NCC is active are facing major challenges and opportunities. NCC touches on large parts of society through projects where the countries' inhabitants reside, work, live and move around. By being receptive to these needs, through smooth and professional implementation for both customers and the surrounding society, and its citizens, and by focusing on quality that ensures that what we build lives on and functions for a very long time, we make an impression.

We build attractive housing that more people can afford, and are at the forefront of efforts to increase efficiency and reduce construction costs while maintaining the quality of housing. The fact that demand for tenant-owner apartments is declining does not mean that the housing shortage in Sweden has disappeared. This can be met with cost-efficient, standardized housing products, for which NCC offers several alternatives. Sustainable refurbishment of older residential areas and development of inclusive city districts are other important features of our offering.

We develop, build and refurbish offices and other places of work that meet the highest sustainability standard. In the workplaces of tomorrow, we contribute both the physical and the social environment for the wellbeing of businesses and employees.

We bring together societies and join cities to land using intelligent, sustainable solutions for roads, railways, bridges, tunnels and efficient public transport solutions. Transportation must function well for the rest of society to work. As one of the largest Nordic operators, NCC is able to develop methods, techniques, materials and cooperative formats that lead infrastructure construction into the future.

We work to create a cost-effective healthcare environment where the focus is always on what is best for the patient and on helping to increase the wellbeing of those who work there. Early involvement of technical and medical expertise makes it possible to both find the best solutions and implement them optimally in important and sensitive environments.

We create environments that facilitate learning. I'm talking about both new builds and refurbishment of everything from preschools to universities, which we do in a dialog with municipalities, teachers and pupils. The building of schools and preschools will become even more important in the future.

We help to create meaningful leisure for people by offering everything from bike paths, sports and swimming facilities to inspiring environments for shopping and other recreation. It is also conceivable that park construction will also become more important. The changed role of the bicycle, the increase in physical fitness and the way the retail trade is changing are just a few trends that are impacting this development.

We also take responsibility for what cannot be seen but is essential for the smooth functioning of modern life. This involves things that are underground, in walls and in the air. We in the Nordic region were reminded in 2018 that even here water supply should not be taken for granted, but this can also involve heat, electricity, water and sewage, treatment plants and broadband. NCC also offers earth and groundworks, piling and sustainable stone materials, which ensure that buildings and transports stand on solid ground.

All players must become more long term

For this type of societal investment, the planning and preparation horizon is 15–20 years. There is already a great need for many such investments, such as in housing or in the infrastructure. A more long-term approach among all those involved would be good for the stability of residential construction and social infrastructure. It is also important not to view the various forms of construction as being separate from each other. Infrastructure construction, for example, is a prerequisite for office and residential construction.

We join cities to land using intelligent, sustainable solutions.

Let's take a Swedish example. The whole of Sweden needs efficient flight connections to the capital. Today, Bromma Airport plays an important role. According to political agreements, the airport is to be closed in 2038. However, the decision on the airport's future, and how a possible phase-out is to be structured, cannot wait as long as that. If Arlanda or another airport is to be developed instead, the decision must be made shortly. Another example is the expansion of the metro system, which has a long planning horizon and cannot be shortsightedly dictated by today's conditions in the housing market. In this area, the time perspective for decisions must be very long term.

By maintaining quality and a high level of expertise, we can maintain our position at the cutting edge of the development of solutions in all of these areas. This is how NCC is involved in retaining the attractiveness of regions.

Being a professional partner to the customer is important in the construction industry. This is not only about being interested in and knowing the customers, but above all about understanding what they need. By partnering with our customers, we add value. This involves many different levels and also understanding technical requirements, views on time and the commercial prerequisites.

An industry and a company to evolve in

Difficulties in recruiting the right competencies are a challenge for the entire industry. Today, this is mainly about finding engineers, although skilled workers are also expected to ultimately become more difficult to recruit.

This is a challenge that I have been contemplating a lot for a long time. Why do we fail in communicating what exciting and enriching jobs exist in our industry?

Right from the start, employees get to conduct advanced tasks, in terms of business, technology and management. What the employee does will be of decisive importance to both the local community and society at large for a long time to come. There are opportunities to have a meaningful and lasting impression on society. This translates into incredible satisfaction.

In my own career, I started as an engineer. During my first few years at NCC, I focused on construction, technology and project management. Subsequently, in various roles, I have had other duties, where I have focused on and learned a lot about leadership, communication and business. But those who don't want to do that can continue to dig deeper into technology and have a decisive impact on the housing, workplaces, infrastructure and community building of tomorrow.

The entire construction industry must become better at explaining how enjoyable and stimulating it is to work in this industry. At NCC, we can make a contribution by leading the way and being a developmental and attractive organization that attracts and retains the best talents.

Customer requirements help us take the vanguard in sustainability

The purpose of NCC's sustainability work is to create conditions for people to work, reside, travel and live in a sustainable manner. And in so doing, we must increase value for our customers, employees and shareholders, and society at large.

Sustainability work encompasses considerations involving health and safety, social inclusion, materials and waste management, energy usage and climate adaptation, as well as ethics, compliance and the design of our product portfolio. Overall, the decisions we make and how we act in these areas form the foundation for NCC's future development.

We want to be a developmental and attractive organization.

A construction company has a special reason to highlight safety issues. In this context, the organization tests its ability to change behaviors and work methods. When we succeed, this benefits both employees and customers. NCC has a zero vision with respect to worksite accidents. The aim must always be to make worksites 100 percent safe.

We are unfortunately not quite there yet. Every accident is unfortunate, but what is most important is to reduce serious accidents. Although the serious accidents are not increasing, they are not decreasing either, so our focus must primarily be kept there.

Overall, our worksites are characterized by highly rigorous safety work. During 2018, 95 percent of them were completely free from accidents leading to absence from work.

Another important sustainability measure is naturally to reduce our environmental footprint. We can make a difference in many areas and are also doing so. In our industrial operations, for example, we have become much better at recycling asphalt and increasing numbers of asphalt plants are fueled with wood pellets rather than oil. In Sweden, NCC has converted 23 of a total of 28 asphalt plants for the use of biofuel.

However, the greatest impression that NCC can make in the environmental area is in its construction projects, by providing intelligent materials, energy and climate solutions. Construction is about satisfying customer requirements. Accordingly, customer requirements are key to conducting large-scale sustainability work. For us, this is about being able to offer sustainable solutions and demonstrating the potential that exists to our customers.

NCC supports the UN's Global Compact initiative and its ten principles involving human rights, labor conditions, the environment and anticorruption. In our annual communication concerning our progress, we describe the measures we are taking to integrate the Global Compact and its principles into our business strategy, culture and daily operations.

Goods and services

Since purchasing accounts for approximately 75 percent of NCC's sales, developing competitive and structured purchasing solutions is of key importance to the Group's finances. The focus is on utilizing our size through, for example, advantageous framework agreements and also on developing and accumulating knowledge and experience. This enables the projects to use the right type of supplier and solution, while also promoting efficient production, with freed-up time and lower total costs.

Our competitive edge is also sharpened by more purchases from our international supplier base. By establishing long-term relations with our key suppliers, we take control of production risks. We can more easily ensure that we live up to environmental and safety requirements, for example.

During the year, we developed a mobile user-friendly purchasing tool, NCC Webshop. Using this, standardized products, such as workwear and tools, can be simply and efficiently ordered directly at the worksite.

Future-proof digitization opportunities

Every day, we see evidence of a more advanced and complex world. This moves us to adapt our work methods in all areas. Digitization is changing the construction and property industry, just like all other industries. NCC was one of the first companies to start using the modern digitized technologies. This has given us a high degree of maturity and an understanding of the value. We have reorganized our IT management and are involved at the cutting edge of development in our industry.

Digitization provides opportunities in multiple dimensions, both for internal efficiency and in our meetings with customers. Owning information and data will be key to success. An increasingly integrated and controlled information flow between processes in the construction projects will contribute to shorter lead-times and more reliable quality.

In our civil engineering projects, we have long used GPS-based automated control for optimizing worksite logistics. Drones are used continuously to follow up and provide planning documentation. In a not too distant future, we will see robotization of heavy, repetitive and risky tasks at our worksites. We will be able to use sensors both during the implementation period and to be able to learn from building processes and deliver better solutions to our customers.

The creation and use of industry standards for digital processes enhances efficiency and quality and, in this context, we are leading the way and spearheading development. Major digital collaborations are also increasing awareness of information security and the risks of shared data.

Developing an operational model

After my initial period in the company, I see even more clearly that we must work according to a shared operational model. We have initiated the process to find this. However, it is not something that can be done overnight. It is a complex process with important considerations to be made for local conditions and different business models.

NCC has the right conditions to succeed in all of the areas I have described. I am incredibly impressed by our employees, who have taken on the change work by utilizing all of the knowledge and experience that they possess. We're on the right path. But it will take time before we reach our destination. It's a stable path and I am looking forward to the work.

Solna, March 2019

Tomas Carlsson
President and CEO

THIS IS NCC

» NCC is one of the leading construction and property development companies in the Nordic region, with sales of more than SEK 57 billion and 16,500 employees. NCC is active throughout the value chain in its efforts to create environments for work, living and communication.

Construction and civil engineering

NCC Infrastructure

NCC Infrastructure supplies entire infrastructure projects, from design and construction to production and service. Activities comprise projects of all sizes.

NCC Building Sweden

NCC Building Sweden builds sustainable housing, offices and public and commercial premises in Sweden. Healthcare buildings, schools, swimming centers and residential refurbishment are included as an increasingly important feature of the operation.

NCC Building Nordics

NCC Building Nordics builds and refurbishes sustainable public premises, hospitals, housing, offices and commercial properties for public and private customers in Denmark, Finland and Norway.

Industry

NCC Industry

NCC Industry produces and sells stone materials and asphalt products, and performs asphalt paving and piling works in Sweden, Norway, Denmark and Finland.

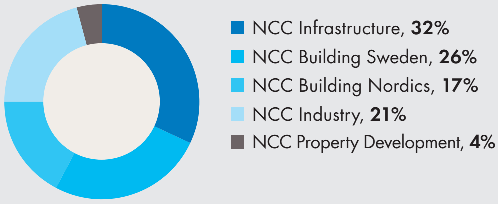
Development

NCC Property Development

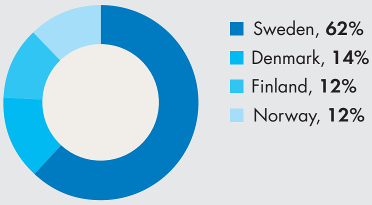
NCC Property Development develops and sells sustainable office, commercial and logistics properties in prime locations in defined growth markets in the Nordic region.

Sales 2018

SHARE SALES PER BUSINESS AREA



SHARE SALES PER COUNTRY



Powerfully positive market drivers

- **Growing cities and continued population growth**
- **Stable Nordic economies with reasonable growth forecasts**
- **Generally strong construction demand**
- **Large-scale infrastructure projects in Norway and Sweden**
- **Strong demand for schools, hospitals and elderly care in cities**

Financial **objectives**

Operating margin

Objective ≥4.0% — Outcome 2018 −1.3%

Return on equity

Objective ≥20% — Outcome 2018 −18%

Net debt

Objective <2.5 times EBITDA — Outcome 2018 1.6 times EBITDA

Dividend policy

Objective ≥40% share of net profit — Dividend SEK 4 per share

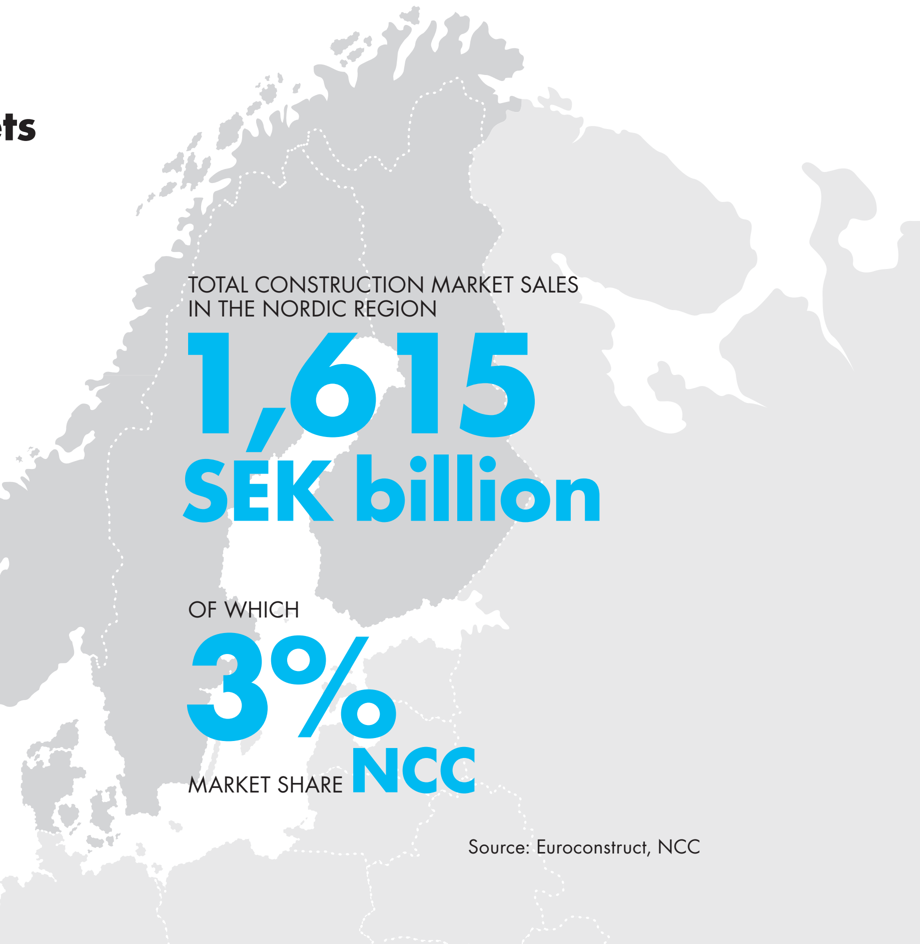
Working in NCC

At NCC, there are multiple roles, operations and career paths to choose from. Working at NCC means becoming involved and taking decisions that improve the everyday life of people both today and tomorrow.

NCC is a value-guided company where the company's shared values of Honesty, Respect, Trust and Pioneering Spirit contribute to a culture that encourages cooperation and is based on respect for each other's competencies and experience. NCC works actively to increase diversity at all levels of the company, knowing that diversity contributes to a dynamic working climate and, ultimately, to more innovative solutions. NCC has zero tolerance for worksite accidents and works continuously to ensure that improvements are made to ensure safe and healthy workplaces.

NCC's geographical markets

The principal geographic markets comprise Sweden, Norway, Denmark and Finland. Sweden is NCC's largest market, accounting for 62 percent of consolidated sales. In 2018, sales in the Nordic construction market totaled about SEK 1,615 billion. NCC is one of the largest players, with a market share of 3 percent.



Source: Euroconstruct, NCC

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 2018 fiscal year.

GROUP RELATIONSHIP

From January 22, 2003 through May 20, 2016, NCC AB was a subsidiary of Nordstjernan AB, corporate registration number 556000-1421. At the end of 2018, Nordstjernan had a holding corresponding to 47 percent (47) of the voting rights in NCC AB, thus making NCC an associated company of Nordstjernan.

OPERATION

NCC is one of the leading Nordic construction and property development companies, 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. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

OPERATIONS DURING THE YEAR

Market

Market conditions were generally favorable in 2018. The economies in the Nordic countries are stable. In the construction sector, a changed demography and expanding cities are driving the demand for schools, hospitals and retirement homes. Demand for newly produced housing has weakened from a high level in Sweden and toward the end of the year also in Denmark. The market for refurbishment is favorable in Denmark and Finland.

Public-sector infrastructure initiatives are fueling the Nordic infrastructure market and generating strong growth in Norway and Sweden. The share of infrastructure projects in excess of SEK 100 M is increasing.

In the industrial segment, a strong civil engineering market is driving demand for asphalt and stone materials in Norway and Sweden.

Low yield requirements from investors and high demand for modern and sustainable new premises provide favorable market conditions in the Nordic property market.

Changes in the business area structure

The NCC Building business area was divided into two new business areas on October 1, 2018: NCC Building Sweden and NCC Building Nordics.

Changes among senior executives

On January 3, 2018, NCC announced that Kenneth Nilsson had been appointed Business Area Manager of NCC Infrastructure and member of the Executive Team (ET). Kenneth Nilsson assumed his new position in April 2018, replacing Göran Landgren who had been Acting Business Area Manager since September 25, 2017.

Tomas Carlsson was appointed the new President and CEO of NCC on January 12, 2018. Tomas Carlsson had previously been president of the publicly traded Swedish architecture and engineering consultancy Sweco since the end of 2012. Prior to that, he worked at NCC for nearly 20 years, most recently as Head of NCC's construction operations in Sweden. Tomas Carlsson assumed his new position at NCC in May 2018.

On August 28, 2018, NCC announced changes in the ET. Susanne Lithander was appointed new CFO and Ylva Lagesson was appointed Head of Development & Operations Services. Susanne Lithander assumed her new position in November. She joined NCC from BillerudKorsnäs, where she had worked as CFO for seven years. Prior to that, Susanne Lithander had been CEO of Mercuri International and worked in several roles at Ericsson. NCC's former CFO, Mattias Lundgren, left the company at the end of October. Ylva Lagesson had previously held a number of executive positions at NCC, such as Deputy Division Manager of NCC Building and Head of Market and Operational Development at NCC Construction Sweden. She was also CEO of Nobelhuset AB during 2017-2018.

Since October 2018, the ET comprises the President and CEO, the CFO, the Head of Development & Operations Services and the Business Area Managers. The Senior Management Team also includes Harri Savolainen, Head of Purchasing; Marie Reifeldt, Head of Human Resources; Ann-Marie Hedbeck, Senior Legal Counsel; and Maria Grimberg, Head of Communication.

In conjunction with the management changes, Ann Lindell Saeby, Head of Corporate Relations, and Håkan Broman, Senior Legal Counsel, left the Group.

In connection with the announcement that NCC had decided to divide the NCC Building business area into NCC Building Sweden and NCC Building Nordics, Henrik Landelius was appointed Head of NCC

ORDERS RECEIVED, ORDER BACKLOG, NET SALES AND EARNINGS PER BUSINESS AREA

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT	
SEK M	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
NCC Infrastructure	24,880	21,727	24,786	19,682	19,791	18,490	–993	–198
NCC Building Sweden	15,075	15,710	18,709	19,340	15,701	14,178	453	489
NCC Building Nordics	11,229	9,251	11,313	10,288	10,753	10,444	–227	–79
NCC Industry	12,943	12,522	3,092	3,059	12,968	12,393	350	577
NCC Property Development					2,157	2,567	–181	601
Total	**64,128**	**59,211**	**57,901**	**52,369**	**61,369**	**58,073**	**–597**	**1,389**
Other and eliminations	–2,286	–2,434	–1,064	–635	–4,023	–3,631	–166	–314
Group	**61,842**	**56,777**	**56,837**	**51,734**	**57,346**	**54,441**	**–764**	**1,075**

Building Sweden and thus a member of the ET, effective October 1. Henrik Landelius has long-standing experience of NCC, most recently as Division Manager of NCC Building Sweden within NCC Building and prior to that as Deputy President of NCC Construction Sweden. Klaus Kaae, former Head of NCC Building, was appointed Head of NCC Building Nordics and continued to be a member of the ET.

Ann-Marie Hedbeck had been acting Senior Legal Counsel since August 28 and was appointed permanent Senior Legal Counsel a month later.

In January 2019, Maria Grimberg was appointed permanent Head of Communication and a member of NCC's Senior Management Team. Also in January 2019, it was announced that Carola Lavén, Head of NCC Property Development and member of the ET, will leave her role during 2019 to take up a new position at the real estate company Castellum.

Orders received

In 2018, orders received by the NCC Group totaled SEK 61,842 M (56,777). The increase during the year was mainly attributable to NCC Infrastructure and NCC Building Nordics.

Orders received by NCC Infrastructure amounted to SEK 24,880 M (21,727), with the increase attributable to the Civil Engineering Norway division. The railway segment accounted for the largest share of orders received. Norway's share of orders received was 44 percent (48).

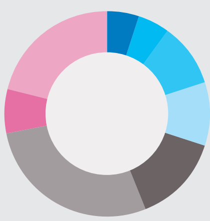
Orders received by NCC Building Nordics amounted to SEK 11,229 M (9,251). The increase was primarily attributable to higher orders received in Finland. The refurbishment segment was the largest segment during the year.

However, orders received by NCC Building Sweden declined to SEK 15,075 M (15,710). The share of orders received for refurbishment and public buildings increased during the year.

Notable examples of projects included in orders received during the year: Project Centralen, commuter train station and railway tunneling at the West Link tunnel project in Gothenburg, order value about SEK 4.7 billion; The Venjar-Eidsvoll railway section, Norway, for Bane NOR, order value about SEK 1.7 billion; The Sandoy Tunnel in the Faroe Islands, order value about SEK 1.2 billion; Expansion of the Ångström Laboratory in Uppsala, order value about SEK 0.9 billion; Offices and hotels at Helsinki central station, order value about SEK 0.7 billion.

PROJECT SIZE OF ORDERS RECEIVED, 2018, NCC INFRASTRUCTURE, NCC BUILDING SWEDEN AND NCC BUILDING NORDICS

Projects exceeding SEK 300 M increased most during the year, while orders received for midsize projects of between SEK 50–300 M declined. Projects of between SEK 5–50 M accounted for a slight increase, while the very smallest projects (less than SEK 5 M) declined. The diagram reflects SEK 51 billion of the total orders received of SEK 62 billion. The Group's total orders received also include NCC Industry.



MAJOR ONGOING PROJECTS

Projects >SEK 500 M		NCC's share of order value	Completion rate, Dec 31, 2018, %	Estimated year of completion
Railway section, West Link, Gothenburg	SE	4,695	5%	2026
Tunnel construction, Faroe Islands	NO	2,850	24%	2021
Production facility, Gruvön Mill	SE	2,840	92%	2019
Railway tunnel, Korsvägen, Örgryte	SE	2,290	4%	2026
National Highway 4, Hadeland	NO	1,729	98%	2020
Railway section Venjar–Eidsvall Nord, Eidsvoll	NO	1,670	2%	2023
Children's hospital extension, Gothenburg	SE	1,572	62%	2020
Hospital extension, Stockholm	SE	1,488	92%	2020
University Hospital, Örebro	SE	1,366	51%	2021
Tunnel construction, Sandvika–Wøyen	NO	1,277	97%	2019
Tunnel construction, Gvammen-Aarhus	NO	1,251	95%	2020
Railway section, Lund	SE	1,062	23%	2022
Campus biotechnology research, Copenhagen	DK	1,037	95%	2019
University buildings, Uppsala University	SE	853	6%	2021
Expansion of hospital, Ryhov	SE	805	35%	2021
Cogeneration plant, Upplands-Bro	SE	800	77%	2019
Wind farm, Piteå	SE	794	75%	2019
Interchange, Häggvik	SE	774	26%	2021
Offices, Solna	SE	770	98%	2020
Hospital project, Oulu	FI	767	84%	2022
Housing refurbishment, Copenhagen	DK	741	97%	2019
Hotel and offices at Central Station, Helsinki	FI	735	6%	2021
Interchange, Gothenburg	SE	713	81%	2020
Expansion of Falkoner Center, Fredriksberg	DK	701	70%	2019
Train maintenance depot, Hässleholm	SE	698	44%	2020
Earth and groundworks, Norvik	SE	677	93%	2019
Housing units, Tuborg Havn, Copenhagen	DK	660	16%	2021
Refurbishment of housing units, Copenhagen	DK	649	97%	2019
Interchange, Hjulsta	SE	639	46%	2020
Housing, preschool & stores, Stockholm	SE	638	44%	2020
Hospital, Jönköping	SE	626	75%	2020
Housing, Uppsala	SE	605	5%	2023
Ice hockey facility, Oslo	NO	586	46%	2020
Redevelopment of Sergelhuset, Stockholm	SE	582	38%	2020
Refurbishment and extension, university, Gothenburg	SE	570	63%	2020
Expansion of gates, Landvetter Airport	SE	542	30%	2020
Cultural district, Örebro	SE	542	9%	2021

Net sales

The NCC Group's net sales totaled SEK 57,346 M (54,441) during 2018. All business areas, apart from NCC Property Development, reported higher net sales. The increase in construction operations resulted from a high work-up rate in a number of major projects received in 2017.

Earth and groundworks, roads and railways jointly accounted for just over half of NCC Infrastructure's sales and Sweden accounted for nearly 80 percent of sales.

NCC Building Sweden's net sales were higher as a result of an increased work-up rate in a number of major projects. Housing was the single largest product segment, at 30 percent, even though this percentage was lower than in 2017, followed by renovation and refurbishment, at just over 20 percent.

NCC Building Nordics' net sales increased as a result of a higher work-up rate in Denmark, but were lower in Norway and Finland. The segments housing, which declined during the year, and renovation and refurbishment, which increased during the year, were equally large in 2018. The office segment also rose during the year.

Within NCC Industry, sales were higher in the asphalt operations, due to higher asphalt prices, driven by higher bitumen and energy costs. Sales were also higher in Norway and Denmark.

NCC Property Development's sales amounted to SEK 2,157 M (2,567) in 2018. Nine (five) projects were recognized in profit during the year, but at lower individual amounts than in 2017.

Net profit for the year

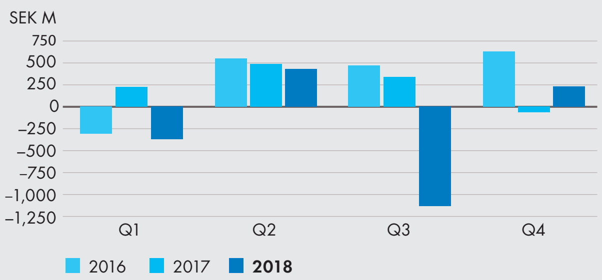
The NCC Group's operating result for 2018 was SEK –764 M (1,075). The full-year loss was mainly due to the provisions, revaluations and impairment losses totaling SEK 1,565 M that were carried out in the third quarter.

NCC Infrastructure's operating result was lower in all divisions, with Civil Engineering Norway recording the largest decline. A large part of the deterioration was due to the revaluations totaling SEK 727 M carried out in the third quarter, including revaluations of claims and warranties, impairment losses in the project portfolio and restructuring costs.

The operating result in NCC Building Sweden was slightly lower year-on-year. The result was charged with higher revaluations than in the preceding year, with most of the project adjustments impacting the third quarter but also to a certain extent the fourth quarter.

PROFIT AFTER FINANCIAL ITEMS

In the first quarter of 2018 both net sales and profit after financial items was lower than in the first quarter 2017, mainly as a consequence of lower net sales and profit in NCC Property Development. During the second quarter, sales increased while earnings declined slightly year-on-year. During the third quarter, a comprehensive analysis of operations resulted in revaluations that were charged against profit. During the fourth quarter, earnings improved as a result of transactions in NCC Property Development.



NCC Building Nordics' operating result was lower, primarily due to negative revaluations in the third quarter.

NCC Industry's operating result was lower in all divisions. Within the Asphalt division, improved results were noted in Sweden and Norway, while results in Finland and Denmark declined due to intensified competition. The results of stone materials operations were at a healthy level, excluding the revaluations posted in the third quarter. The results of foundation engineering were impacted not only by lower sales in Sweden but also by negative revaluations in the third quarter.

During the year, NCC Property Development recognized nine (five) projects were in profit, of which four in Finland, two in Sweden, two in Denmark and one in Norway. Earnings were affected by the revaluation of SEK 363 M of development properties in Norway, Denmark and Finland due to decisions taken in the third quarter of 2018 to discontinue these. One of these properties, Stavanger Business Park, was sold during the year at a price that exceeded the previously impaired carrying amount.

Other and eliminations amounted to SEK –166 M (–314). This item included SEK –187 M (–116) for NCC's Head Office and losses from minor subsidiaries and associated companies. It also included eliminations of inter-company gains of SEK 11 M (10). Other Group adjustments, essentially comprising the difference in accounting policies between segments and the Group (in part for pensions) as well as provisions amounted to SEK 10 M (–208).

Net financial items amounted to SEK –85 M (–91). Interest rate effects on loans and investments, lower credit margins and higher capitalization of interest rates for NCC Property Development had a positive effect, although this was offset by increased costs due to higher net debt during the year. After financial items, the result was SEK –849 M (983). The net result after tax for the year was SEK –750 M (877).

FINANCIAL POSITION

Profitability

The return on shareholders' equity was –18 percent (17)

Capital employed

Capital employed at December 31, 2018 amounted to SEK 7,619 M (9,174), a decrease mainly due to higher interest-free liabilities. Comments on the consolidated balance sheet are presented on p. 22.

Net debt

Net debt amounted to SEK 3,045 M (debt: 149). The year-on-year change was mainly due to lower cash flow and higher pension debt.

Equity/assets and debt/equity ratio

On December 31, 2018, the equity/assets ratio was 11 percent (19). The debt/equity ratio was a multiple of 1.0 (0.0).

CASH FLOW

Cash flow from operating activities in 2018 was SEK –375 M (2,158). The deterioration was mainly due to a lower operating result, increased investments in development properties and lower cash flow from sales of property projects. The preceding year included the sale of the Torsplan 2 property in Stockholm, which made a considerable contribution to cash flow. The revaluations implemented in 2018 had no material negative impact on cash flow during the year.

SEASONAL EFFECTS

NCC Industry's operations and certain operations in NCC Building Sweden and NCC Building Nordics are impacted by seasonal variations due to cold weather. The first and final quarters are normally weaker than the rest of the year.

BRANCHES OUTSIDE SWEDEN

The Parent Company has branches in Norway, Denmark and Finland. However, no operations are conducted in the branches in Denmark and Finland.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit obligations under the Environmental Code in the Swedish Parent Company and the Swedish subsidiaries.

Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations, plus a number of piling plants, conducted by NCC Industry that affect the external environment, as well as the construction and civil engineering operations conducted by NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. Within NCC Industry, quarries and harbors are subject to permit obligations, while asphalt and piling production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Industry also conducts recycling operations that are subject to permit obligations. Some of these include landfills, which are also subject to permit obligations. The external environment is mainly impacted by emissions to air, waste generation and noise. No significant injunctions according to the Environmental Code exist.

STATUTORY SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 and Chapter 7, Sections 31 a-c of the Swedish Annual Accounts Act, NCC has decided to prepare the Parent Company's and the Group's statutory sustainability report as a separate report that is not part of the official annual accounts. The Sustainability Report encompasses all subsidiaries and is defined on page 89.

PERSONNEL

The average number of employees in the NCC Group in 2018 was 16,523 (17,762). This represents a decrease compared with 2017, due to a lower number of employees within all business areas, apart from NCC Property Development. NCC Infrastructure and NCC Industry accounted for the greatest decrease.

In all of our markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer.

Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.

NCC is a value-guided company and the objective is that all employees will be able to take decisions and actions based on the Group's shared values: Honesty, Respect, Trust and Pioneering Spirit. Since NCC's business partners have an important role to play in the operations, they are also expected to respect and live up to NCC's values.

Together with NCC's values, NCC's policy for health and safety constitutes the foundation for creating a healthy and safe workplace.

Health and safety incidents are reported to Synergi, the Group's digital system, which functions as both a Web system and an app. The system is used to report accidents and close calls, as well as negative and positive observations. According to Synergi, injuries caused by slips and slides and the use of handheld equipment are the most prevalent accidents at NCC. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments.

During 2018, the Group continued to implement and improve work methods and procedures in health and safety work that have been developed in recent years. These measures include safer behavior, safety equipment, work aids and tools. NCC did not experience any work-related fatality during 2018.

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees thrive, perform and develop. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. NCC's female network Stella celebrated its 20th anniversary in 2018. The network works for more gender-equal norms in the construction industry and for an increase in female managers.

BUSINESS AREA

NCC Infrastructure

Orders received by NCC Infrastructure amounted to SEK 24,880 M (21,727), with the increase attributable to the Civil Engineering Norway division. The railway segment accounted for the largest share of orders received. Norway's share of orders received was 44 percent (48). Several large-scale projects were recognized in orders during the year, including the project Centralen, commuter train station and railway tunneling at the West Link project in Gothenburg, order value of about SEK 4.7 billion; the Venjar-Eidsvoll railway section, Norway, for Bane NOR, order value of about SEK 1.7 billion; and the Sandoy Tunnel in the Faroe Islands, order value of about SEK 1.2 billion.

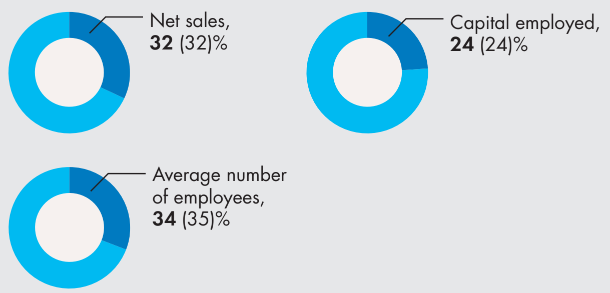
Net sales totaled SEK 19,791 M (18,490), thanks to high activity in Sweden, through a number of major projects. Earth and groundworks, roads and railways jointly accounted for just over half of NCC Infrastructure's sales and Sweden accounted for nearly 80 percent of these sales. Sweden is NCC Infrastructure's largest market, accounting for 53 percent (57) of sales, followed by Norway with 18 percent (19).

The operating result declined to SEK –993 M (–198). Results were lower in all divisions, with Civil Engineering Norway recording the largest decline. A large part of the deterioration was due to the revaluations totaling SEK 727 M implemented in the third quarter, of which revaluations of claims and warranties accounted for SEK 458 M, impairment losses in the project portfolio for SEK 225 M, restructuring costs and revaluation of a property for SEK 8 M and other revaluations for SEK 36 M. The fourth quarter of 2018 was charged with restructuring costs of SEK 49 M. A decision has been made to divest the NCC Road Service division.

KEY PERFORMANCE INDICATORS

SEK M	**2018**	2017
Orders received	24,880	21,727
Net sales	19,791	18,490
Operating profit	–993	–198
Operating margin, %	–5.0	–1.1
Average no. of employees	5,286	5,992
Cash flow before financing	–481	–101

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Building Sweden

Orders received by NCC Building Sweden amounted to SEK 15,075 M (15,710). The share of orders received for refurbishment and public buildings increased during the year. One of the largest orders reported during the year was the expansion of the Ångström Laboratory in Uppsala with an order value of about SEK 0.9 billion. The residential segment's share of orders received declined during the year to 17 percent (37) of orders received.

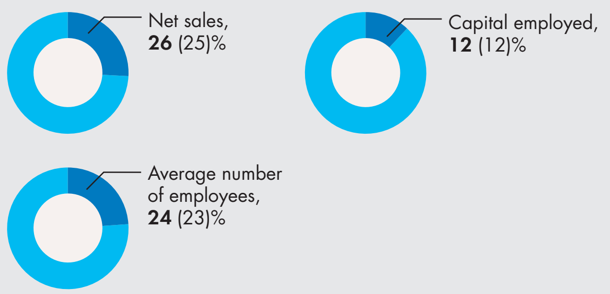
Net sales during 2018 increased year-on-year to SEK 15,701 M (14,178). The increase in net sales was the result of a higher work-up rate in a number of major projects. Residential was the single largest product segment, at 33 percent of sales, followed by renovation and refurbishment, at just over 20 percent.

The operating result was SEK 453 M (489). The operating result was charged with higher revaluations than in the preceding year, with most of the project adjustments impacting the third quarter but also to a certain extent the fourth quarter. The third quarter included revaluations of claims and warranties in an amount of SEK 74 M and other revaluations of SEK 9 M.

KEY PERFORMANCE INDICATORS

SEK M	**2018**	2017
Orders received	15,075	15,710
Net sales	15,701	14,178
Operating profit	453	489
Operating margin, %	2.9	3.4
Average no. of employees	3,732	3,821
Cash flow before financing	385	787

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Building Nordics

Orders received by NCC Building Nordics amounted to SEK 11,229 M (9,251). The increase was primarily attributable to higher orders received in Finland. The refurbishment segment was the largest segment during the year. One of the largest projects included in orders received during the year was an office and hotel project at Helsinki Central Station, with an order value of about SEK 0.7 billion.

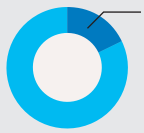
NCC Building Nordics' net sales increased as a result of a higher work-up rate in Denmark, but were lower in Norway and Finland. The segments residential, which declined during the year, and renovation and refurbishment, which increased during the year, were equally large in 2018. The office segment also increased during the year.

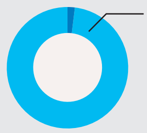
The operating result was SEK –227 M (–79). The deterioration was due primarily to negative revaluations in the third quarter, of which revaluations of claims and warranties accounted for SEK 117 M, restructuring costs for SEK 14 M and other revaluations for SEK 81 M. The fourth quarter was charged with restructuring costs of about SEK 95 M.

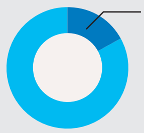
KEY PERFORMANCE INDICATORS

SEK M	2018	2017
Orders received	11,229	9,251
Net sales	10,753	10,444
Operating profit	–227	–79
Operating margin, %	–2.1	–0.8
Average no. of employees	2,722	2,829
Cash flow before financing	400	19

SHARE OF NCC TOTAL







BUSINESS AREA

NCC Industry

NCC Industry's net sales amounted to SEK 12,968 M (12,393). Sales were higher in the asphalt operations, due to higher asphalt prices, driven by higher bitumen and energy costs. Geographically, sales were higher in Norway and Denmark. Sales by stone materials operations were higher in all markets apart from Finland. Sold volumes of stone materials totaled 29,275 thousand tons (31,298). The decrease was due to lower volumes of sold stone materials in all markets apart from Denmark. Sales by asphalt operations were also higher year-on-year in Sweden, Norway and Denmark, but lower in Finland. Sold volumes of asphalt totaled 6,415 thousand tons (6,509). Sales by Hercules' foundation engineering operations were slightly lower year-on-year. Hercules' sales were higher in Denmark and Norway, but lower in Sweden.

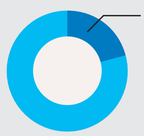
The operating result was SEK 350 M (577). Earnings declined in all divisions. The asphalt operations in Sweden and Norway improved their results, while Finland and Denmark's results declined due to intensified competition. The results of stone materials operations were higher year-on-year, excluding the revaluations posted in the third quarter. The business area's results were impacted by negative revaluations in the third quarter totaling SEK 115 M. These revaluations pertained to claims and warranties of SEK 44 M, restructuring costs of SEK 3 M and other revaluations of SEK 68 M.

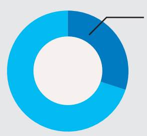
KEY PERFORMANCE INDICATORS

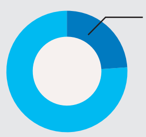
SEK M	2018	2017
Net sales	12,968	12,393
Operating profit	350	577
Operating margin, %	2.7	4.7
Capital employed	4,902	4,400
Return on capital employed, %	7.1	13.1
Average no. of employees	3,768	4,102
Stone materials, 1,000 tons[1]	29,275	31,298
Asphalt, 1,000 tons[1]	6,415	6,509

[1] Sold volume

SHARE OF NCC TOTAL







BUSINESS AREA

NCC Property Development

Sales for NCC Property Development amounted to SEK 2,157 M (2,567). The operating result declined year-on-year to SEK –181 M (601). Earnings were affected by the revaluation of development properties in Norway, Denmark and Finland in an amount of SEK 363 M due to decisions taken in the third quarter of 2018 to discontinue these. One of these properties, Stavanger Business Park, was sold during the year at a price that exceeded the previously impaired carrying amount.

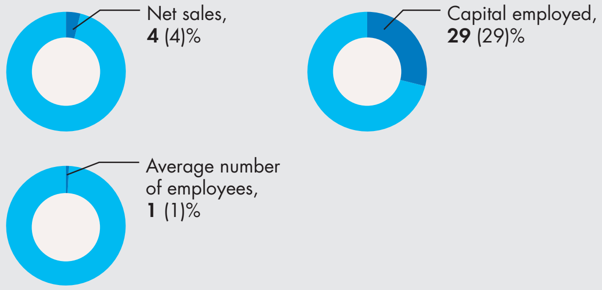
During the year, nine (five) projects were recognized in profit, of which four in Finland, two in Sweden, two in Denmark and one in Norway. The share of sales for the segments Retail and Other increased, while the Office segment's share was lower year-on-year. The operating net in 2018 amounted to SEK 38 M (50).

Five (eight) property projects were started during the year, which were all office projects. At the end of 2018, 18 projects (22) were ongoing or completed but not yet recognized in profit at a total project cost of SEK 2.7 billion (2.4), equal to a completion rate of 35 percent (45), while the leasing rate was 49 percent (60). Leases were signed for some 71,200 square meters (69,700) during the year.

KEY PERFORMANCE INDICATORS

SEK M	**2018**	2017
Net sales	2,157	2,567
Operating profit	–181	601
Operating margin, %	–8.4	23.4
Capital employed	4,314	4,086
Return on capital employed, %	–3.9	15.7
Average no. of employees	94	92

SHARE OF NCC TOTAL



THE NCC SHARE

At December 31, 2018, NCC's registered share capital comprised 13,337,895 Series A shares and 95,097,927 Series B shares, of which 402,050 were held in treasury. The shares have a quotient value of SEK 8.00 each.

To cover commitments according to the long-term performance-based incentive program LTI 2018, the AGM on April 11, 2018 authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to participants in LTI 2018. The shares may be bought back on Nasdaq Stockholm at a price per share within the registered span of share prices at the particular time. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2015, LTI 2016 and LTI 2017) and LTI 2018.

In 2018, NCC bought back 101,022 Series B shares at an average price of SEK 158.49, corresponding to 0.09 percent of the share capital, and sold 31,952 Series B shares at an average price of SEK 198.33, corresponding to 0.03 percent of the share capital. During the year, NCC also distributed 20,343 Series B shares, corresponding to 0.02 percent of the share capital, to participants in the long-term, performance-based incentive program from 2015. Thereafter, the company holds 402,050 Series B shares in treasury at an average price of SEK 198.33.

Series A shares carry 10 votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 48,373 Series A shares were converted to Series B shares.

The number of NCC shareholders at year-end was 48,863 (46,333), with Nordstjernan AB as the largest individual holder accounting for 17 percent (16) of the share capital and 47 percent (47) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 56 percent (48) of the share capital and 67 percent (64) of the voting rights.

NCC had a revolving credit facility with a volume of EUR 325 M at December 31, 2018. 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 Nasdaq Stockholm, the credit facility may be terminated by the lenders.

NOMINATION WORK

Ahead of the 2019 AGM, NCC's Nomination Committee comprises Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB), Simon Blecher (Carnegie Funds) and Anders Oscarsson (AMF/AMF 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.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2018 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 90–99.

PARENT COMPANY

The Parent Company's net sales pertain to charges to Group companies. The average number of employees was 71 (74). In 2018, earnings were charged with costs totaling SEK 33 M for departing personnel. Impairment of shares and participations totaled SEK 644 M. The result after financial items was SEK –445 M (411). Total dividends to the shareholders in 2018 amounted to SEK 864 M.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend for the 2018 fiscal year of SEK 4.00 per share. The dividend will be divided into two payment occasions. April 11, 2019 is proposed as the record date for the first payment of SEK 2.00 and November 5, 2019 for the second payment of SEK 2.00. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 16 and the second dividend on November 8, 2019. 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.

EVENTS AFTER THE BALANCE-SHEET DATE

On January 14, 2019, it was announced that NCC's Nomination Committee will propose that Alf Göransson be elected to the NCC Board of Directors. Board member Carina Edblad has declined reelection. Reelection of the other existing seven members is proposed.

The Nomination Committee proposes that the Board of Directors, insofar as it is elected by the Annual General Meeting, comprise eight members with no deputies.

Alf Göransson served as CEO of Securitas between 2007 and 2018. Prior to that, he was President and CEO of NCC between 2001 and 2007. He is Chairman of the Board of Loomis and Board member of Sweco, Attendo, Hexpol, Melker Schörling AB, Axfast, Johnson Inc. and Sandberg Development Group.

On January 22, 2019, it was announced that Carola Lavén will be stepping down from her membership of ET and as the head of the NCC Property Development business area to become the Deputy CEO and Investment Director at real estate company Castellum. Carola Lavén will continue in her current position until July 22 at the latest.

REMUNERATION

A description of salary, compensation and terms of employment of the CEO and other employees in the company is presented in Note 5, Number of employees, personnel expenses and remuneration of senior executives, pp. 39-42.

The guidelines proposed to the 2019 AGM correspond with what was resolved by the 2018 AGM, except that the short-term variable remuneration payable to members of the ET, apart from the CEO, is capped at between 30 and 40 percent of fixed salary (assuming that the long-term performance-based incentive program is adopted), compared with the previous cap of 40 percent.

If the AGM resolves not to adopt a long-term performance-based incentive program, the remuneration of members of the ET, apart from the CEO, will be capped at between 40 and 50 percent of fixed salary, compared with 50 percent in the motion to the 2018 AGM.

The proposed guidelines to the 2019 AGM also mean that a member of the ET who terminates his/her employment at NCC's initiative is normally entitled to a six-month period of notice. Under the previously applicable guidelines, the period of notice was 12 months. Under certain employment contracts signed in 2018 or previously, a period of notice of 12 months applies.

In 2018, the Board of Directors exercised its right to disapply the guidelines in isolated cases and for specific reasons in that the President and CEO's maximum short-term variable remuneration exceeded the cap stated in the guidelines in effect when the employment contract was signed, that the President and CEO received a fixed bonus of 60 percent of the maximum variable remuneration and that he has a defined-contribution pension corresponding to 40 percent of basic monthly salary. For another senior executive, possible severance pay is not deductible from other remuneration. In both cases, the Board's rationale for disapplying the guidelines was to be able to recruit the candidates that the Board regarded as the most suitable for their respective positions.

The Board of Directors' motion concerning guidelines for determining salary and other remuneration of the President and Chief Executive Officer and other members of the Executive Team (ET)

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's Executive Team (ET), as resolved by the 2018 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 company's ET, the Board proposes that the long-term performance-based incentive program be repeated for 2019 and, accordingly, that the short-term variable remuneration be reduced by 10 percentage points from the basic level. These guidelines encompass Senior Management Team, including the CEO, currently totaling 12 people.

The objective of the guidelines for salary and other remuneration of the ET is to enable NCC 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 amount payable to the ET comprises fixed remuneration, variable remuneration and the long-term performance-based incentive program as well as pension and other benefits.

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

Short-term variable remuneration. The short-term variable remuneration must be maximized and related to the fixed salary, as well as being based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. 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 the long-term performance-based incentive program is adopted by the 2019 AGM, the short-term variable remuneration for the CEO will be capped at 65 percent of fixed salary. For other members of the ET, it will be capped at between 30 and 40 percent of fixed salary. The variable short-term remuneration is to be revised annually. It is estimated that full utilization of the company's undertakings for the short-term incentive program in relation to the executives concerned will cost the company a maximum of about SEK 24 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 75 percent of fixed salary and that for other members of the ET will be capped at between 40 and 50 percent of fixed salary, which is estimated to correspond to a cost at maximum outcome of about SEK 29 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 salary. The President and CEO has a defined-contribution pension with a premium pledge of 40 percent of contractual fixed salary. Members of the ET who are active in Sweden and have an employment contract subject to Swedish terms and conditions, are entitled, in addition to basic pension, which is normally based on the ITP plan (the collectively bargained agreement on pension for white collar workers), to receive a defined-contribution supplementary pension of 30 percent of pensionable salary increments exceeding 30 income base amounts. Pensionable salary is defined in accordance with ITP, Department 2. The income base amount for 2019 is SEK 64,400. Members of the ET who have an employment contract according to the terms and conditions of another country are covered by pension solutions in accordance with local practices.

NCC aims to harmonize the retirement age of members of the ET at 65 years.

Other benefits. NCC provides other benefits to members of the ET 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 the ET who terminates employment at NCC's initiative is normally entitled to a 6-month period of notice combined with severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new employer. 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

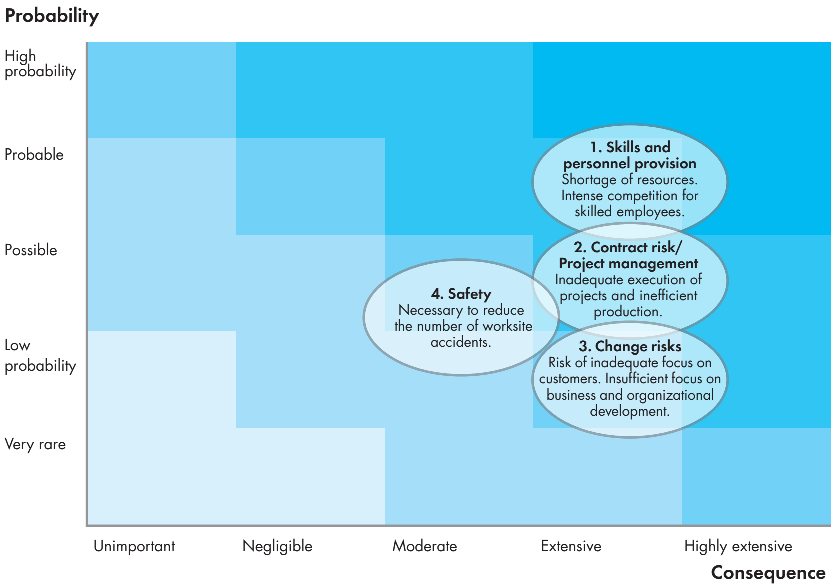
The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for Members of the ET, and for other senior executives and key personnel within the NCC Group (LTI 2019). The proposal essentially matches the long-term performance-based incentive programs adopted by the AGM in April 2018. A total of 174 executives are included in LTI 2018. The Board is of the opinion that incentive programs of this type benefit the company's long-term development. The purpose of LTI programs is to ensure a focus on the company's long-term profitability and to minimize the number of worksite accidents. It is proposed that LTI 2019 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, Number of employees, personnel expenses and remuneration of senior executives, on pp. 39-42.

Significant risks and uncertainties

Within NCC, the management of strategic, financial and operational risks is a significant feature of operations and a prerequisite for a stable and profitable company. NCC's risk management is designed to rapidly identify risks to be able to act and address them.

Four risks that have been identified as having the greatest impact on NCC's opportunities to achieve its objectives are described in the diagram. An assessment has been made of the probability of these risks occurring and the impact they are assessed to have should they occur.



SENSITIVITY AND RISK ANALYSES
The figures are based on the outcome in 2018.

	Change	Result effect after net financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC INFRASTRUCTURE					
Volume	+/–5%	5	0.1	0.1	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–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	198	3.7	2.3	
NCC BUILDING SWEDEN					
Volume	+/–5%	53	1.0	0.6	For NCC Building Sweden, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–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	157	2.9	1.8	
NCC BUILDING NORDICS					
Volume	+/–5%	24	0.5	0.3	For NCC Building Nordics, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–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	108	2.0	1.2	
NCC INDUSTRY					
Volume	+/– 5%	41	0.8	0.5	NCC Industry's operations are affected by such factors as price levels and the volume of produced and paved asphalt, which is dependent on length of the season.
Operating margin	+/–1 percentage point	130	2.4	1.5	
Capital rationalization	+/– 10%	6	0.1	–0.5	
NCC PROPERTY DEVELOPMENT					
Sales volume, projects	+/–10%	34	0.6	0.4	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 ongoing projects could change the value of such projects.
Sales margin, projects	+/–1 percentage point	21	0.4	0.2	
GROUP					
Changed interest rate, net debt*	+/–1 percentage point	30	0.6		At December 31, 2018, net debt totaled SEK 3,045 M (149), an increase on 2017, but net debt/EBITDA was a multiple of 1.6 at the end of 2018, which is better than the target of an upper limit of 2.5.
Volume change, net debt	SEK 1,000 M	13	0.2	–1.0	
Change in equity/assets ratio	–5 percentage points		–9.3		

* Excluding pension debt according to IAS 19.

RISK AREA	DESCRIPTION	PROBABILITY	IMPACT	CONTROL ACTIVITIES
OPERATIONAL RISKS				
1. SKILLS AND ACCESS TO HUMAN RESOURCES	To a considerable extent, construction operations constitute a service activity, whereby the employees are a success factor. The competition for human resources is intensive and effective personnel provision is a prerequisite for achieving growth and profitability. From a strategic perspective, human resources provision is considered a risk factor in respect of achieving financial objectives.	Probable	Substantial	The business areas have identified key competencies and work continuously to retain, recruit and develop employees in these areas. NCC takes a Group-wide approach to strategic resource planning and to being an attractive employer, and sees opportunities to broaden the recruitment base.
2. CONSTRUCTION CONTRACT AND PROJECT MANAGEMENT RISK	Within contracting operations, the main operational risks are project selection and project management/production efficiency. In a growing market, there is a risk that a sharp increase in orders received will lead to a shortage of project management capacity.	Possible	Substantial	NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operational risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.
3. ORGANIZATIONAL AND CHANGE RISKS	A decentralized operation undergoing organizational change can firstly lose customer focus and secondly lose efficiency in implementing changes.	Low probability	Substantial	Central focus and governance, as well as follow-up of actions taken in the operations, minimize the risk that changes are not implemented.
4. SAFETY RISKS	Construction projects include many dangerous aspects, such as work at heights, tools requiring the right handling and the lifting of heavy elements.	Possible	Moderate	NCC works systematically to eliminate accidents in order to realize its vision zero and to promote a safety culture, where everyone reacts and responds to vulnerabilities in the work environment and to disruptive or unsafe behaviors.
SUSTAINABILITY				
TRANSGRESSION OF THE CODE OF CONDUCT	NCC is a player in society with a broad customer and supplier base. NCC employees have historically breached internal rules and restricted competition on a few occasions.	Low probability	Substantial	NCC has been focusing continuously and actively for the past few years on the company's values and provides training in the Code of Conduct, NCC Compass, including ethical dilemmas, and in competition law within relevant operations.
SUPPLIER AND MATERIALS RESPONSIBILITY	The supply chains in the construction sector represent a risk of having inadequate control of, for example, the employment conditions of subcontractors and suppliers.	Possible	Moderate	NCC works systematically to assess and expand its control of the supply chain. At the same time, NCC works with systems designed to secure good work conditions, such as through its own staffing company NCC Montage. Tools for ensuring traceability include logbooks and digital standardized identification of construction products (GTIN).
PRODUCTION CONTROL	Inefficient materials and energy consumption result in unnecessarily high production costs and carbon emissions. Volatile weather conditions, such as increased rainfall or high temperatures, can lead to delays in projects, damage to materials and difficult work conditions.	Possible	Moderate	NCC works in a targeted and systematic manner to reduce emissions and increase resource efficiency, with regular results follow-ups and by adapting measures to the sustainability framework's target process. NCC takes into account such factors as long-term weather scenarios when planning relevant projects.

RISK AREA	DESCRIPTION	PROBABILITY	IMPACT	CONTROL ACTIVITIES
FINANCIAL RISKS & REPORTING				
INTEREST-RATE RISK	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.	Very rare	Moderate	NCC's finance policy has been decided by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks. Refer also to Note 38.
EXCHANGE-RATE RISK	The exchange-rate risk is the risk that exchange-rate changes will adversely affect NCC's income statement, balance sheet or cash flow statement.	Possible	Moderate	See above
REFINANCING RISK	Refinancing risk is the risk that opportunities for financing will be limited and/or that the cost will be higher when expiring loans have to be refinanced, which could adversely impact NCC's operations, earnings and financial position.	Very rare	Moderate	See above
LIQUIDITY RISK	The liquidity risk refers to the risk that NCC does not have sufficient access to funds at a given time, which could adversely impact the Group's ability to fulfill its payment obligations.	Very rare	Moderate	See above
CREDIT AND COUNTERPARTY RISKS IN FINANCIAL OPERATIONS	Credit and counterparty risks in financial operations refers to the risk that NCC's financial counterparties are unable to fulfill their obligations to NCC.	Very rare	Moderate	See above
CUSTOMER CREDIT RISK	Customer credit risk refers to the risk that NCC's customers are unable to fulfill their payments to NCC for delivered goods and services.	Very rare	Moderate	At NCC, customer credit risks are managed through Group-wide procedures for identifying and assessing risks, both before agreements are reached with customers and continuously in operational follow-ups. NCC's credit risk in relation to accounts receivable has a high degree of risk spreading through a large number of projects of varying sizes and types with a multitude of different customer categories.
PERCENTAGE-OF-COMPLETION PROFIT RECOGNITION	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is calculated at the pace of completion. Should the anticipated profit from a project deteriorate during the project's production period, this could result in a need to reverse profit recognized earlier.	Possible	Substantial	By means of project control and continuous monitoring of production calculations, reconciliation of performed work and final status forecasts, it is possible to ascertain that the information is correct.

Consolidated income statement
with comments

SEK M	Note	2018	2017
Net sales	1, 2, 3, 20, 35	57,346	54,441
Production costs	5, 6, 8, 16, 25	–55,205	–50,460
Gross profit		**2,140**	**3,981**
Selling and administrative costs	5, 6, 7, 16, 17	–2,875	–2,933
Result from sales of owner-occupied properties	17	12	1
Impairment loss and reversal of impairment losses, fixed assets	8, 16, 17	–82	–7
Capital gain from sales of Group companies	9		21
Result from participations in associated companies and joint ventures		42	11
Operating profit/loss	2, 3, 10	**–764**	**1,075**
Financial income	12	36	39
Financial expense	12	–121	–130
Net financial items	12	**–85**	**–91**
Profit/loss after financial items		**–849**	**983**
Tax on net profit for the year	2, 24	99	–106
Net profit/loss for the year	13	**–750**	**877**
Attributable to:			
NCC's shareholders		–756	872
Non-controlling interests		6	5
Net profit/loss for the year		**–750**	**877**
Earnings per share			
Before and after dilution			
Profit/loss after tax, SEK	2	–7.00	8.07
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before and after dilution during the year		108.1	108.1
Total number of shares outstanding before dilution at year-end		108.0	108.1

NET SALES

The NCC Group's net sales totaled SEK 57,346 M (54,441) during 2018. All business areas, apart from NCC Property Development, reported higher net sales. During the preceding year, a number of major projects were received that had a high work-up rate in 2018, which explains the increase in construction operations.

Earth and groundworks, roads and railways jointly accounted for just over half of NCC Infrastructure's sales and Sweden accounted for nearly 80 percent of sales.

NCC Building Sweden's net sales were higher as a result of an increased work-up rate in a number of major projects. Housing was the single largest product segment, at 30 percent, even though this percentage was lower than in 2017, followed by renovation and refurbishment, at just over 20 percent.

NCC Building Nordics' net sales increased as a result of a higher work-up rate in Denmark, but were lower in Norway and Finland. The segments housing, which declined, and renovation and refurbishment, which increased, were equally large in 2018. The office segment also rose during the year.

Within NCC Industry, sales were higher in the asphalt operations, due to higher asphalt prices, driven by higher bitumen and energy costs. Sales were also higher in Norway and Denmark.

NCC Property Development's sales amounted to SEK 2,157 M (2,567) in 2018. Nine (five) projects were recognized in profit during the year, but at lower amounts than in 2017.

OPERATING RESULTS

The NCC Group's operating result for 2018 was SEK –764 M (1,075). The full-year loss was mainly due to the provisions, revaluations and impairment losses totaling SEK 1,565 M that were carried out in the third quarter.

NCC Infrastructure's operating result was lower in all divisions, with Civil Engineering Norway recording the largest decline. A large part of the deterioration was due to the revaluations carried out in the third quarter, including revaluations of ongoing claims and warranties, impairment losses in the project portfolio and restructuring costs.

The operating result in NCC Building Sweden was slightly lower year-on-year. The result was charged with higher revaluations than in the preceding year, with most of the project adjustments impacting the third quarter but also to a certain extent the fourth quarter.

NCC Building Nordics' operating result was lower, primarily due to negative revaluations in the third quarter.

NCC Industry's operating result was lower in all divisions.

Consolidated statement of comprehensive income
with comments

SEK M	Note	2018	2017
Net profit/loss for the year		–750	877
Items that were transferred or can be transferred to profit/loss for the year[1]			
Translation differences during the year in translation of foreign operations	2	90	27
Hedging of exchange-rate risk in foreign operations		–30	–7
Tax attributable to hedging of exchange-rate risk in foreign operations	24	6	1
Fair value changes for the year in cash flow hedges		–19	–19
Fair-value changes in cash flow hedges transferred to net profit for the year		–11	16
Tax attributable to cash flow hedges	24	6	1
		41	**19**
Items that cannot be transferred to profit/loss for the year			
Revaluation of defined-benefit pension plans	31	–818	–250
Tax attributable to items that cannot be transferred to profit/loss for the year		175	55
		–643	**–195**
Other comprehensive income during the year		**–602**	**–176**
Comprehensive income for the year		**–1,352**	**701**
Attributable to:			
NCC's shareholders		–1,358	696
Non-controlling interests		6	5
Total comprehensive income during the year		**–1,352**	**701**

[1] Also see the specification of the item Reserves in shareholders' equity, p. 27.

The asphalt operations in Sweden and Norway improved their results, while Finland and Denmark's results declined due to intensified competition. The results of stone materials operations were at a healthy level, excluding the revaluations posted in the third quarter. The results in foundation engineering were impacted not only by lower sales in Sweden but also by negative revaluations in the third quarter.

During the year, NCC Property Development recognized nine (5) projects were in profit, of which four in Finland, two in Sweden, two in Denmark and one in Norway. The result was affected by the revaluation of development properties in Norway, Denmark and Finland in an amount of SEK 363 M due to decisions taken in the third quarter of 2018 to discontinue these.

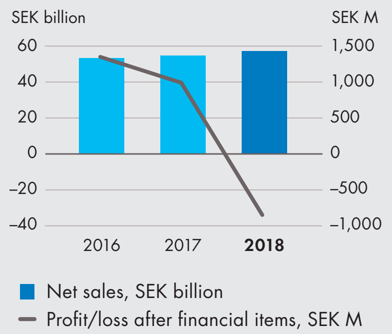
Other and eliminations amounted to an expense of SEK –166 M (– 314). This item included an expense of SEK –187 M (–116) for NCC's Head Office and losses from minor subsidiaries and associated companies. It also included eliminations of inter-company gains of SEK 11 M (10). Other Group adjustments, essentially comprising the difference in accounting policies between segments and the Group (in part for pensions) as well as restructuring provisions amounted to SEK 10 M (–208). The result after financial items was SEK –849 M (983).

NET FINANCIAL ITEMS
Net financial items amounted to an expense of SEK –85 M (–91). Interest rate effects on loans and investments, lower credit margins and higher capitalization of interest rates for NCC Property Development had a positive effect, although this was offset by increased costs due to higher net indebtedness during the year.

TAXATION
The effective tax rate for NCC was 12 (11) percent. Also refer to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

COMPREHENSIVE INCOME FOR THE YEAR
The change in other comprehensive income derived mainly from the net result for the year, and a revaluation of defined-benefit pension plans, for which a reduction in the discount interest rate and higher inflationary assumptions resulted in an increase in the pension liability in 2018. Any tax effects from 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 were higher in 2018 because NCC secured a large number of major projects in 2017 that had a high work-up rate in 2018. The loss for 2018 was mainly due to the provisions, revaluations and impairment losses totaling SEK 1,565 M that were carried out in the third quarter.



Consolidated balance sheet
with comments

SEK M	Note	2018	2017	2016
ASSETS	1, 20, 35			
Fixed assets				
Goodwill	16	1,861	1,848	1,851
Other intangible assets	16	339	335	275
Owner-occupied properties	17	915	880	814
Machinery and equipment	17	3,052	2,712	2,569
Long-term holdings of securities	19, 21	119	129	125
Long-term interest-bearing receivables	23	195	575	361
Other long-term receivables		119	26	62
Deferred tax assets	2, 24	531	338	163
Total fixed assets	38	**7,133**	**6,843**	**6,220**
Current assets				
Properties held for future development	25	1,633	1,696	1,780
Ongoing property projects	25	2,292	1,039	1,440
Completed property projects	25	308	870	808
Properties held for future development, housing	25			16
Participations in associated companies	25	226		
Materials and inventories	26	902	764	713
Tax receivables		146	241	42
Accounts receivable	38	9,629	8,882	7,682
Worked-up, non-invoiced revenues	27	1,276	1,554	1,704
Prepaid expenses and accrued income		1,418	1,170	1,061
Current interest-bearing receivables		163	167	152
Other receivables	23	608	687	446
Short-term investments	21, 37	72	41	190
Cash and cash equivalents	37	1,197	3,063	3,093
Total current assets	38	**19,868**	**20,174**	**19,128**
TOTAL ASSETS		**27,001**	**27,018**	**25,348**

FIXED ASSETS

Goodwill

NCC impairment tests goodwill annually or when there are indications of changes in value. Impairment losses were posted for that part of goodwill pertaining to NCC Infrastructure's operations in Norway. Despite the impairment losses, goodwill increased as a result of positive exchange-rate effects. Also refer to Note 16, Intangible assets.

Machinery and equipment

Machinery and equipment increased during the year. Investments in machinery primarily occurred in NCC Industry.

CURRENT ASSETS

Property projects

The value of property development projects increased as a result of a higher work-up rate in ongoing projects and fewer projects recognized in profit. Also refer to Note 25, Properties classified as current assets.

Accounts receivable

Accounts receivable increased primarily as a result of lower worked-up, non-invoiced revenues and a rise in advance invoicing within NCC Infrastructure.

Cash and cash equivalents

Cash and cash equivalents were lower year-on-year because these funds were used to finance firstly the negative cash flow before financing and secondly the payment of dividends and loan repayments. The negative cash flow before financing was primarily an effect of increased investments in property development projects within NCC Property Development.

LONG-TERM LIABILITIES

Long-term interest-bearing liabilities

Long-term interest-bearing liabilities declined because long-term liabilities became current during the year.

Provisions for pensions and similar obligations

Provisions for pensions increased during the year. When calculating the pension liability, assumptions regarding the discount interest rate were reduced and assumptions regarding inflation were increased, resulting in an increased liability.

Other provisions

Other long-term provisions increased through warranty commitments in the NCC Infrastructure, NCC Building Sweden and NCC Building Nordics business areas.

CURRENT LIABILITIES

Current interest-bearing liabilities

Current interest-bearing liabilities increased marginally despite redemption of loans because long-term liabilities became current during the year.

Invoiced revenues, not worked up

Invoiced revenues, non-worked-up revenues increased, primarily because of increased advance invoicing within the NCC Infrastructure business area.

Other current liabilities

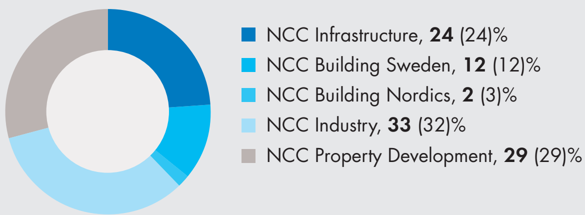
Other current liabilities increased, primarily due to higher advance payments from customers within NCC Infrastructure.

Consolidated balance sheet, cont'd.

SEK M	Note	2018	2017	2016
EQUITY	1			
Share capital	28	867	867	867
Other capital contributions		1,844	1,844	1,844
Reserves		–72	–113	–125
Earnings brought forward including profit/loss for the year		292	2,571	2,748
Shareholders' equity		**2,931**	**5,168**	**5,334**
Non-controlling interests		17	12	13
Total equity		**2,948**	**5,179**	**5,346**
LIABILITIES	1			
Long-term liabilities				
Long-term interest-bearing liabilities	29, 34	1,342	1,669	2,288
Other long-term liabilities	32	8	54	54
Provisions for pensions and similar obligations	31	2,279	1,407	1,008
Deferred tax liabilities	24	297	438	407
Other provisions	30	2,563	1,889	1,686
Total long-term liabilities	38	**6,488**	**5,456**	**5,443**
Current liabilities				
Current interest-bearing liabilities	29, 34	1,051	919	723
Accounts payable		5,164	5,179	4,427
Tax liabilities			95	115
Invoiced revenues, not worked up	2, 27	6,311	5,905	4,608
Accrued expenses and deferred income	33	3,452	3,207	3,205
Provisions	30	68	24	21
Other current liabilities	32	1,520	1,052	1,460
Total current liabilities	38	**17,566**	**16,382**	**14,558**
Total liabilities		**24,054**	**21,838**	**20,001**
TOTAL EQUITY AND LIABILITIES		**27,001**	**27,018**	**25,348**

CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

NCC Industry has the largest share of capital employed, followed closely by NCC Infrastructure and NCC Property Development. NCC Building Sweden and NCC Building Nordics have a relatively slightly lower share. The allocation in 2018 was essentially the same as in 2017.



PROFITABILITY

During 2018, a review of the operations was conducted to generate better conditions to boost profitability. The return on equity declined in 2018 due mainly to provisions, revaluations and restructuring costs, as well as impairment losses on projects and lower sales in construction operations.

Parent Company income statement
with comments

SEK M	Note	2018	2017
Net sales	1, 2	174	188
Gross profit		**174**	**188**
Selling and administrative costs	5, 6, 7, 8	–376	–403
Operating profit/loss		**–202**	**–215**
Result from financial investments			
Result from participations in Group companies	8, 9	–208	629
Result from other financial fixed assets		12	12
Result from financial current assets			4
Interest expense and similar items	11	–47	–19
Profit/loss after financial items		**–445**	**411**
Appropriations	14	545	582
Tax on net profit for the year	24	–101	–90
NET PROFIT FOR THE YEAR		**–1**	**903**

Parent Company statement of comprehensive income

SEK M	2018	2017
Net profit/loss for the year	–1	903
Total comprehensive income during the year	**–1**	**903**

The Parent Company consists primarily of head office functions plus a branch in Norway. There are two branches in Denmark and Finland, but no operations are conducted in them. The Parent Company income statement differs from the consolidated income statement in terms of presentation and designations of certain items, because the Parent Company's income statement is prepared in accordance with the Annual Accounts Act while the Group complies with IFRS.

Net sales amounted to SEK 174 M (188) and pertained to invoicing of Group companies. The average number of employees was 71 (74). In 2018, earnings were charged with costs totaling SEK 33 M for departing personnel. The value of shares and participations was impaired by SEK 644 M during the year.

Parent Company balance sheet
with comments

SEK M	Note	2018	2017
ASSETS	1		
Fixed assets			
Intangible fixed assets			
Development expenses	16		38
Total intangible fixed assets			**38**
Tangible fixed assets			
Machinery and equipment	17	24	8
Total tangible fixed assets		**24**	**8**
Financial fixed assets			
Participations in Group companies	18	5,518	4,678
Other long-term holdings of securities		45	45
Deferred tax assets	24	8	6
Total financial fixed assets	22, 38	**5,571**	**4,729**
Total fixed assets		**5,595**	**4,774**
Current assets			
Current receivables			
Accounts receivable		1	1
Receivables from Group companies		745	222
Other current receivables		3	1
Tax receivables		110	160
Prepaid expenses and accrued income		17	18
Total current receivables		**875**	**402**
Cash and bank balances	37		1,100
Balance in NCC Treasury AB	37	161	863
Total current assets	38	**1,036**	**2,365**
TOTAL ASSETS		6,631	7,139

SEK M	Note	2018	2017
SHAREHOLDERS' EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted shareholders' equity			
Share capital	28	867	867
Statutory reserve		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Earnings brought forward		1,850	1,824
Net profit/loss for the year		–1	903
Total unrestricted shareholders' equity		**1,850**	**2,727**
Total shareholders' equity		**2,891**	**3,768**
Provisions			
Provisions for pensions and similar obligations	31	1	1
Other provisions	30	7	8
Total provisions		**8**	**9**
Long-term liabilities			
Liabilities to Group companies	29	1,044	1,044
Other liabilities[1]	29	1,001	1,004
Total long-term liabilities	38	**2,045**	**2,049**
Current liabilities			
Accounts payable		25	33
Liabilities to Group companies	29	1,232	1,192
Tax liabilities			7
Other liabilities		355	5
Accrued expenses and deferred income	33	75	76
Total current liabilities	38	**1,687**	**1,313**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,631	7,139

[1] Of which, SEK 1,000 M pertains to reborrowing from the NCC Group's Pension Foundation.

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.

Financial fixed assets increased because participations in Group companies were higher year-on-year.

Total approved dividends to the shareholders amounted to SEK 864 M, of which SEK 432 M was to be paid in April and SEK 432 M in November 2018.

Changes in equity
with comments

GROUP

	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS						
SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Non-controlling interests	Total equity
Opening equity, Jan 1, 2017	**867**	**1,844**	**–125**	**2,967**	**5,553**	**13**	**5,566**
Adjustment for amended accounting policy: IFRS 15 Revenue from Contracts with Customers				–220	–220		–220
Adjusted opening balance, January 1	867	1,844	–125	2,747	5,333	13	5,346
Net profit/loss for the year				872	872	5	877
Other comprehensive income			19	–195	–176		–176
Total comprehensive income			**19**	**677**	**696**	**5**	**701**
Sale/Acquisition of company shares				–4	–4		–4
Performance-based incentive program				5	5		5
Dividend				–865	–865	–6	–871
Total transactions with the Group's shareholders				**–864**	**–864**	**–6**	**–869**
Equity on Dec 31, 2017	**867**	**1,844**	**–113**	**2,569**	**5,167**	**12**	**5,179**
Net profit/loss for the year				–756	–756	6	–750
Other comprehensive income			41	–643	–602		–602
Total comprehensive income			**41**	**–1,399**	**–1,358**	**6**	**–1,352**
Sale/Acquisition of company shares				–11	–11		–11
Performance-based incentive program				–4	–4		–4
Dividend				–864	–864		–864
Total transactions with the Group's shareholders				**–879**	**–879**		**–879**
Equity on Dec 31, 2018	**867**	**1,844**	**–72**	**292**	**2,931**	**17**	**2,948**

If the earlier policies for recognition of pensions according to IAS 19 had been applied, shareholders' equity would have been SEK 2,817 M higher and net debt SEK 2,279 M lower at December 31, 2018.

RECOGNITION OF EQUITY IN ACCORDANCE WITH IFRS AND SWEDISH COMPANIES ACT

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

CHANGE IN EQUITY
The change in 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 in all significant respects attributable to comprehensive income for the year and dividends to shareholders.

SHARE CAPITAL
On December 31, 2018, the registered share capital amounted to 13,337,895 Series A shares and 95,097,927 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 includes exchange-rate differences that arise from the revaluation of liabilities and currency forward contracts entered into as instruments to hedge net investments in foreign operations.

FAIR VALUE RESERVE
The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time that 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.

Changes in equity, cont'd.

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY		UNRESTRICTED SHAREHOLDERS' EQUITY		
	Share capital	Statutory reserves	Earnings brought forward	Net profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, Jan 1, 2017	**867**	**174**	**1,330**	**1,306**	**3,677**
Appropriation of profits			1,306	–1,306	
Total comprehensive income during the year				903	903
Merger gain			53		54
Sale/Acquisition of company shares			–4		–4
Dividend, cash			–865		–865
Performance-based incentive program			5		5
Shareholders' equity on Dec 31, 2017	**867**	**174**	**1,824**	**903**	**3,768**
Appropriation of profits			903	–903	
Total comprehensive income during the year				–1	–1
Sale/Acquisition of company shares			–11		–11
Dividend, cash			–864		–864
Performance-based incentive program			–4		–4
Shareholders' equity on Dec 31, 2018	**867**	**174**	**1,850**	**–1**	**2,891**

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.

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 2018:

A return on equity after tax of 20 percent. In 2018, the return on equity was –18 percent.

Net debt is not to exceed 2.5 times EBITDA. At December 31, 2018, net debt, excluding the pension liability, was 1.6 times EBITDA.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical liabilities for own account. In 2018 and 2017, these requirements were fulfilled. 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 7.

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	2018	2017
Translation reserve		
Translation reserve, January 1	–109	–128
Translation differences during the year in translation of foreign operations	90	25
Gain/loss on hedging of exchange-rate risk in foreign operations	–30	–7
Tax attributable to hedging of exchange-rate risk in foreign operations		1
Translation difference attributable to divested operations	6	
Translation reserve, December 31	**–43**	**–109**
Fair value reserve		
Fair value reserve, January 1		5
Fair value changes on available-for-sale financial assets recognized in profit/loss		–5
Fair value reserve, December 31	**0**	**0**
Hedging reserve		
Hedging reserve, January 1	–7	–4
Fair value changes for the year in cash flow hedges	–18	–19
Fair-value changes in cash flow hedges transferred to profit or loss	–11	16
Tax attributable to cash flow hedges	6	1
Hedging reserve, December 31	**–29**	**–7**
Revaluation reserve		
Revaluation reserve, January 1	2	2
Transfer to earnings brought forward	–1	
Revaluation reserve, December 31	**1**	**2**
Total reserves		
Reserves, January 1	–113	–125
Change in reserves during the year		
– Translation reserve	66	19
– Fair value reserve		–5
– Hedging reserve	–23	–2
– Revaluation reserve	–1	
Reserves, December 31	**–72**	**–113**

Cash flow statements
with comments

SEK M	Note	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
OPERATING ACTIVITIES					
Profit/loss after financial items, remaining operations		**–849**	**983**	**–445**	**411**
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	663	628	2	1
– Impairment losses and reversal of impairment losses	8	453	7	682	
– Exchange-rate differences		–17	131		
– Result from sales of fixed assets		–148	–82		73
– Changes in provisions	30	711	419	–1	1
– Group contributions					–55
– Other		–25	10		–1
Total items not included in cash flow		**1,637**	**1,112**	**683**	**21**
Tax paid		–53	–432	–59	–351
Cash flow from operating activities before changes in working capital		**735**	**1,664**	**179**	**81**
Cash flow from changes in working capital					
Sales of property projects		1,436	1,630		
Investments in property projects		–2,602	–1,152		
Reversal of commission relationship					–1,284
Other changes in working capital		55	17	–9	–125
Cash flow from changes in working capital		**–1,110**	**494**	**–9**	**–1,409**
Cash flow from operating activities		**–375**	**2,158**	**169**	**–1,328**
INVESTING ACTIVITIES					
Acquisition of subsidiaries/operations	37	–59	–96	–1,488	–305
Sale of subsidiaries	37	75			
Acquisition of buildings and land	17	–100	–52		
Sale of buildings and land		35	14		
Acquisition of other financial fixed assets			–5		
Sale of other financial fixed assets		47	6		
Acquisition of other fixed assets		–929	–825	–18	–10
Sale of other fixed assets		150	160		
Cash flow from investing activities		**–782**	**–797**	**–1,506**	**–315**
Cash flow before financing		**–1,157**	**1,361**	**–1,337**	**–1,643**
FINANCING ACTIVITIES					
Dividend paid		–864	–865	–864	–865
Acquisition/sale of company shares		–11	–4	–11	–4
Group contributions received				55	373
Loans raised		68	52	385	999
Amortization of loans		–263	–488		
Increase (-) / Decrease (+) in long-term interest-bearing receivables		380	–214		
Increase (-) / Decrease (+) in current interest-bearing receivables		–26	134	–30	895
Increase (+) in non-controlling interests, etc.			–6		
Cash flow from financing activities		**–717**	**–1,392**	**–466**	**1,399**
Cash flow for the year		**–1,874**	**–31**	**–1,802**	**–245**
Cash and cash equivalents, January 1	37	**3,063**	**3,093**	**1,963**	**5,835**
Less cash and cash equivalents on January 1 due to the terminated commission relationship					–3,628
Cash and cash equivalents on January 1, excluding commission relationship					2,207
Exchange-rate difference in cash and cash equivalents		8	1		
Cash and cash equivalents, December 31	37	**1,197**	**3,063**	**161**	**1,963**
Short-term investments with a maturity exceeding three months		72	41		
Total cash and cash equivalents at year-end		**1,269**	**3,104**	**161**	**1,963**

Cash flow statements, cont'd.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities totaled SEK –375 M (2,158) in 2018. Cash flow was negatively impacted by the result of operations and investments in property development projects in NCC Property Development. Other net changes in working capital were on a par with the preceding year. Positive adjustments for non-cash items essentially comprise higher provisions for warranties and loss-making projects, reversal of depreciation/amortization and impairment losses on fixed assets, as well as revaluation of properties classed as current assets.

OTHER CHANGES IN WORKING CAPITAL

	GROUP	
SEK M	**2018**	2017
Increase (-) / Decrease (+) in inventories	–127	–77
Increase (-) / Decrease (+) in receivables	–573	–2,288
Increase (+) / Decrease (-) in liabilities	755	2,383
Other changes in working capital	**55**	**17**

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to SEK –782 M (–797). Investments in machinery and equipment primarily occurred in NCC Industry.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities was SEK –717 M (–1,392). The lower year-on-year level was due primarily to lower loan repayments and lower long-term financial receivables in NCC Property Development, following the sale of the shares in Mölndals Galleria.

Total cash and cash equivalents including short-term investments with a maturity exceeding three months amounted to SEK 1,269 M (3,104).

NET DEBT

Net indebtedness (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31, 2018 amounted to SEK –3,045 M (–149). The year-on-year increase in net debt was due mainly to a negative cash flow before financing in 2018 and changes in the pension liability. The average maturity period for interest-bearing liabilities, excluding pension debt according to IAS 19, was 34 months (34) at year-end. NCC's unutilized committed lines of credit at year-end amounted to SEK 3.6 billion (3.5), with an average remaining maturity of 33 (44) months.

TREND IN NET DEBT

GROUP, SEK M	**2018 Jan–Dec**	2017 Jan–Dec
Net debt, January 1	–149	–222
Cash flow before financing	–1,157	1,361
Acquisition/sale of company shares	–11	–4
Change in pension debt	–872	–399
Exchange-rate difference in cash and cash equivalents	8	–20
Dividend paid	–864	–865
Net debt, closing balance	**–3,045**	**–149**

PARENT COMPANY

The year's cash flow before financing in the Parent Company was lower than in 2017 and amounted to SEK –1,337 M (–1,643). The year's cash flow was charged with capital contributions, essentially to NCC Norge AS and NCC Sverige AB. Cash flow from changes in working capital had a positive effect.

TREND IN NET DEBT, PER QUARTER

Net debt is normally affected by seasonal variations. More capital is normally tied up during the second and third quarters due to high activity in asphalt and civil engineering operations, as well as in parts of NCC Building. The spinoff of Bonava during the second quarter of 2016 reduced the debt in remaining operations. At the end of 2018, net debt amounted to SEK 3,045 M (149). The change was mainly the result of lower cash flow and higher pension debt.

Notes

CONTENTS NOTES

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 8, 2019. 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 9, 2019.

NEW IFRS AND AMENDMENTS TO IFRS TO BE APPLIED FROM 2018

The Group applied IFRS 15 and IFRS 9 for the first time as of January 1, 2018. Other amendments of IFRSs that are to be applied as of January 1, 2018 have had no material impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenues and IAS 11 Construction Contracts, including associated interpretations. NCC applies IFRS 15 retrospectively, with the overall effect recognized in shareholders' equity at January 1, 2017. Refer to Note 2, where the impact in 2017 is shown of the transition to IFRS 15, which relates to the NCC Infrastructure, NCC Building Sweden and NCC Building Nordics business areas.

According to IFRS 15, revenue is recognized when the customer gains control over the sold goods or services. This differs from the former basis of revenue being recognized when risks and benefits associated with ownership were transferred to the customer. Determining the timing for the transfer of control, meaning a certain date or over a period of time, requires accounting judgements. However, this difference in approach has not had any essential impact on NCC's revenue recognition in respect of revenue recognized over time (percentage of completion) or at a point in time.

NCC has identified two revenue streams where IFRS 15 has or could have a material impact on NCC's financial statements.

The first revenue stream concerns contract modifications related to change orders and contract claims for shortcomings in tender specifications and similar items, which mainly affect the NCC Building Sweden, NCC Building Nordics and NCC Infrastructure business areas. The requirements for being able to recognize revenue from contract modifications are more rigorous under IFRS 15 than under the former IAS 11 in terms of both the documented right to, and probability of, payment from the customer. A contractual modification exists even if the parties dispute the scope and/or the price of the modification. When assessing whether the modifications are enforceable, NCC must take all relevant facts and circumstances into account. If the parties fail to agree on the price, the revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not arise when the parties reach agreement. According to IAS 11, revenues in such cases would be recognized when it is regarded as probable that they will be approved by the customer.

The other revenue stream refers to the NCC Property Development business area's revenues from sales of commercial property projects before completion. The question is whether the revenue is to be recognized over time (percentage of completion) or as previously at a specific time (when the property has been completed and handed over to the customer). According to IFRS 15, the revenue is to be recognized over time (percentage-of-completion) unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work completed to date. If one of these criteria is not fulfilled, the revenue, as before, is to be recognized at a point in time – on completion and handover to the customer. Since NCC always agrees on delivery of a certain property to the customer, and it cannot be sold to anyone else, NCC, according to the definition in IFRS 15, never has an alternative use for the sold property. Concerning whether NCC is entitled to payment, certain legislation contains factors that indicate that NCC has such an entitlement, while other legislation indicates that this is not the case. Moreover, legal praxis has not been developed in this context. NCC's overall assessment is that in normal cases the uncertainty concerning NCC's entitlement to payment is so great that the revenue, as before, should be recognized at a point in time, on completion of the property and handover to the customer.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments. IFRS 9 establishes principles for recognition and measurement of financial assets, financial liabilities and certain contracts in respect of purchases and sales of non-financial instruments. In addition, the Group applies consequential amendments in IFRS 7 Financial Instruments: Disclosures that are applied to disclosures for 2018 but that have not yet been generally applied to comparative data.

IFRS 9 introduces new rules on areas such as the recognition and measurement of financial instruments, impairment of financial instruments and hedge accounting. NCC's analysis of the effects of IFRS 9 shows that the new rules do not impact the Group's financial position since IFRS 9 does not significantly impact the measurement. Nor does IFRS 9 entail any material impact on NCC's hedge accounting or NCC's provisions for credit losses.

In respect of the classification and measurement of financial assets and financial liabilities, IFRS 9 includes new categories that replace those stipulated in IAS 39. A table in Note 38 shows the categories of NCC's assets and liabilities that are classified according to IAS 39 and IFRS 9 but, as is apparent, they do not impact carrying amounts.

In respect of impairment losses, IFRS 9 replaces the "incurred credit loss model" from IAS 39 with an "expected credit loss model". The new impairment model is applied for financial assets measured at amortized cost and contract assets or debt instruments measured at FVTOCI, but not for investments in equity instruments. This had no impact on NCC's financial statements since the effect is not regarded as material.

In respect of hedge accounting, NCC has decided to apply a new general hedge accounting model in accordance with IFRS 9. This requires that the Group ensures that relationships within the hedge accounting comply with the risk management objectives and strategy and that the Group applies a more qualitative and forward-looking approach for determining the effectiveness of hedges.

The Group uses currency forward contracts to hedge the variation in cash flows that arises through changes in exchange rates related to foreign currency loans, receivables and sales and purchases of products. The Group identifies fair value changes for the forward component of currency forward contracts used as the hedging instrument in cash flow hedging relationships. The effective component of changes in the fair value of the hedging instrument is accumulated in the cash flow hedging reserve as a separate component of shareholders' equity.

According to IAS 39, changes in fair value attributable to the forward component of currency forward contracts (swap points) are to be recognized directly in profit or loss. Under IFRS 9, however, the Group has decided to switch to including the swap points in the hedging relationship and thus the entire change in the fair value of currency forward contracts is recognized in other comprehensive income and accumulated in the hedging reserve as a separate component of shareholders' equity. For an explanation of how the Group applies hedge accounting in accordance with IFRS 9, see Note 38.

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

The following new IFRSs do not become effective until the 2019 fiscal year and have not been applied in the preparation of the financial statements for 2018.

IFRS 16 Leases

The new standard IFRS 16 Leases will be applied as of January 1, 2019. IFRS 16 replaces the previous standard IAS 17. NCC will implement the standard according to the modified retrospective approach, which entails that identified leases will not be restated retrospectively; i.e. no impact on comparative figures for periods prior to 2019.

For lessees, IFRS 16 entails that the terms financial and operating leases cease to exist and instead the lessee is to recognize a right-of-use asset and a lease liability for all leases, with the exception of leases with a leasing term of a maximum of 12 months or leases applying to low-value assets. The right-of-use asset represents a right to use the underlying asset and the lease liability represents an obligation to pay leasing fees.

The NCC Group will recognize right-of-use assets with associated liabilities for vehicles, heavy production machinery, leased premises and ground leases. The costs for these leases will be recognized as depreciation of right-of-use assets and as interest expense for lease liabilities. Based on available information NCC estimates that lease liabilities will increase by SEK 1,7 billion at January 1, 2019 due to the switch to IFRS 16. Analysis and quality assurance is ongoing and the final amount will be communicated in conjunction with the interim-report for the first quarter.

Other amendments to IFRSs

Other amended IFRSs that will start to be applied from 2019 and later years 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.

Within the areas described below, the Parent Company's accounting policies differ from the Group's.

- 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, normally 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, exposure or 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 18, 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 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 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. For information on the Group's participations in associated companies, refer to Note 19.

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 operations, which are consolidated according to the proportional method. For additional information, see Note 19, Participations in associated companies and joint ventures, and Note 20, Participations 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 35, Related-party transactions.

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

NCC's revenues are recognized according to IFRS 15 Revenue from Contracts with Customers. According to IFRS 15, revenues are to be recognized when the customer gains control over the sold goods or services. NCC's revenues essentially comprise:

- Revenues from construction contracts and similar assignments
- Revenues from commercial property development
- Revenues from sales of asphalt, stone materials, etc.

Revenues from construction contracts and similar assignments

The construction contracts mean that NCC performs work on land belonging to the customer and thus creates an asset that is controlled by the customer in pace with the asset's completion. In turn this means that NCC recognizes revenues over time by applying percentage-of-completion profit recognition.

Application of the percentage-of-completion recognition of revenue and profit entails that profit is recognized in pace with 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: total revenues attributable 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: total costs attributable to the construction assignment, which corresponds to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total project costs.

The fundamental condition for revenue recognition based on percentage of completion is that estimate-at-completion of total project revenues and costs can be quantified reliably. As a consequence of revenue 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 revenue 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 loss-making contracts are charged against profit for the relevant year. Provisions for losses are posted as soon as they become known.

Contract modifications covering change orders and contract claims for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable; meaning when there is a legal right to payment for them.

Balance-sheet items such as "worked up, non-invoiced revenues" and "invoiced revenues 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 customer is normally invoiced on account during the term of the project.

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 10. On December 31 of year 1, NCC's costs for the project amount to 45, 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 10, that is 5, in the accounts for Year 1. Revenue 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	10
According to percentage-of-completion	5	5

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 of the agreement 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.

Revenues from commercial property development

NCC's sales include revenues from sales of properties classed as current assets. Sales include both land and the building constructed by NCC on the land.

Normally, the sale of land and construction of a building constitute a performance obligation and are to be recognized jointly. Payment is normally received in conjunction with date of occupancy. In rare cases, depending on the terms and conditions of the agreements, the sale of land (or land with construction under way) constitutes one performance obligation and construction of a building another.

Revenues are recognized at the point in time when control is transferred to the purchaser. Control is transferred over time (on a percentage-of-completion basis) unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work completed to date, in which case the revenue is recognized by applying percentage-of-completion profit recognition. If one of the above criteria is not fulfilled, the revenue is to be recognized at a point in time – on completion and handover to the customer. Since NCC always contractually agrees on delivery of a certain property to the customer, and the property cannot be sold to anyone else, NCC never has an alternative use for the sold property. Concerning the question of whether NCC is entitled to payment, certain legislation contains factors that indicate that NCC has such an entitlement, while other legislation indicates that this is not the case. Moreover, legal praxis has not been developed in this context. NCC's overall assessment is that in normal cases the uncertainty concerning NCC's entitlement to payment is so great that the revenue, as before, should be recognized at a point in time, on completion of the property and handover to the customer.

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.

Revenues from sales of asphalt, stone materials, etc.

Revenues from sales of asphalt, stone materials, etc. are recognized at a point in time, which is the point in time of delivery to the customer.

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	
Usufructs	In line with confirmed depletion of net asset value
Software	12.5–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	
Owner-occupied properties	1.4–10 percent
Land improvements	3,7–5 percent
Pits and quarries	In line with confirmed depletion of net asset value
Fittings in leased premises	14–20 percent
Plant and equipment	5–33 percent

The distribution of the depreciation/amortization posted in profit or loss and balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 16, Intangible assets and Note 17, 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, Note 16, Intangible assets, and Note 17, 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 34. 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 and for carry-forward of unused tax losses. 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 based on 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 or in other comprehensive income for the tax items included there.

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 4 Reporting by operating segment.

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 in the long-term incentive program, LTI, can give rise to dilution.

INTANGIBLE FIXED ASSETS

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

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized but is impairment tested annually. 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, also refer to Note 16 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. They are recognized at cost less accumulated depreciation and any impairment losses. Land is not depreciated. Also refer to Note 17, 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 below. 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.

PROPERTIES CLASSED AS CURRENT ASSETS

Group property holdings recognized as property projects are valued as inventories when the intention is to sell the properties on completion. Property projects are measured at the lower of cost and net realizable value. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

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

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 classified 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 classified 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. The smallest unit that can be classified is an entire building that can be sold separately.

Completed property projects

Completed property projects can only be derecognized from the balance sheet due to a sale.

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.

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 measured at fair value through profit or loss,
- Financial assets measured at fair value through other comprehensive income (equity instruments),
- Financial assets measured at amortized cost,
- Financial liabilities measured at fair value through profit and loss,
- Derivatives used in hedge accounting, and
- Other liabilities.

When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. A financial asset is classified on the basis of NCC's business model for managing the financial asset and the character of the expected cash flows. Financial assets are only reclassified if the business model for the asset has been modified.

Financial assets measured at fair value through profit or loss

This category includes the Group's derivatives with a positive fair value and interest-bearing securities whose purpose is to maximize the return on the asset within given risk limits. Changes in fair value are recognized among net financial items in profit or loss. A derivative instrument that is an identified and effective hedging instrument is not included in this category. For accounting of hedging instruments, see Derivatives used in hedge accounting below.

Financial assets measured at amortized cost

These include accounts receivable and loan receivables, as well as investments in interest-bearing securities where the objective of the holding is to receive contractual cash flows up to maturity. These cash flows are received at predetermined points in time and solely comprise payment of principals and interest on the outstanding principals. Investments in interest-bearing securities held to maturity with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as long-term interest-bearing receivables. Other investments are recognized as short-term investments.

Financial assets measured at fair value through other comprehensive income (equity instruments)

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 measured at fair value through profit and loss

This category includes the Group's derivatives with a negative fair value, with the exception of derivatives that function as an identified and effective hedging instrument; see Derivatives used in hedge accounting below. Changes in fair value are recognized among net financial items.

Derivatives used in hedge accounting

Derivatives used in hedge accounting are recognized at fair value in the balance sheet. The change in value of an effective hedging instrument is recognized in the hedging reserve in shareholders' equity through other comprehensive income.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at amortized cost.

Impairment

NCC assesses expected loan losses based on prospective information for those financial assets recognized at amortized cost and FVOCI. A loss reserve is established in one of the following ways:

- expected to be incurred within 12 months: for loss events that may be expected to be incurred within 12 months
- expected to be incurred during the entire life of the asset: for loss events that may be expected to be incurred during the entire life of the asset.

A loss risk reserve for the entire life of the asset is established if, on the reporting date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months.

For accounts receivable and contract assets with or without a significant financing component, a loss risk reserve for the entire life of the asset is always established. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply.

Hedge accounting

NCC applies hedge accounting in the following categories: hedging of exchange-rate risk in transaction flows, hedging of the Group's interest maturities and hedging of the price risk associated with bitumen and electricity. If the hedge no longer fulfills the criteria for hedge accounting or the hedging instrument is sold, matures, is settled or redeemed, hedge accounting ceases prospectively. When the hedge accounting of cash flow hedges has ceased, the amount that has been accumulated in the hedging reserve is kept in shareholders' equity until:

- it is included in the acquisition value of the non-financial item at initial recognition (applies for hedging of a transaction that results in recognition of a non-financial item) or
- it is reclassified to profit or loss in the same period or periods that the hedged expected cash flow impacts profit or loss (applies for other cash flow hedges).

If the hedged cash flow is no longer expected to arise, the amount that has been accumulated in the hedging reserve is reclassified immediately to profit or loss.

During 2018, NCC ceased to hedge net investments and all hedges were terminated; see below.

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 forward rate of currency forward contracts is recognized in other comprehensive income, after taking tax effects into account and being accumulated in the hedging reserve. Any ineffectiveness is recognized in profit or loss. Transfers of amounts from the hedging reserve to reflect the carrying amount of the purchase are effected so that this is recognized at the forward rate. 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 Property Development. The hedges were closed during 2018. The amounts that were accumulated in the translation reserve remain in shareholders' equity until the net investment in the foreign operation is divested.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest-rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value, after income tax considerations, are recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffectiveness is recognized in 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 forwad contracts, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of 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 and accumulated in the hedging reserve.

To level off the variations in the Swedish electricity market, NCC has elected, through electricity derivatives entered into gradually over a period of three years, to accumulate the volume of electricity to the particular date of delivery. Changes in effective hedges are recognized in other comprehensive income and accumulated in the hedging reserve, and, in the event of ineffectiveness, the changes are recognized in operating profit.

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. Shareholder 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

Instrument 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 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.

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-contribtion pension obligations
Sweden	●	●
Denmark		●
Finland		●
Norway	●	●
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 intention of the principle is to expense pension payments straight line during the term of employment. The calculation is made annually by independent actuaries. When there is a difference between how pension costs are established in the legal entity and 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.

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 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.

PLEDGED 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 36, Pledged assets, sureties, guarantees and contingent liabilities.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, pursuant to 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 from acquired and divested subsidiaries, refer to Note 37 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. These estimates and assessments, by definition, will rarely correspond to the actual outcome. 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 estimate-at-completion of 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. The assessment component means that the final result may differ from the profit accrued based on percentage-of-completion. For the reported data, refer to Note 27 Construction contracts.

Revenue recognition of property development projects

Property sales are recognized at the point in time when control is transferred to the purchaser. The point in time primarily depends on the assessment of at which point in time NCC will be entitled to payment. This normally does not occur until completion and handover to the customer, at which time the revenue is recognized in full. However, assessments must be made on a contract-by-contract basis.

Valuation of properties classed as current assets

NCC's properties classed as current assets are recognized at the lower of cost and net realizable value.

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.

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 weighted average cost of capital. If these assumptions change, the value of the remaining goodwill could be affected; refer to Note 16 Intangible assets, for information on the assumptions and estimations made.

Valuation of receivables
NCC's accounts receivable, including receivables for sold property projects, are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables. Also see the Financial instruments/impairment losses section above and to Note 38.

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. This estimate is based on calculations, assessments by company management and experiences gained from past transactions; refer to Note 30, Other provisions.

Pension obligations
Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the 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 disputes or legal processes. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In several cases, these are difficult assessments and the final outcome could differ from the current estimation.

Note 2 Transitional effects regarding 2017 due to IFRS15

INCOME STATEMENT

SEK M	Jan-Dec 2017	Change	According to IFRS 15 Jan-Dec 2017
Net sales	54,608	–167	54,441
Operating profit	1,242	–167	1,075
Tax	–141	35	–106
STATEMENT OF COMPREHENSIVE INCOME			
Translation differences for the period	25	2	27
Earnings per share before and after dilution	9.29	–1.22	8.07

BALANCE SHEET

SEK M	Dec 31, 2017	Change	According to IFRS 15 Dec 31, 2017	Jan 1, 2017	Change	According to IFRS 15 Jan 1, 2017
ASSETS						
Deferred tax assets	239	99	338	97	66	163
Worked-up, non-invoiced revenues	1,671	–117	1,554	1,737	–33	1,704
Total assets	**27,035**	**–17**	**27,018**	**25,315**	**33**	**25,348**
SHAREHOLDERS' EQUITY						
Shareholders' equity	5,516	–349	5,168	5,553	–220	5,334
Total shareholders' equity	**5,528**	**–349**	**5,179**	**5,566**	**–220**	**5,346**
LIABILITIES						
Invoiced revenues, not worked up	5,574	331	5,905	4,355	253	4,608
Total equity and liabilities	**27,035**	**–17**	**27,018**	**25,315**	**33**	**25,348**

Note 3 Order backlog and distribution of external net sales

	NCC Building Sweden	NCC Building Nordics	NCC Infrastructure	Subtotal, construction and civil engineering	NCC Industry	NCC Property Development	Other and eliminations	Group
Order backlog, December 31, 2018	18,709	11,313	24,786	54,808	3,092		–1,064	56,837
External net sales 2018	14,800	9,861	19,347	44,008	11,209	2,113	15	57,346
External net sales 2017	13,646	9,887	18,053	41,586	10,343	2,505	7	54,441
POINT IN TIME FOR REVENUE RECOGNITION								
Over time (percentage-of-completion)	●	●	●		●			
Specific point in time					●	●		

Revenues from construction and civil engineering operations are recognized successively over time, on a percentage-of-completion basis (recognized costs in relation to estimated total project costs). Invoicing is conducted on an ongoing basis according to agreement over the course of the project. This also applies to parts of NCC Industry's operations. However, most of NCC Industry's revenues are recognized at a point in time in conjunction with delivery to the customer of asphalt and stone materials, which is reflected in customer payments. For NCC Property Development too, revenues are normally recognized at a point in time (completion of the property), which normally coincides with the receipt of payment from the customer.

In all significant respects, the order backlog in construction and civil engineering operations is expected to be recognized as revenue during the coming 24 months, mainly in the coming year. In all significant respects, NCC Industry's order backlog is expected to be recognized as revenue during the coming year. For information regarding NCC Property Development's performance commitments, see note 25.

Note 4 Reporting by operating segment

NCC's business operations are divided into five 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. Since the segment division has been changed compared with prior years, comparative figures have been recalculated. The following segments were identified based on this reporting procedure:

NCC Building Sweden and NCC Building Nordic primarily build housing and offices, but also construct such public premises as schools and hospitals and such commercial premises as stores and warehouses.

NCC Infrastructure supplies entire infrastructure projects (such as tunnels, roads and railways), from design and construction to production and service.

NCC Industry, whose operations are based on production of stone materials and asphalt, as well as piling works and paving.

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, 2018	NCC Building Sweden	NCC Building Nordics	NCC Infra-structure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	14,800	9,861	19,347	11,209	2,113	57,331	15	57,346
Internal net sales	900	891	444	1,758	45	4,038	–4,038	
Total net sales	15,701	10,753	19,791	12,968	2,157	61,369	–4,023	57,346
Depreciation/amortization	–31	–21	–245	–439	–6	–742	–43	–785
Impairment losses and reversed impairment losses			–44	–2	–368	–413	–39	–453
Share in associated company profits	–1			6	36	42		42
Operating profit	453	–227	–993	350	–181	–597	–166	–764
Net financial items								–85
Profit after financial items								–849
Capital employed				4,902	4,314			

GROUP, 2017	NCC Building Sweden	NCC Building Nordics	NCC Infra-structure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	13,646	9,887	18,053	10,343	2,505	54,434	7	54,441
Internal net sales	532	557	437	2,050	62	3,638	–3,638	
Total net sales	14,178	10,444	18,490	12,393	2,567	58,073	–3,631	54,441
Depreciation/amortization	–23	–14	–225	–403	–4	–669	–49	–718
Impairment losses and reversal of impairment losses	–1			–6		–7		–7
Share in associated company profits	3			10	–2	11		11
Operating profit	489	–79	–198	577	601	1,389	–314	1,075
Net financial items								–91
Profit after financial items								983
Capital employed				4,400	4,086			

OTHER AND ELIMINATIONS

OTHER AND ELIMINATIONS	EXTERNAL NET SALES		OPERATING PROFIT	
	2018	2017	**2018**	2017
NCC's Head office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International	15	7	–187	–116
Eliminations of inter-company gains			11	10
Other Group adjustments (essentially comprising the difference in accounting policies between segments and the Group pertaining to such items as pensions)[1]			10	–208
Total	**15**	**7**	**–166**	**–314**

[1] For 2017, this item includes a provision for restructuring.

Note 4 Reporting by operating segment, cont'd.

GEOGRAPHIC AREAS

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		FIXED ASSETS[1)]	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Sweden	38,218	38,702	36,501	34,715	35,489	34,761	2,628	2,365
Denmark	5,939	6,152	4,496	6,100	8,062	6,179	1,621	1,507
Finland	8,512	5,976	7,661	4,999	6,989	6,932	413	360
Norway	9,173	5,947	8,179	5,919	6,807	6,568	1,480	1,496
St. Petersburg							27	47

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 5 Number of employees, personnel expenses and remuneration of senior executives

AVERAGE NO. OF EMPLOYEES

	2018		2017	
	Number of employees[1)]	of whom, men[1)]	Number of employees	of whom men
Parent Company				
Sweden	71	36	74	40
Subsidiaries				
Sweden	9,826	8,502	10,804	9,666
Norway	2,190	1,984	2,431	2,222
Finland	1,796	1,482	1,939	1,599
Denmark	2,256	1,962	2,259	1,967
Poland	351	340	243	235
Other countries	33	28	12	5
Total in subsidiaries	**16,452**	**14,298**	**17,688**	**15,694**
Group total	**16,523**	**14,334**	**17,762**	**15,734**

[1)] As of 2018, based on the average value of four measurements during the year; total number of hours worked divided by a standard figure was previously used.

Percentage of women, %	**2018**	2017
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	55.5	47.0
– Other senior executives	16.1	13.8

Senior executives in the Group pertain to the senior executives in the Parent Company together with Presidents of subsidiaries with employees.

	2018	2017
Parent Company		
– Board of Directors	45.5	40.0
– AGM-elected Board members	62.5	57.0
– Other senior executives	66.7	40.0

SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES[1)] AND OTHER EMPLOYEES

	2018			2017		
	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	46	62	108	48	51	99
				(0.3)		
Social security expenses			70			70
– of which, pension costs	8	21	29	8	32	39
Pension commitment	6			7		
Group	102	9,726	9,828	86	9,116	9,202
	(4.1)			(4.8)		
Social security expenses			2,968			2,724
– of which, pension costs			950			715
Pension commitment	15			14		

[1)] The senior executives category comprises four individuals (6) in the Parent Company and 27 individuals (23) in subsidiaries.

EMPLOYMENT CONDITIONS AND REMUNERATION OF SENIOR EXECUTIVES

The Chairman of the Board and other Board members elected by the AGM receive director fees only in an amount resolved by the AGM. No pensions are paid to Board members. No fee is payable for membership of the Nomination Committee or Board committees, apart from work on the Audit Committee and on the Project Committee in 2018 for which fees are paid.

Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Executive Management Team (EMT) 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" refers to the people who together with the CEO constitute the EMT.

FIXED REMUNERATION OF THE CEO

During 2018, President and CEO Tomas Carlsson received a basic monthly salary of SEK 750,000 as of May 7, 2018. Håkan Broman held the position of Acting President and CEO until May 6, 2018. During every started calendar month that Håkan Broman served as Acting President and CEO, he received a monthly salary supplement in addition to his monthly salary as Chief Legal Counsel. The salary supplement was neither pensionable nor served as a basis for bonus payments.

Note 5 Number of employees, personnel expenses and remuneration of senior executives, cont'd.

VARIABLE REMUNERATION

The maximum variable remuneration payable to President and CEO Tomas Carlsson is capped at 75 percent of his basic monthly salary. For 2018, a fixed bonus was paid, according to contract, of 45 percent (60 percent of maximum variable remuneration of 75 percent) of fixed salary received during the time that the President and CEO had been employed. For Acting CEO Håkan Broman, variable remuneration was capped at 40 percent of his basic salary, excluding the salary supplement in his capacity as Acting CEO. However, no short-term variable remuneration was paid to Håkan Broman in respect of 2018. Variable remuneration for other senior executives in 2018 could have corresponded to a maximum of 40 to 50 percent of basic remuneration. The maximum percentages above for the Acting President and CEO and other senior executives are adjusted downward by 10 percentage points for those persons who participated in LTI 2018. The provision posted for other senior executives in 2018 corresponded to 0–30 percent (0–28) of basic remuneration.

PENSION CONDITIONS FOR THE PRESIDENT AND CEO

Tomas Carlsson took office as President and CEO of NCC Group on May 7, 2018 and was covered during the year by a pension pledge with a premium limit corresponding to 40 percent of his agreed fixed monthly remuneration. Tomas Carlsson's retirement age is 65 years. During the period January 1 - May 6, 2018, Acting President and CEO Håkan Broman was covered by a defined-benefit ITP pension plan which, in accordance with NCC's policy for senior executives, was supplemented by a defined-contribution pension agreement for which premiums amounted to 30 percent of pensionable remuneration exceeding 30 income base amounts.

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, of a supplementary defined-contribution pension obligation of 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

TERMINATION TERMS

President and CEO Tomas Carlsson has a period of notice of six months from NCC and six months should he resign at his own request. Severance pay is payable for 18 months. The severance pay is not pensionable and does not entitle to vacation pay or other benefits. For a period of six months following the period of notice, the President and CEO, should NCC so demand, is required to observe a ban on working for competitors. During such a period, the President and CEO receives remuneration corresponding to basic monthly salary. Remuneration is not payable for periods when the President and CEO receives severance pay. During 2018, severance payments for the former Acting President and CEO were expensed in the form of 12 months' termination salary and 12 months of severance pay plus a pension and LTI. Other senior executives are subject to six to 12 months' notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

If employment is terminated by NCC, severance pay is normally payable for 12 months. Subject to one exception, remuneration is to be reduced by an amount corresponding to any remuneration received from a new employer or own business.

SHARE-BASED REMUNERATION

The prerequisites and conditions for allotment are listed below.

LONG-TERM INCENTIVE PROGRAM

The AGM in April 2018 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 2018). The purpose of LTI 2018 is to ensure a focus on the company's long-term profitability and growth, to minimize the number of worksite accidents and create prerequisites for retaining and recruiting key personnel.

LTI 2018 is a three-year performance-based plan under which the participants were allotted, free of charge, performance-based share awards providing entitlement to Series B shares and to performance-based synthetic shares providing entitlement to cash remuneration. In view of the introduction of LTI 2018, the maximum short-term variable remuneration payable to the participants was adjusted downwards by five or ten percentage points of their basic salary. LTI 2018 runs parallel in all significant respects to the LTI program adopted by the 2017 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved in the performance period (January 1, 2018 through December 31, 2020).

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2018

SEK 000s	Total remuneration and benefits[1]	of which, benefits	of which, variable remuneration[2, 9]	of which, provision for share-based payment[3]	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,134					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	591					
Member of the Board Geir Magne Aarstad	573					
Member of the Board Mats Jönsson	625					
Member of the Board Birgit Nørgaard	500					
Member of the Board Ulla Litzén	675					
Member of the Board Angela Langemar Olsson[4]	454					
President and CEO Tomas Carlsson [5]	9,145	55	2,643	270	2,400	181
Former Acting President and CEO Håkan Broman [5, 13]	4,138	22		–255	412	
Other senior executives [6]	9,700	131	731	–1,154	2,384	5,808
Other senior executives, severance pay [7]	17,556	208			2,660	
Total Parent Company	**45,590**	**417**	**3,373**	**–1,139**	**7,856**	**5,989**
Other senior executives employed by subsidiaries [8]	22,524	393	2,066	–570	3,484	1,285
Total senior executives	**68,114**	**810**	**5,439**	**–1,709**	**11,340**	**7,274**

1) Remuneration and benefits pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay.

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

3) Amounts reserved/reversed during the year for the ongoing LTI programs 2015, 2016, 2017 and 2018.

4) Angela Langemar Olsson was elected at the AGM on April 11, 2018.

5) Håkan Broman held the position of Acting President and CEO through May 6, 2018. Tomas Carlsson assumed the position of President and CEO on May 7, 2018.

6) This includes the positions of Chief Financial Officer for the whole of 2018 and the Head of Development & Operations Services as of October 8. The positions of Senior Legal Counsel, Head of Corporate Relations and Head of Purchasing are included up to August 28.

7) Pertains to the former Senior Legal Counsel, the Chief Financial Officer and the Head of Corporate Relations.

8) This includes for the entire year the positions of Head of NCC Building Nordics (and previously NCC Building), NCC Industry, NCC Infrastructure and NCC Property Development. The position of Head of NCC Building Sweden is included as of October 1, 2018. One of the executives worked on a consultancy basis and the stated remuneration comprises a consulting fee.

9) Five other senior executives received a discretionary bonus in 2018 regarding their performance during 2017.

Note 5 Number of employees, personnel expenses and remuneration of senior executives, cont'd.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2017

SEK 000s	Total remuneration and benefits[1)]	of which, benefits	of which, variable remuneration[2)]	of which, provision for share-based payment[3)]	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,225					
Member of the Board Geir Magne Aarstad[11)]	370					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	500					
Member of the Board Sven-Olof Johansson[10)]	130					
Member of the Board Mats Jönsson[11)]	495					
Member of the Board Ulla Litzén	675					
Member of the Board Birgit Nørgaard[11)]	370					
Member of the Board Christoph Vitzthum[10)]	130					
Acting President and CEO Håkan Broman[13)]	2,305	7		23	190	
Former CEO Peter Wågström	6,322	71			2,219	719
Former CEO Peter Wågström's severance package	17,476			1,550	1,313	
Other senior executives (five individuals)[12)]	17,783	376	278	613	4,052	5,875
Total Parent Company	**48,281**	**454**	**278**	**2,186**	**7,774**	**6,594**
Other senior executives employed by subsidiaries (three individuals)	13,988	243	1,586	514	2,857	709
Total senior executives	**62,269**	**697**	**1,864**	**2,700**	**10,631**	**7,303**

10) Sven-Olof Johansson and Christoph Vitzthum stepped down at the AGM on April 5, 2017.
11) Geir Magne Aarstad, Mats Jönsson and Birgit Norgaard (new election) were elected at the AGM on April 5, 2017.
12) Håkan Broman is included as Senior Legal Counsel through October 30, 2017, following which Ann-Marie Hedbeck is included as Acting Senior Legal Counsel. Svante Hagman is included as Business Area Manager for NCC Infrastructure through September 24, 2017. Göran Landgren took office as acting Business Area Manager on a consultancy basis on September 25, 2017.
13) NCC's pension commitments for Håkan Broman are recognized on the row Other senior executives because Håkan Broman will not retire in the capacity of Acting CEO.

The targets that have been set for LTI 2018 comprise profitability and growth during the vesting period, and a reduction in the number of worksite accidents as at the end of 2020. In respect of the financial objective, 100 percent is awarded/disbursed if the overall operating margin reaches or exceeds 4.0 percent. Target fulfillment is measured for a three-year period (2018-2020). 0 percent is awarded/disbursed if target fulfilment does not reach an overall operating margin of 2.5 percent. Within the target range, 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 2018, NCC's benchmark was 9.5. Allotment/disbursement of 100 percent will occur if the ratio for 2020 is less than 4.5, while 0 percent will be allotted/disbursed if it exceeds 7.0. Within the range of 4.5 and 7.0, allotment/payment will occur linearly. Another prerequisite for any payment from LTI 2018 is that the NCC Group reports a pretax profit during the program period of 2018-2020 and during the final year of the program (meaning 2020).

Allotment

The participants are divided into three categories: CEO; other members of the Executive Management Team, 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 Team 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 the first ten trading days after the AGM.

Scope and costs of the program

Assuming a share price of SEK 157.30 and the maximum outcome, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2018, including costs for social security fees, will be approximately SEK 75.9 M, corresponding to the value of about 0.4 percent of the total number of shares.

The value that a participant may receive at maximum allotment of Series B shares and cash payment is capped at an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average price paid during a period of the first ten trading days after the AGM.

Buyback of company shares

In order to cover commitments in accordance with LTI 2018, 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 867,487 Series B shares. The shares are to be acquired on Nasdaq Stockholm and may only be acquired 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. The Board decided to buy back Series B shares to cover obligations under the company's long-term incentive program and 101,022 Series B shares were bought back in the second quarter of 2018.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2018, the AGM resolved to permit the transfer of no more than 300,000 Series B shares to the participants of LTI 2018. The prerequisites and conditions for allotment are listed above, according to which all share awards are regulated through physical delivery of the shares. The AGM also resolved to permit the transfer of a maximum of 500,000 Series B shares to cover costs, mainly for dividend compensation, social security fees and payments on the basis of the synthetic shares, arising from previously outstanding long-term performance-based incentive programs (LTI 2015, LTI 2016 and LTI 2017) as well as LTI 2018.

LTI 2015

The performance period for LTI 2015 expired on December 31, 2017. Shares and synthetic shares were delivered as planned in May 2018 to the remaining participants in the program. A total of 20,343 shares were delivered/disbursed and 20,343 synthetic shares, while SEK 1,054,526 was paid as cash compensation for the participants, primarily in Denmark, that do not receive shares but only cash compensation as well as SEK 17,088 in cash compensation for dividend payment. Delivery was made to 126 participants. The share price on the exercise date was SEK 161.65.

LTI 2016

The performance period for LTI 2016 was from January 1, 2016 through December 31, 2018. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2019 AGM.

LTI 2017

The performance period for LTI 2017 was from January 1, 2017 through December 31, 2019. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2020 AGM.

LTI 2018

A new LTI program was launched in 2018 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin and annual growth for the period is used as the financial performance objective. The performance period for LTI 2018 is from January 1, 2018 through December 31, 2020.

Note 5 Number of employees, personnel expenses and remuneration of senior executives, cont'd.

Number	GROUP Share awards	Synthetic options	PARENT COMPANY Share awards	Synthetic options
Outstanding at the beginning of the period	286,881	286,881	63,346	63,346
Allocated during the period	157,358	157,358	157,358	157,358
Exercised during the period	–20,343	–20,343	–4,435	–4,435
Transferred to Group companies			7,190	7,190
Forfeited during the period	–119,064	–119,064	–175,919	–175,919
Outstanding at the end of the period	**304,832**	**304,832**	**47,540**	**47,540**
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 to a half year, respectively.

FAIR VALUE AND ASSUMPTIONS SHARE AWARDS LTI 2016

	2018		2017	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	0	0	4,348	1,013
Share price, SEK	195.23	195.23	195.23	195.23
Redemption price, SEK	0	0	0	0
Options duration, year	0.5	0.5	1.5	1.5
Risk-free interest rate, %	1.67	1.67	1.72	1.72

SHARE AWARDS LTI 2017

	2018		2017	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	3,081	318	2,995	646
Share price, SEK	225.48	225.48	225.48	225.48
Redemption price, SEK	0	0	0	0
Options duration, year	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.67	1.67	1.72	1.72

SHARE AWARDS LTI 2018

	2018	
	Group	Parent Company
Fair value on date of valuation, SEK 000s	1,546	270
Share price, SEK	157.30	157.30
Redemption price, SEK	0	0
Options duration, year	2.5	2.5
Risk-free interest rate, %	1.67	1.67

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

	2018		2017	
	Group	Parent Company	Group	Parent Company
Share awards	–4	–1	4	1
Synthetic shares	–3	–2	1	0
Social security expenses	–2	–1	1	0
Total personnel expenses for share-based remunerations	**–9**	**–4**	**7**	**2**
Total carrying amount pertaining to liability for synthetic shares	8	1	19	7
Total real value of the liability pertaining to vested benefits	8	1	19	7

Note 6 Depreciation/amortization

	GROUP 2018	2017	PARENT COMPANY 2018	2017
Intangible assets	–65	–65		
Owner-occupied properties	–40	–31		
Machinery and equipment[1]	–681	–621	–2	–1
Total depreciation/amortization	**–785**	**–718**	**–2**	**–1**

[1] of which, depreciation of leased equipment in the Group amounted to SEK 122 M (89).

Note 7 Fees and remuneration to audit firms

	GROUP 2018	2017	PARENT COMPANY 2018	2017
Audit firms				
PwC				
Auditing assignments	18	14	7	4
Audit in addition to the audit assignment	0	0		0
Tax consultations	0	0		
Other services	1	1	0	0
Other auditors				
Auditing assignments	0	0		
Audit in addition to the audit assignment	0			
Tax consultations	0	0		
Other services				
Total fees and remuneration to auditors and audit firms	**19**	**15**	**7**	**4**

During 2018, PricewaterhouseCoopers AB received nearly SEK 0.5 M for non-audit services. The services pertained to other services but not taxation or valuation services.

Note 8 Impairment losses

	GROUP 2018	2017	PARENT COMPANY 2018	2017
Impairment losses on current assets				
Properties held for future development	–130			
Completed properties	–240			
Total impairment losses on current assets	**–370**			
Impairment losses on participations in subsidiaries				
Shares in subsidiaries			–644	
Total impairment losses on participations in subsidiaries			**–644**	
Impairment losses on other fixed assets				
Owner-occupied properties	–3	–3		
Machinery and equipment	–2	–1		
Goodwill in NCC Infrastructure	–36			
Other intangible assets	–41	–3	–38	
Impairment losses on other fixed assets	**–82**	**–7**	**–38**	
Total impairment losses	**–453**	**–7**	**–682**	**0**

Note 9 Result from participations in Group companies

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Dividend			435	629
Capital gain/loss on sale		21		
Impairment losses			–644	
Total	**0**	**21**	**–208**	**629**

Note 10 Operating expenses by nature of expenses

GROUP	**2018**	2017
Production-related goods and services, plus raw materials and supplies	43,943	40,691
Change in inventories	138	51
Personnel costs	12,762	11,926
Depreciation/amortization	785	718
Impairment losses	453	7
Total cost of production, and selling and administration costs	**58,080**	**53,393**

Note 11 Interest expense and similar items

PARENT COMPANY	**2018**	2017
Interest expense, Group companies	–1	–1
Interest expense to credit institutions	–17	–18
Financial portion of pension cost	–3	–2
Interest expense, others	0	–1
Other financial items	–25	3
Total	**–47**	**–19**

Note 12 Net financial items

GROUP	**2018**	2017
Interest income on financial assets held for trading		2
Interest income on investments held to maturity	1	
Interest income on loans and accounts receivable	12	17
Interest income on bank balances	1	1
Net gain on financial assets available for sale	13	14
Net profit on financial assets/liabilities available for sale	1	3
Net exchange-rate changes	5	
Other financial income	2	2
Financial income	**36**	**39**
Interest expense on financial liabilities measured at amortized cost	–96	–94
Interest expense on financial liabilities held for trading	–9	–16
Net loss on financial assets/liabilities held for trading		–1
Net exchange-rate changes		–4
Other financial expenses	–16	–15
Financial expense[1)]	**–121**	**–130**
Net financial items	**–85**	**–91**
Of which, changes in value calculated using valuation techniques	6	2

1) Interest payments of SEK 29 M (15) have been capitalized.

Note 13 Effects on profit or loss of exchange-rate changes

GROUP	2018 exchange rates 2017[1)]	**2018**	Exchange-rate effect
Net sales	56,269	57,346	1,077
Operating profit	–718	–764	–46
Profit after financial items	–901	–849	52
Net profit for the year	–711	–750	–39

1) Figures for 2018 converted at 2017 exchange rates.

			AVERAGE EXCHANGE RATE JAN–DEC		YEAR-END RATE	
Country	SEK	Currency	**2018**	2017	**2018**	2017
Denmark	100	DKK	137.61	129.53	137.41	132.05
Euro Area	1	EUR	10.26	9.64	10.26	9.83
Norway	100	NOK	106.83	103.30	102.70	100.14
Russia	1	RUR	0.14	0.15	0.13	0.14

Note 14 Appropriations

	APPROPRIATIONS	
PARENT COMPANY	**2018**	2017
Accumulated depreciation in excess of plan – machinery and equipment		50
Reserve in work in progress		477
Group contributions received	545	55
Total	**545**	**582**

Note 15 Acquisition of operations

The Building Nordics business area acquired the construction company Jakobsen & Blindkilde via NCC Danmark A/S on April 1, 2018 and thereby gained a stronger position in Jutland but also in the rest of Denmark. The company has 75 employees and annual sales of about SEK 460 M.

The acquisition had no material impact on earnings or financial position in 2018.

ACQUISITION - RELATED EXPENDITURE

Acquisition-related expenditure amounted to SEK 4 M. These expenses have been recognized as other operating expenses in consolidated profit and loss.

PURCHASE CONSIDERATION

SEK M	**2018**
Cash and cash equivalents	56
Purchase considerations	56

Note 16 Intangible assets

	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				
2018	Goodwill	Usufructs	Other	Total other	Development expenses
Recognized cost on January 1	**2,041**	**292**	**478**	**770**	**38**
Investments		4	74	78	
Increase through acquisitions			46	46	
Divestment and scrappage		–45	–9	–54	
Reclassifications		7		7	
Translation differences during the year	51	6	5	11	
Recognized cost on December 31	**2,092**	**264**	**594**	**858**	**38**
Accumulated amortization on January 1	**-1**	**-171**	**-246**	**-417**	
Divestment and scrappage		8	8	16	
Reclassifications		8		8	
Translation differences during the year		–2	–3	–5	
Amortization according to plan during the year		–12	–53	–65	
Accumulated amortization on December 31	**-1**	**-170**	**-294**	**-464**	
Accumulated impairment losses on January 1	**-191**	**-16**	**-2**	**-18**	
Divestment and scrappage			2	2	
Translation differences during the year	–2	1		1	
Impairment losses for the year	–36		–40	–40	–38
Accumulated impairment losses on December 31	**-229**	**-15**	**-40**	**-56**	**-38**
Residual value on January 1	**1,848**	**105**	**230**	**335**	**38**
Residual value on December 31	**1,861**	**79**	**260**	**339**	**0**

	GROUP				PARENT COMPANY	
	ACQUIRED INTANGIBLE ASSETS					
2017	Goodwill	Usufructs	Other	Total other	Goodwill	Development expenses
Recognized cost on January 1	**2,043**	**287**	**448**	**735**	**2**	**275**
Investments		4	55	59		5
Increase through acquisitions			73	73		
Divestment and scrappage	–2	–1	–97	–98		
Discontinued operations					–2	–242
Translation differences during the year		1	–1			
Recognized cost on December 31	**2,041**	**292**	**478**	**770**	**0**	**38**
Accumulated amortization on January 1	**-1**	**-157**	**-201**	**-358**	**-1**	**-81**
Divestment and scrappage		1	8	8		
Less termination of commission relationship					1	81
Translation differences during the year		–1	–1	–2		
Amortization according to plan during the year		–14	–51	–65		
Accumulated amortization on December 31	**-1**	**-171**	**-246**	**-417**	**0**	**0**
Accumulated impairment losses on January 1	**-191**	**-13**	**-90**	**-103**		**-88**
Divestment and scrappage	1		88	88		
Less termination of commission relationship						88
Reclassifications		–3	3			
Translation differences during the year	–2					
Impairment losses for the year			–3	–3		
Accumulated impairment losses on December 31	**-191**	**-16**	**-2**	**-18**	**0**	**0**
Residual value on January 1	**1,851**	**117**	**158**	**275**	**1**	**107**
Residual value on December 31	**1,848**	**105**	**230**	**335**	**0**	**38**

Note 16 Intangible assets, cont'd

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill in NCC's balance sheet is distributed as follows among NCC's business areas:

Operating segments	2018	2017
NCC Infrastructure	255	286
NCC Building Sweden	233	233
NCC Building Nordics	334	323
NCC Industry	1,039	1,005
The NCC Group	**1,861**	**1,848**

In respect of NCC Industry and NCC Building Sweden, NCC, as part of its internal governance, monitors goodwill at a business area level and goodwill is impairment tested at this level. In respect of NCC Infrastructure and NCC Building Nordics, goodwill is monitored and impairment tested at a lower organization level, which in most cases corresponds to division level. Annual impairment testing is conducted in conjunction with the third quarter based on the future Cash flow of the units, taking into account the market's yield requirement and their risk profile. In most cases, the impairment risk is adjudged to be low and, in these cases, testing occurs using a simplified model, whereby the following assumptions have been 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.

Operating margin: Forecast operating margin has been set at a three-year average.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2018, 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 discount interest rates vary among the different cash-generating units, in NCC's scenario they correspond to 7.3 percent (9.7) percent before and 6.1 percent (7.6) after tax.

Impairment and risk analyses

The risk of impairment is adjudged to be greatest in the Norwegian operations within NCC Building Nordics and NCC Infrastructure. In connection with the year's impairment testing, goodwill regarding the acquisition of Carl C Fon AS, which is part of NCC Infrastructure, was impaired by SEK 36 M, due to updated forecasts concerning the company's future operations.

The remaining goodwill relates to NCC Building Nordics (SEK 196 M) and NCC Infrastructure (SEK 28 M). For these entities, impairment testing was based on cash flow forecasts for 2020–2022.

The average growth rate during the forecast period corresponds to about 2 percent for NCC Building Nordics and about 5 percent for NCC Infrastructure. Beyond the forecast period, a growth rate of 2 percent has been used. The operating margin in both cases was cautiously assumed to be zero for 2019 and to gradually increase to 3 percent at the end of the forecast period. The discount interest rate used was 7.6 percent after tax.

An increase in the discount interest rate by half a percentage point would not result in any impairment requirement for NCC Building Nordics' operations (not even an increase by 2 percentage points), while for NCC Infrastructure the entire goodwill amount would have to be impaired. A decrease in the operating margin by half a percentage point during the forecast period would have the same effects.

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.

AMORTIZATION IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	GROUP	
	2018	2017
Production costs	–65	–65
Selling and administrative expenses		
Total	**–65**	**–65**

Note 17 Tangible fixed assets

	GROUP			PARENT COMPANY	
2018	Owner-occupied properties	Machinery and equipment	Total	Machinery and equipment	Total
Recognized cost on January 1	**1,445**	**8,301**	**9,745**	**63**	**63**
Investments	100	1,114	1,214	18	18
Increase through acquisitions		14	14		
Divestment and scrappage	–42	–771	–813		
Reclassifications	–5	–1	–7		
Translation differences during the year	26	131	157		
Recognized cost on December 31	**1,524**	**8,787**	**10,311**	**81**	**81**
Accumulated impairment losses and depreciation on January 1	**–565**	**–5,610**	**–6,175**	**–55**	**–55**
Divestment and scrappage	18	623	641		
Reclassifications	–8	0	–8		
Translation differences during the year	–12	–85	–97		
Impairment losses for the year[1]	–3	–2	–6		
Depreciation during the year	–40	–681	–720	–2	–2
Accumulated impairment losses and depreciation on December 31[1]	**–609**	**–5,756**	**–6,364**	**–57**	**–57**
Accumulated write-ups at beginning of the year		**21**	**21**		
Accumulated write-ups at end of year		**21**	**21**		
Residual value on January 1	**880**	**2,712**	**3,592**	**8**	**8**
Residual value on December 31	**915**	**3,052**	**3,968**	**24**	**24**
Carrying amount of financial leasing		**493[2]**	**493**		
[1] Accumulated impairment losses on December 31	–23	–46	–69		

[2] Of which, acquisition value of SEK 849 M, accumulated depreciation of SEK –356 M.

	GROUP			PARENT COMPANY		
2017	Owner-occupied properties	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	**1,379**	**7,994**	**9,373**	**19**	**527**	**547**
Investments	52	1,004	1,056		6	6
Increase through acquisitions	6	43	49			
Less termination of commission relationship				–19	–470	–489
Divestment and scrappage	–55	–659	–715			
Reclassifications	54	–29	25			
Translation differences during the year	9	–52	–43			
Recognized cost on December 31	**1,445**	**8,301**	**9,745**	**0**	**63**	**63**
Accumulated impairment losses and depreciation on January 1	**–564**	**–5,446**	**–6,010**	**–9**	**–452**	**–461**
Divestment and scrappage	39	460	499			
Less termination of commission relationship				9	398	407
Reclassifications		–25	–25			
Translation differences during the year	–4	23	19			
Impairment losses for the year[1]	–3	–1	–4			
Depreciation during the year	–31	–621	–652		–1	–1
Accumulated impairment losses and depreciation on December 31[1]	**–565**	**–5,610**	**–6,175**	**0**	**–55**	**–56**
Accumulated write-ups at beginning of the year		**21**	**21**			
Accumulated write-ups at end of year		**21**	**21**			
Residual value on January 1	**814**	**2,569**	**3,383**	**11**	**75**	**86**
Residual value on December 31	**880**	**2,712**	**3,592**	**0**	**8**	**8**
Carrying amount of financial leasing		**418[2]**	**418**			
[1] Accumulated impairment losses on December 31	–19	–45	–64			

[2] Of which, acquisition value of SEK 733 M, accumulated amortization of SEK 315 M.

Note 18 Participations in Group companies

PARENT COMPANY			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, %[1)]	No. of participations[2)]	2018	2017
Real estate companies:				
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	962	962
Total participations in real estate companies			**962**	**962**
Other companies:				
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
NCC Danmark A/S, 69 89 40 11, Denmark	100	400	116	117
NCC Norge AS, 911 274 426, Norway	100	17,500	1,119	625
NCC Sverige AB, 556613-4929, Solna	100	500	412	63
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	41	41
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Purchasing Group AB, 556104-9932, Stockholm	100	2	1	1
NCC Soumi Oy, 1765514-2, Finland	100	4	94	94
NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,640	1,641
NCC Skakt Aps, 36 95 64 88, Denmark[3)]	5	3		
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
Total participations in other companies			**4,557**	**3,716**
Total participations in Group companies			**5,518**	**4,678**

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 purchase method. NCC's assessment is that it has no controlling influence over any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 132 (133). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

Note 19 Participations in associated companies and joint ventures

GROUP			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, %[1)]	No. of participations[2)]	2018	2017
Asfalt & Maskin AS, 960 585 593, Norway	50		7	6
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	10	9
Oraser AB, 556293-2722, Stockholm	50	1	5	5
Sjaellands Emulsionsfabrik I/S, 18004968, Roskilde	50		7	6
SHH Hyresproduktion AB, 556889-3746, Stockholm	50	1	8	8
Östhammarkrossen KB, 916673-1365, Uppsala	50		5	2
Other NCC-owned associated companies 10 (12)			1	1
Total			**42**	**37**

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

Note 20 Participations in joint operations

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

GROUP	2018	2017
Revenue	465	116
Expenses	–478	–104
Profit	**–13**	**12**
Fixed assets	2	1
Current assets	494	377
Total assets	**496**	**378**
Long-term liabilities	7	3
Current liabilities	406	215
Total liabilities	**413**	**218**
Net assets	**83**	**160**

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

SPECIFICATION OF JOINT VENTURES

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
Handelsbolag NCC-DPR Data Centre	50
HNB Fjernvarme	70
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Milman Miljömuddring	50
NCC-LHR Gentofte Konsortiet	65
NCC-OHL Lund-Arlöv, four tracks	50
NCC-SMET konsortiet	50
NCC-SMET konsortiet Østerbro Tunnel Konsortiet	50
NCC-W&F West Link Contractors	60
NFO konsortiet I/S	50
Polaris Business Park Oy	50

Note 21 Financial investments

GROUP	2018	2017
Financial investments classified as fixed assets		
Fair value through other comprehensive income, equity instruments		
Unlisted securities	77	91
Total	**77**	**91**
Short-term investments classified as current assets		
Financial assets measured at amortized cost		
Interest-bearing securities	72	10
Investments held to maturity		
Interest-bearing securities		30
Total	**72**	**41**

Investments held to maturity had an established interest rate ranging from –0.4 percent (–0.4) to 0.7 percent (1.7), and had due dates ranging from 22 to 56 months.

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

Note 22 Financial fixed assets

PARENT COMPANY, 2018	Participations in Group companies	Participations in associated companies and joint ventures	Other long-term securities	Other long-term receivables[1]	Total
Recognized cost on January 1	**12,440**	**0**	**45**	**6**	**12,491**
Assets added	1,484			2	1,486
Recognized cost on December 31	**13,924**	**0**	**45**	**8**	**13,977**
Accumulated write-ups at beginning of the year					
Accumulated write-ups on December 31					
Accumulated impairment losses on January 1	**–7,762**				**–7,762**
Impairment losses for the year	–644				–644
Accumulated impairment losses on December 31	**–8,406**				**–8,406**
Residual value on December 31	**5,518**	**0**	**45**	**8**	**5,571**

PARENT COMPANY, 2017	Participations in Group companies	Participations in associated companies and joint ventures	Other long-term securities	Other long-term receivables[1]	Total
Recognized cost on January 1	**12,313**	**19**	**52**	**139**	**12,523**
Assets added	308				308
Assets removed	–9				–9
Less termination of commission relationship	–172	–19	–7	–133	–331
Recognized cost on December 31	**12,440**	**0**	**45**	**6**	**12,491**
Accumulated write-ups at beginning of the year					
Accumulated write-ups on December 31					
Accumulated impairment losses on January 1	**–7,906**	**–12**	**–6**	**–2**	**–7,926**
Less termination of commission relationship	144	12	6	2	164
Accumulated impairment losses on December 31	**–7,762**				**–7,762**
Residual value on December 31	**4,678**	**0**	**45**	**6**	**4,729**

[1] The item also includes deferred tax assets.

Note 23 Long-term interest-bearing receivables and other receivables

GROUP	2018	2017
Long-term interest-bearing receivables classified as fixed assets		
Receivables from associated companies and joint ventures		429
Interest-bearing securities	184	131
Other long-term receivables	11	15
Long-term interest-bearing receivables classified as fixed assets	**195**	**575**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	11	15
Receivables from divested property and housing projects	45	102
Advance payments to suppliers	1	1
Derivative instruments held for hedging	160	80
Other current receivables	390	489
Other receivables classified as current assets	**608**	**687**

Note 24 Tax on net profit for the year, deferred tax assets and deferred tax liabilities

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Tax on net profit for the year				
Current tax cost	–48	–194	–102	–91
Deferred tax revenue/cost	147	88	2	1
Total recognized tax on net profit for the year	**99**	**–106**	**–101**	**–90**

	GROUP				PARENT COMPANY			
	2018		2017		**2018**		2017	
Effective tax	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		–849		983		100		993
Tax according to company's current tax rate	–22%	187	–22%	–216	–22%	–22	–22%	–218
Effect of other tax rates for non-Swedish companies	–1%	10	1%	8				
Changed tax rate in Sweden in 2018, in Norway in 2018 and 2017	2%	–17	–2%	–15				
Other non-tax-deductible costs	16%	–140	–3%	–33		–157		–4
Non-taxable revenues	–12%	101	18%	175	100%	100	14%	143
Tax effect resulting from non-capitalized tax loss carryforwards	0%	–3			2%	2		
Tax attributable to prior years	5%	–38	–3%	–25	–24%	–24	–1%	–11
Other	0%	–2						
Recognized tax	**–12%**	**99**	**–11%**	**–106**	**–101%**	**–101**	**–9%**	**–90**

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

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

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2018	2017
Current tax in hedging instruments	6	1
Deferred tax on cash flow hedging	6	1
Deferred tax attributable to the revaluation of defined-benefit pension plans	175	55
Total	**187**	**57**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Opening carrying amount	–100	–310	6	124
Effect of transition to IFRS 15		99		
Less termination of commission relationship				–119
Acquisition of subsidiaries	13			
Recognized tax on net profit for the year	164	68	2	1
Changed tax rate in Sweden in 2018, in Norway in 2018 and 2017	–17	–15		
Tax items recognized in other comprehensive income	6	2		
Tax item, revaluation of defined-benefit pension plans recognized in other comprehensive income	175	55		
Translation differences	–8	–17		
Other	1	18		
Closing carrying amount	**234**	**-100**	**8**	**6**

	ASSETS		LIABILITIES		NET	
GROUP	**2018**	2017	**2018**	2017	**2018**	2017
Tangible fixed assets			–12	–32	–12	–32
Financial fixed assets			–1	–1	–1	–1
Non-completed projects			–989	–802	–989	–802
Properties held for future development			–1	–34	–1	–34
Untaxed reserves			–187	–206	–187	–206
Provisions	462	263			462	263
Personnel benefits/pension provisions	500	323			500	323
Loss carryforwards[1]	411	352			411	352
Other	70	73	–19	–36	51	37
Deferred tax assets/Deferred tax liabilities	**1,443**	**1,011**	**–1,209**	**–1,111**	**234**	**–100**
Offsetting	–912	–673	912	673		
Net deferred tax assets/deferred tax liabilities	**531**	**338**	**–297**	**–438**	**234**	**–100**

[1] Of the Group's deferred tax assets concerning loss carryforwards totaling SEK 411 M (352), SEK 398 M (347) pertains to operations in Norway. The loss carryforwards may be utilized against future profits, with no time limitations, and NCC's assessment is that there are factors that convincingly indicate that this will be the case. The businesses have a track record of operating at a profit, market conditions are favorable and the losses incurred are a function of structural and project-specific difficulties. To manage these, NCC has initiated a comprehensive action program that is proceeding as planned.

	ASSETS		LIABILITIES		NET	
PARENT COMPANY	**2018**	2017	**2018**	2017	**2018**	2017
Provisions	4	5			4	5
Other	4	1			4	1
Net deferred tax asset/tax liability	8	6			8	6

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 other participations owned by NCC companies in other countries.

Note 25 Properties classed as current assets

GROUP, 2018	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects [1]	Completed housing units	Participations in associated companies	Total
Recognized cost on January 1	1,693	1,039	916	3,649	150		3,797
Investments	670	1,652	55	2,378		224	2,602
Divestment and scrappage	–219	–190	–1,260	–1,668	–91		–1,760
Reclassifications	–430	–210	647	7		2	9
Translation differences during the year	36	11	45	92	4		96
Recognized cost on December 31	1,751	2,303	403	4,457	63	226	4,745
Accumulated impairment losses on January 1	3		–46	–43	–150		–193
Divestment and scrappage	3		193	196	91		287
Reclassifications	–5			–5			–5
Translation differences during the year			–2	–2	–4		–6
Impairment losses for the year	–119	–11	–240	–370			–370
Accumulated impairment losses on December 31	–118	–11	–95	–225	–63	0	–287
Residual value on January 1	1,696	1,039	870	3,605	0	0	3,605
Residual value on December 31	1,633	2,292	308	4,233	0	226	4,459

[1] Pertains primarily to properties classified as current assets recognized in NCC Property Development.

GROUP, 2017	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects [1]	Properties held for future development, housing	Completed housing units	Total housing projects	Total
Recognized cost on January 1	1,777	1,440	853	4,070	16	148	164	4,234
Investments	183	951	18	1,152				1,152
Divestment and scrappage	–57	–1,123	–422	–1,602	–4	2	–2	–1,604
Reclassifications	–218	–229	463	16	–16		–16	
Translation differences during the year	8	1	4	13	4		3	16
Recognized cost on December 31	1,693	1,039	916	3,649	0	150	150	3,797
Accumulated impairment losses on January 1	3		–45	–42	0	–148	–148	–190
Divestment and scrappage					3		3	3
Translation differences during the year			–1	–1	–3	–2	–4	–6
Accumulated impairment losses on December 31	3	0	–46	–43	0	–150	–150	–193
Residual value on January 1	1,780	1,440	808	4,028	16	0	16	4,044
Residual value on December 31	1,696	1,039	870	3,605	0	0	0	3,605

[1] Pertains primarily to properties classified as current assets recognized in NCC Property Development.

Ongoing property projects comprise 13 projects, three of which, with a carrying amount of SEK 413 M, have been sold but are not yet recognized in profit. Profit will be recognized in 2019 on completion and handover to the customer. Sales revenue from the sold projects totals nearly SEK 620 M. The carrying amount of SEK 413 M will rise in connection with additional costs up to completion.

Note 26 Materials and inventories

GROUP	2018	2017
Stone materials	581	438
Building materials	140	170
Other	181	156
Total	**902**	**764**

Note 27 Construction contracts

WORKED-UP, NON-INVOICED REVENUES

GROUP	2018	2017
Worked-up revenues from ongoing contracts	26,683	26,139
Invoicing for ongoing contracts	–25,407	–24,585
Total	**1,276**	**1,554**

INVOICED REVENUES, NOT WORKED UP

GROUP	2018	2017
Invoicing for ongoing contracts	53,494	44,337
Worked-up revenues from ongoing contracts	–47,182	–38,432
Total	**6,311**	**5,905**

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 73,865 M (64,965).

Revenues recognized in 2018 that emanate from work performed in 2017 or earlier are not estimated to amount to material sums.

In all significant respects, invoiced non-worked-up revenues from December 31, 2017 or earlier are adjudged to have been worked-up in 2018.

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
1997	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital[1)]		–1,844
2017	**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
2016	Sales	–483,947
2016	Distribution of shares to participants in incentive programs	–84,107
2016	Repurchases	362,222
2017	Sales	–37,987
2017	Distribution of shares to participants in incentive programs	–25,144
2017	Repurchases	54,232
2018	Sales	–31,952
2018	Distribution of shares to participants in incentive programs	–20,343
2018	Repurchases	101,022
2018	**End of year**	**402,050**

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8 each. During the year, 48,373 Series A shares (1,105,635) were converted into Series B shares.

The shares are distributed into the following classes:

	Series A	Series B	Total
Number	13,337,895	95,097,927	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right.
A specification of changes in shareholders' equity is presented on p. 26.

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 2000–2016	–48,619,779	48,619,779	
Share buybacks 2000–2016		–7,058,114	–7,058,114
Sale of treasury shares 2005–2016		6,519,339	6,519,339
Distribution of shares to participants in incentive programs, 2015		92,446	92,446
Distribution of shares to participants in incentive programs, 2016		84,107	84,107
No. of shares on Dec. 31, 2016	**14,491,903**	**93,581,697**	**108,073,600**
Conversion of Series A to Series B shares 2017	–1,105,635	1,105,635	
Share buybacks 2017		–54,232	–54,232
Sale of treasury shares 2017		37,987	37,987
Distribution of shares to participants in incentive programs, 2017		25,144	25,144
No. of shares on Dec. 31, 2017	**13,386,268**	**94,696,231**	**108,082,499**
Conversion of Series A to Series B shares 2018	–48,373	48,373	
Share buybacks 2018		–101,022	–101,022
Sale of treasury shares 2018		31,952	31,952
Distribution of shares to participants in incentive programs, 2018		20,343	20,343
No. of shares on Dec. 31, 2018	**13,337,895**	**94,695,877**	**108,033,772**
Number of voting rights	133,378,950	94,695,877	228,074,827
Percentage of voting rights	58	42	100
Percentage of share capital	12	88	100
Closing price, Dec. 31, 2018	138.00	137.80	
Market capitalization, SEK M	1,841	13,049	14,890

Note 29 Interest-bearing liabilities

GROUP	2018	2017
Long-term liabilities		
Liabilities to credit institutions and investors[1)]	1,006	1,374
Financial lease liabilities	321	272
Other long-term loans	15	23
Total	**1,342**	**1,669**
Current liabilities		
Current portion of liabilities to credit institutions and investors	778	588
Liabilities to associated companies	25	31
Financial leasing, current portion	173	146
Other current liabilities	75	154
Total	**1,051**	**919**
Total interest-bearing liabilities	**2,393**	**2,588**

[1)] Including reloaning of SEK 1,000 M (1,000) from the NCC Group's Pension Foundation.

For repayment schedules and terms and conditions, see Note 38 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.

Note 29 Interest-bearing liabilities, cont'd.

FINANCIAL LEASING

For information on payment schedules for financial leasing liabilities, also see Note 34 Leasing.

PARENT COMPANY	2018	2017
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,000	1,000
Total	**1,000**	**1,000**
Current liabilities		
Group companies	1,231	1,192
Other current liabilities	350	
Total	**1,581**	**1,192**
Total interest-bearing liabilities	**2,581**	**2,192**

For repayment schedules and terms and conditions, see Note 38 Financial instruments and financial risk management.

Note 30 Other provisions

GROUP, 2018	Guaran-tees	Other	Total
On January 1	**1,078**	**835**	**1,913**
Provisions during the year	541	762	1,303
Amount utilized during the year	–298	–291	–589
Reversed, unutilized provisions	–3	–18	–21
Translation differences	18	8	26
On December 31	**1,335**	**1,296**	**2,631**

GROUP, 2017	Guaran-tees	Other	Total
On January 1	**1,199**	**509**	**1,708**
Provisions during the year	349	500	849
Amount utilized during the year	–333	–187	–520
Reversed, unutilized provisions	–125	–6	–131
Reclassifications	–20	20	
Translation differences	8	–1	7
On December 31	**1,078**	**835**	**1,913**

PARENT COMPANY, 2018	Guaran-tees	Other	Total
On January 1	**0**	**8**	**8**
Amount utilized during the year		–1	–1
On December 31	**0**	**7**	**7**

PARENT COMPANY, 2017	Guaran-tees	Other	Total
On January 1	**540**	**28**	**568**
Provisions during the year		1	1
Changed commission relationship	–540	–21	–561
On December 31	**0**	**8**	**8**

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Restoration reserve	200	179		
Restructuring costs	68	24	–1	
Other	1,028	632	8	8
Other provisions	**1,296**	**835**	**7**	**8**
Guarantee commitments	1,335	1,078		
Total	**2,631**	**1,913**	**7**	**8**

GUARANTEE COMMITMENTS

Guarantee provisions pertain to anticipated future costs. To estimate a future guarantee cost, individual assessments are made from project to project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. In order to eliminate various risks, a provision for guarantee claims is posted at the rate at which the risks are expected to arise after having been identified. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

RESTORATION RESERVE

The restoration reserve is attributable to NCC Industry. 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 project losses arising in operations 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 77 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 risk; that 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 contains mostly share funds, whose prices 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.

Note 31 Pensions, cont'd.

PENSION COST

GROUP	2018	2017
Defined–benefit plans:		
Current service cost	226	204
Interest expense	160	148
Estimated return on plan assets	–129	–126
Total cost of defined–benefit plans	**257**	**226**
Total cost of defined–contribution plans	693	489
Payroll taxes and yield tax	–167	–77
Total cost of post–employment remuneration	**783**	**638**

Current service cost is recognized in operating profit and the interest–rate component, with the anticipated return on plan assets, 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 2018 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 0.20 percent (0.19).

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 could 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 2018, Alecta's surplus in the form of its collective solvency rate was 142 percent (154).

DEFINED–BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2018	2017
Obligations secured in full or in part in funds:		
Present value of defined–benefit obligations	7,044	6,388
Fair value of plan assets	5,207	5,254
Net value of obligations funded in full or in part	**1,837**	**1,134**
Special payroll tax/employer contributions	442	272
Net amount in balance sheet (obligation +, asset –)	**2,279**	**1,407**
Net amount is recognized in the following balance–sheet items:		
Provisions for pensions and similar obligations	2,279	1,407
Net amount in balance sheet (obligation +, asset –)	**2,279**	**1,407**
Net amount is distributed among plans in the following countries:		
Sweden	2,264	1,395
Norway	15	11
Net amount in balance sheet (obligation +, asset –)	**2,279**	**1,407**

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS

GROUP	2018	2017
Obligation for defined benefit plans on January 1	**6,388**	**5,855**
Benefits paid	–188	–183
Current service cost plus interest expense	386	352
Actuarial gains and losses on changed demographic assumptions	102	131
Actuarial gains and losses on changed financial assumptions	355	234
Exchange–rate differences		–1
Obligation for defined benefit plans on December 31	**7,044**	**6,388**

The weighted average maturity for the plans is 22 years (22).

CHANGE IN PLAN ASSETS

GROUP	2018	2017
Fair value of plan assets on January 1	**5,254**	**5,043**
Contribution by employer	44	2
Compensation	–18	–81
Estimated return	129	126
Actuarial gains and losses	–201	164
Fair value of plan assets on December 31	**5,208**	**5,254**
The plan assets comprise:		
Swedish stock market, listed	741	671
International stock market, listed	1,134	1,286
Hedge funds, listed	726	807
Interest–bearing securities, listed	1,593	1,476
Interest–bearing securities, unlisted	1,013	1,014
Fair value of plan assets on December 31	**5,208**	**5,254**

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

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2018	2017
Discount interest rates, %	2.35	2.45
Future salary increases, %	3.00	3.00
Anticipated inflation, %	2.00	1.75
Useful life assumption at 65 years, years	22.4	22.4

SENSITIVITY ANALYSIS; PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2018

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	–9.6	8.4
Future salary increases, 0.5 percentage points change	2.9	–3.2
Anticipated inflation, 0.5 percentage points change	6.4	–7.3
Useful life assumption at 65 years, 1 year change	4.0	–4.0

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 estimates that SEK 36 M will be paid in 2019 to funded and unfunded defined–benefit plans.

Note 31 Pensions, cont'd..

PENSION COSTS

PARENT COMPANY	2018	2017
Proprietary pension payments		
Proprietary costs, excluding interest expense	10	185
Interest expense	3	2
Cost of proprietary pension payments	**13**	**187**
Pension payments through insurance		
Insurance premiums	21	23
Subtotal	**34**	**210**
Special payroll tax on pension costs	4	8
Pension costs during the year	**38**	**218**

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2018	2017
Capital value of pension obligations pertaining to proprietary pension payments on January 1	177	3,378
Cost, excluding interest expense, charged against profit	10	185
Interest expense	3	2
Pension payments	–9	–10
Benefits/obligations transferred to NCC Sverige AB		–3,378
Capital value of pension obligations pertaining to proprietary pension on December 31	**181**	**177**

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2018	2017
Fair value of especially detached assets on January 1	218	4,443
Return on especially detached assets	8	218
Payment from pension foundations	–10	
Benefits transferred to NCC Sverige AB		–4,443
Fair value of especially detached assets on December 31	**216**	**218**
Fair value of especially detached assets distributed as:		
Shares	78	80
Funds	30	33
Interest–bearing receivables	108	105
Fair value of especially detached assets on December 31	**216**	**218**

The NCC Group's Pension Foundation has an interest–bearing receivable of SEK 1,000 M (1,000) 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	2018	2017
Capital value of pension obligations pertaining to proprietary pension on December 31	181	177
Fair value of especially detached assets on December 31	216	218
Surplus on especially detached assets	36	42
Net recognized pension obligation	**1**	**1**

ASSUMPTIONS FOR DEFINED–BENEFIT OBLIGATIONS

PARENT COMPANY	2018	2017
Discount interest rate on December 31	2.35	4.00

The pension calculations are based on the salary and pension level on the balance–sheet date.

Note 32 Other liabilities

GROUP	2018	2017
Other long-term liabilities		
Derivative instruments held for hedging	5	18
Other long-term liabilities	3	35
Total	**8**	**54**
Other current liabilities		
Advances from customers	536	143
Liabilities to associated companies	5	4
Derivative instruments held for hedging	50	40
Liabilities, property acquisitions	2	14
Other current liabilities	926	850
Total	**1,520**	**1,052**

Note 33 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Payroll–related costs	2,111	2,195	60	61
Financial expense	1	2		
Prepaid rental revenues	3	9		
Prepaid revenues from rental guarantees	47	13		
Project–related costs	912	626		
Administrative costs	23	4	8	6
Operating and sales costs	302	304	3	5
Other expenses	52	55	4	3
Total	**3,452**	**3,207**	**75**	**76**

Note 34 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 reached 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.

Industry, Building and Infrastructure have framework agreements concluded for the operational leasing of production equipment. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

GROUP	2018	2017
Financial lessee		
Leasing contracts that expire:		
Within one year	59	58
Later than one year but earlier than five years	435	360
Future minimum leasing fees		
Within one year	174	147
Later than one year but earlier than five years	328	274
Present value of future minimum leasing fees		
Within one year	173	146
Later than one year but earlier than five years	321	272
Reconciliation of future leasing fees and their present value:		
Future minimum leasing fees	502	421
Less interest charge	–8	–2
Present value of future minimum leasing fees	**494**	**419**
Variable fees included in net profit for the year:		
Interest on leased machinery and equipment	3	2
Total	**3**	**2**

OPERATING LEASES

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	17	23	47	46
Later than one year but earlier than five years	78	68	63	107
Later than five years	12	42		
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	448	380	52	52
Later than one year but earlier than five years	1003	886	70	122
Later than five years	161	134		
The year's cost for operational leasing amounts to	694	580		

Note 35 Related-party transactions

The companies that are closely related to the NCC Group are primarily the Nordstjernan Group (including the associated company Bonava), associated companies and joint arrangements.

The Parent Company has a related party relationship with its subsidiaries; see Note 18, Participations in Group companies. For information on NCC's senior executives, see Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions pertaining to NCC Group's Pension Foundation, see Notes 31 and 38.

Transactions involving NCC's associated companies and joint ventures were of a production nature. The transactions were conducted on normal market terms.

GROUP	2018	2017
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	45	81
Purchases from associated companies and joint arrangements	18	65
Dividend from associated companies	1	
Long-term receivables from associated companies and joint ventures		429
Current receivables from associated companies and joint ventures	24	42
Interest-bearing liabilities to associated companies and joint ventures	25	31
Operating liabilities to associated companies and joint ventures	9	16
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	1,728	2,844
Purchases from the Nordstjernan Group	3	158
Current receivables from the Nordstjernan Group	178	187

PARENT COMPANY	2018	2017
Transactions with Group companies		
Purchases from Group companies	58	72
Interest income from Group companies	1	4
Interest expense to Group companies	1	1
Dividend from Group companies	435	629
Current receivables from Group companies	906	1,085
Interest-bearing liabilities to Group companies	1,226	1,187
Operating liabilities to Group companies	1,050	1,050
Contingent liabilities to Group companies	19,309	18,911
Transactions with the Nordstjernan Group		
Purchases from the Nordstjernan Group		1

Note 36 Pledged assets, sureties, guarantees and contingent liabilities

	GROUP		PARENT COMPANY	
	2018	2017	**2018**	2017
Assets pledged				
For own liabilities:				
Assets subject to liens, etc.	493	418		
Restricted bank funds		1		
Total	**493**	**419**		
Other pledged assets	9	10		
Total assets pledged	**502**	**429**		
Contingent liabilities				
Own contingent liabilities:				
Sureties on behalf of Group companies			19,309	18,912
Other guarantees and contingent liabilities	455	450	368	368
Held jointly with other companies:				
Liabilities in consortiums, trading companies and limited partnerships	147	60		
Total guarantees and guarantee obligations[1]	**602**	**510**	**19,678**	**19,280**

[1] Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group 367 (367) and for the Parent Company 367 (367)). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2019. As a result of agreements between NCC AB and Bonava AB, however, NCC AB has been indemnified by Bonava AB for all undertakings. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

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
- fulfillment of construction-contract agreements.

CONTINGENT LIABILITIES, ETC.

Disputes and legal processes

In its continuous business operations, NCC occasionally becomes a party to disputes or legal processes. Within the framework of particularly its contracting operations, NCC makes what it considers to be justifiable claims against clients but the clients may partially or fully contest such claims. In many cases, the client may make counterclaims. In other cases, clients may direct claims against NCC for, inter alia, alleged shortcomings in NCC's execution of the ordered work. The aggregated amounts are substantial. NCC's financial statements reflect NCC's best assessment of the outcome but it cannot be excluded that the final outcome could in certain cases differ significantly from the currently made assessments.

Competition issues

In the wake of the Finnish asphalt cartel (1994-2002), which was finally concluded in respect of competition-infringement fees in 2009, former customers have directed claims of about EUR 71 M against NCC jointly with other construction companies. In Helsinki District Court's 2013 verdict in five of the cases, NCC was ordered to pay about EUR 1 M. In 2016, the Finnish Court of Appeal in Helsinki changed this verdict, whereby NCC will not have to pay damages. In a number of cases, the counterparties have applied for leave to appeal to the Supreme Court (SC), which has announced that it will hear one of the cases in which NCC is the defendant. The hearing will be restricted to addressing matters pertaining to statutory limitation and whether the principle of financial succession will be applied in respect of the right to damages. The SC has requested an opinion from the EU Court of Justice. In the Advocate-General's draft determination issued in February 2019, it is stated that damages may be sought from companies that have continued to have financial operations in a cartel member. The EU Court of Justice's ruling is expected in March 2019 and the SC's verdict is expected later in 2019. NCC has recognized what it adjudges to be necessary provisions. However, it cannot be excluded that the final outcome could differ from the amount of provisions.

Operations subject to permit obligations

NCC conducts operations subject to permit obligations in the form of, for example, asphalt and gravel pit operations, plants and landfills. NCC occasionally engages in a dialog with the authorities concerned regarding compliance with the terms and conditions for conducting the operations. Such matters are handled within the framework of the operating activities. In the unlikely event that NCC is found to have breached the applicable permits without being able to take necessary actions, this could result in considerable costs.

Note 37 Cash flow statement

CASH AND CASH EQUIVALENTS

GROUP	**2018**	2017
Cash and bank balances	1,197	3,063
Total cash and cash equivalents	**1,197**	**3,063**
Short-term investments with a maturity exceeding three months	72	41

PARENT COMPANY	**2018**	2017
Cash and bank balances		1,100
Balance in NCC Treasury AB	161	863
Total according to cash flow statement	**161**	**1,963**

Short-term investments have been classified as cash and cash equivalents/cash in bank 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

One asset acquisition was completed during the year. For additional information, see Note 15.

According to the acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	**2018**	2017
Intangible fixed assets	46	74
Buildings and land		6
Tangible fixed assets	14	43
Inventories		3
Other current receivables	2	
Long-term liabilities		23
Accounts payable and other current liabilities	5	7
Purchase considerations	**56**	**96**
Impact on the Group's cash and cash equivalents	**56**	**96**

ACQUISITION OF FIXED ASSET

Group

Acquisitions of intangible and tangible fixed assets during the year, excluding assets acquired via financial leasing, amounted to SEK 1,089 M (957), of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 3 M (0), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 75 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 18 M (10), 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.

Note 37 Cash flow statement, cont'd.

INFORMATION ABOUT INTEREST PAYMENTS

Group
Interest received during the year amounted to SEK 14 M (21). Interest paid during the year amounted to SEK 128 M (120).

Parent Company
Interest received during the year amounted to SEK 1 M (4). Interest paid during the year amounted to SEK 21 M (21).

CASH FLOW DERIVED FROM PARTICIPATIONS IN JOINT VENTURES

GROUP	2018	2017
Operating activities	81	107
Change in working capital	163	44
Investing activities	–2	
Financing activities	–135	–118
Total cash flow	**107**	**33**

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	2018	2017
Restricted bank funds		1
Cash and cash equivalents in joint operations	154	47
Total cash and cash equivalents unavailable for use	**154**	**48**

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	2018	2017
Acquisition of assets through promissory notes		8
Acquisition of assets through financial leasing	227	280

NON-CASH CHANGES IN FINANCING ACTIVITIES

GROUP	CB 2017	Cash flow	New leases	Interest indexing	Exchange-rate differences	CB 2018
Interest-bearing liabilities	2,223	–196			–119	1,908
Interest-bearing receivables	–783	354				–429
Lease liabilities	419		75	–3		493
Total liabilities, financing activities	**1,859**	**158**	**75**	**–3**	**–119**	**1,972**
Dividend		–864				
Buyback of company shares		–11				
Cash flow from financing activities		**–717**				

			NON-CASH ITEMS		
PARENT COMPANY	CB 2017	Cash flow	Group contributions 2018	Exchange-rate differences/other	CB 2018
Interest-bearing liabilities	2,188	389			2,577
Long-term interest-free liabilities	1,049	–4			1,045
Total liabilities in financing activities	**3,237**	**385**			**3,622**
Interest-bearing receivables	–222	22	–545	1	–744
Total financing activities	**3,015**	**407**	**–545**	**1**	**2,878**

Note 38 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, financial activities are centralized to the NCC Group's Finance Department, NCC Group Treasury, 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, liquidity and price risks associated with oil-based products are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electrical products and customer credit risks are handled within each business area.

CONTRACTUAL CONDITIONS

NCC is subject to a debt/equity covenant that is associated with the syndicated credit facility of EUR 325 M (325) that was signed with a group of banks and has a remaining term to maturity of about three years. 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[1] 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 period for loans was 34 months (34) in respect of the company's debt portfolio[1] of SEK 2,392 M (2,588).

[1] NCC's borrowing portfolio: Interest-bearing liabilities excluding pension debt according to IAS 19.

MATURITY STRUCTURE, TIED-UP CAPITAL[1]

	2018		2017	
	INTEREST-BEARING LIABILITIES			
Matures	Amount	Proportion, %	Amount	Proportion, %
2018			919	35
2019	1,051	44	493	19
2020	146	6	105	4
2021	112	5	39	2
2022[2]	55	2	1,032	40
2023-[2]	1,029	43		
Total	**2,392**	**100**	**2,588**	**100**

[1] Excluding pension debt according to IAS 19.
[2] Of which, reborrowing of SEK 1,000 M (1,000) from the NCC Group's Pension Foundation is included in 2023 (2022).

Note 38 Financial instruments and financial risk management, cont'd.

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

MARKET FINANCING PROGRAMS

	Limit	Utilized nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	400
Medium Term Note (MTN) in Sweden[1]	SEK 5,000 M	279
Total		**679**

[1] Of which a nominal amount of SEK 79 M listed on Nasdaq Stockholm.

Of NCC's total interest-bearing liability, excluding pension debt according to IAS 19, investor-related loans accounted for 28 percent (26).

LIQUIDITY RISKS

The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations. To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, NCC's finance policy states that the Group's payment capacity 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. Payment capacity 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 was SEK 3,587 M (3,460), with a remaining average maturity of 2.8 years (3.7). 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 1,268 M (3,104). Payment capacity on December 31 corresponded to 8 percent (12) 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.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)[1]

	2018					2017				
	Total	<3 months	3 months - 1 year	1–3 years	3–5 years	Total	<3 months	3 months - 1 year	1–3 years	3–5 years
Reborrowing from the NCC Group's Pension Foundation	1,090		18	36	1,036	1,085		17	34	1,034
Interest-bearing liabilities	903	621	261	21		1,188	172	615	396	5
Financial lease liabilities	502		176	241	85	424	1	148	208	67
Interest-rate swaps	2	2				15	2	11	2	
Oil forward contracts	8	2	6							
Accounts payable	5,164	5,164				5,179	5,179			
Total	**7,669**	**5,789**	**461**	**298**	**1,121**	**7,891**	**5,354**	**791**	**640**	**1,106**

[1] Excluding pension debt according to IAS 19.

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)

	2018				2017			
	Total	<3 months	3 months - 1 year	>1 year	Total	<3 months	3 months - 1 year	>1 year
Currency forward contracts								
- outflow	–6,064	–4,205	–1,714	–145	–6,765	–4,285	–1,771	–709
- inflow	6,148	4,277	1,729	142	6,778	4,305	1,772	701
Net flow from gross settled derivatives	**84**	**72**	**15**	**–3**	**13**	**20**	**1**	**–8**

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. NCC's finance policy for the interest-rate risk is that the weighted average remaining maturity of borrowing portfolio[1] when exposure is reduced by the maturity for cash and cash equivalents[2] should normally be 12 months subject to a mandate to deviate from this figure by +/– 6 months, and that the interest-rate maturity structure of the borrowing portfolio should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest-rate 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. When assessing effectiveness, NCC ensures that the financial correlation between interest-rate swaps and underlying loans has been fulfilled by having the interest-rate swaps denominated in the same currency, and ensuring that durations, the timing of interest payments, nominal amounts and interest-rate bases correspond with underlying loans. Interest-rate swaps have the same quantity as underlying loans. Ineffectiveness may arise if the points in time for the cash flow in the interest-rate swaps do not fully match those of underlying loans.

The average interest rate maturity of the company's borrowing portfolio[1] reduced by interest-rate exposure associated with cash and cash equivalents[2] was 5 months (7), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents[2] amounted to SEK 1,268 M (3,104) and the average interest-rate maturity for these assets was 2 months (0.2).

At the end of 2018, NCC's interest-bearing gross debt excluding pension debt according to IAS 19 amounted to SEK 2,392 M (2,588) and the average interest-rate maturity was 6 months (8).

On December 31, 2018, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 100 M (500). At the same date, the interest-rate swaps had a fair value of SEK –2 M (–14) net, comprising receivables of SEK 0 M (0), other long-term liabilities of SEK 0 M (2) and other current liabilities SEK 2 M (12). The interest-rate swaps have expiration dates ranging from 0.2 (0.7) to 0.2 (1.2) years with an average fixed interest rate of 1.58 percent. An increase in interest rates by one percentage point would result in a change of SEK –2 M (18) in net profit for the year, based on the interest-bearing assets and liabilities existing 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 change of SEK 0 M (0) in net profit for the year and a positive change of SEK 0 M (2) in other comprehensive income resulting from a change in fair value of the Group's interest-rate swaps.

[1] The company's borrowing portfolio: Interest-bearing liabilities excluding pension debt according to IAS 19, including interest-rate swaps linked to the borrowing portfolio.

[2] Cash and cash equivalents and short-term investments.

Note 38 Financial instruments and financial risk management, cont'd.

MATURITY STRUCTURE, INTEREST TERM[1]

	2018		2017	
	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS			
Matures	Amount	Proportion, %	Amount	Proportion, %
2018			2,456	95
2019	2,368	99	100	4
2020				
2021	24	1	33	1
Total	**2,392**	**100**	**2,588**	**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. Contracted gross exposure in each currency is hedged at a rate of 100 percent. Contractual gross exposure in each currency is hedged at a rate of 100 percent. Forecast 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 currency forward contract that hedge the cash flow are denominated in the same currency, are in the same amount and have the same due date as the hedged cash flow. Ineffectiveness may arise if a change occurs in the point of time for when the future cash flow will arise or if there is a change in the contractual or forecast cash flow.

The following table shows the sum total of the Group's gross inflows and gross outflows of various currencies, the portion hedged during the year and the currency risk for each currency in the unhedged currency flows. The currency risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts payable/accounts receivable.

	2018				2017			
Counter-value in SEK M	Gross in and outflows	Of which, expired hedges	Hedged portion, %	Currency risk 5% after tax on unhedged share	Gross in and outflows	Of which, expired hedges	Hedged portion, %	Currency risk 5% after tax on unhedged share
EUR	2,210	1,607	73	24	1,633	1,119	69	20
DKK	269	54	20	8	258	60	23	8
NOK	245	101	41	6	266	118	44	6
PLN	153	142	93	0	153	127	83	1
Other	42	38	89	0	52	25	49	1
Total	**2,919**	**1,942**	**67**	**38**	**2,361**	**1,450**	**61**	**36**

The forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. During 2018, no cash flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

FORECAST CURRENCY FLOWS (NET)

The table below shows forecast currency flows during 2019 (2018) through the first quarter of 2020 (Q1 2019), the outstanding hedge position at year-end and the hedged portion.

	Q1 2019			Q2 2019			Q3 2019			Q4 2019			Q1 2020			TOTAL		
Counter-value in SEK M (2018)	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	226	203	90	219	153	70	181	91	50	139	42	30	139	14	10	904	503	56
Target value %			**90**			**70**			**50**			**30**			**10**			

	Q1 2018			Q2 2018			Q3 2018			Q4 2018			Q1 2019			TOTAL		
Counter-value in SEK M (2017)	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	219	204	93	242	169	70	266	133	50	250	75	30	167	17	10	1,143	598	52
Target value %			**90**			**70**			**50**			**30**			**10**			

CONTRACTUAL CURRENCY FLOWS (GROSS)

The table below shows the outstanding hedge position at year-end for the sum total of contractual gross inflows and gross currency outflows.

	2018				2017			
Counter-value in SEK M	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
EUR	662	147	438	77	57	11	19	27
NOK	349	298		51	410	205		205
PLN	71	45	26		96	29	23	44
Other					6	4	2	
Total	**1,082**	**490**	**464**	**128**	**569**	**249**	**44**	**276**

Note 38 Financial instruments and financial risk management, cont'd.

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 SEK –32 M (–19). Of this amount, other long-term receivables of SEK 0 M (3), other receivables of SEK 9 M (11), other long-term liabilities of SEK 5 M (16) and other current liabilities of SEK 37 M (17) have been recognized in the balance sheet.

TOTAL HEDGE POSITION

The table below shows the total outstanding hedge position in respect of forecast and contractual currency flows at year-end and average forward rates per currency in SEK.

	2018			
Counter-value in SEK M	Total	<3 months	3 months – 1 year	>1 year
Total hedge position	**1,585**	**693**	**750**	**142**
Average forward rate in SEK				
EUR currency forward contracts	10.07	10.07	10.05	10.22
NOK currency forward contracts	1.06	1.06		1.07
PLN currency forward contracts	2.26	2.29	2.20	

CURRENCY DISTRIBUTION OF FINANCING

According to NCC's Finance Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly 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[1)]

	2018		2017	
Counter-value in SEK M	Amount	Proportion, %	Amount	Proportion, %
EUR	24	1	86	3
NOK	105	4	284	11
SEK	2,263	95	2,218	86
Total	**2,392**	**100**	**2,588**	**100**

1) Excluding pension debt according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES[1)]

Counter-value in SEK M	2018	2017
Buy +/ Sell – DKK	337	
Buy +/ Sell – EUR	421	–432
Buy +/ Sell – NOK	–2,876	–3,245
Buy +/ Sell – RUB	–32	–57
Net	**–2,150**	**–3,734**

1) Currency swaps.

TRANSLATION EXPOSURE

The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged. Exceptions have been made for the development operations of NCC Property Development. During 2018, NCC discontinued the hedging of translation exposure for NCC Property Development. Previously, not more than 90 percent of foreign net assets were hedged, without taking the tax effect into account.

Net assets were hedged through the raising of loans and/or 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 0 M (556), of which SEK 0 M (0) for loans and SEK 0 M (556) for currency forward contracts. Hedge accounting was applied when the criteria for hedge accounting were met. An exchange-rate difference of SEK –30 M (–7) before tax has been recognized in other comprehensive income. The hedges during the year fulfilled effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income.

THE GROUP'S NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The table below shows the Group's net investments in foreign subsidiaries and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account, as well as the exchange-rate risk associated with unhedged translation exposure. At December 31, 2018, unhedged translation exposure resulting from a 5-percent depreciation of the SEK in relation to other currencies would result in a change in shareholders' equity for the respective currency according to the table below and a change of SEK 0 M (0) in net profit for the year. Because hedging of translation exposure was discontinued in 2018, there were no outstanding hedging positions at year-end.

	2018						2017					
Counter-value in SEK M	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %	Exchange-rate risk, 5% of unhedged share	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %	Exchange-rate risk, 5% of unhedged share
DKK	1,339					67	1,523	271	18	211	14	63
EUR	283					14	513	167	33	130	25	17
NOK	499					25	445	118	27	92	21	16
RUB	-3					0	10					1
Total	**2,118**	**0**	**0**	**0**	**0**	**106**	**2,491**	**556**	**22**	**434**	**17**	**97**

PROPERTY DEVELOPMENT NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The table below shows the Group's net investments in NCC Property Development and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account. Because hedging of translation exposure was discontinued in 2018, there were no outstanding hedging positions at year-end.

	2018					2017				
Counter-value in SEK M	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	282					302	271	90	211	70
EUR	104					199	167	84	130	65
NOK	114					142	118	83	92	65
Total	**499**	**0**	**0**	**0**	**0**	**643**	**556**	**86**	**434**	**67**

Note 38 Financial instruments and financial risk management, cont'd.

PRICE RISKS

Price risks associated with bitumen

Since a large part of NCC Industry's sales of paving contracts are subject to indexed prices, NCC Industry is not exposed 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 Industry is exposed to a risk should the price of bitumen change. The price risk is managed by NCC Treasury through oil forward contracts. The policy is to hedge purchases of bitumen pertaining to larger customer contracts when the work is to be performed later than two months from the ordering date. NCC ensures that the oil derivative is priced using the same underlying index as the price of bitumen and that the number of purchased tons of bitumen per month exceeds the number of hedged tons of bitumen per month. The hedged quantity of purchases of bitumen corresponds with the derivative's quantity. Ineffectiveness may arise if the point in time of the purchases of bitumen deviates from the derivative's maturity date.

The table below shows the Group's purchases of bitumen and the portion hedged via oil forward contracts during the year.

	2018			2017		
Tons	Purchases bitumen	Of which, expired hedges	Portion hedged via oil forward contracts, %	Purchases bitumen	Of which, expired hedges	Portion hedged via oil forward contracts, %
Total	310,057	41,676	13	324,850	57,387	18

The following table shows the Group's forecast volume of purchases of bitumen, the outstanding hedging position at year-end and the portion hedged via oil forward contracts. The hedges fulfill effectiveness requirements, meaning that all changes from changed prices are recognized in other comprehensive income. The forward contracts used to hedge forecast purchases of bitumen are classified as cash flow hedges.

	2018				2017			
	Total	<3 months	3 months - 1 year	>1 year	Total	<3 months	3 months - 1 year	>1 year
Forecast volume of purchases of bitumen (tons)	649,701	7,859	316,992	324,850	974,551	7,859	316,992	649,700
Hedge position through oil forward contracts (tons)	29,719	2,960	22,146	4,613	44,786	0	28,863	15,923
Hedged portion, %	5	38	7	1	5	0	9	2
Hedge position counter-value, SEK M	79	11	58	10	65	0	31	34
Hedged price per ton (average price in SEK)	2,663	3,585	2,629	2,233				

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was SEK -4 M (24). Of this amount, other long-term receivables of SEK 0 M (6), other receivables of SEK 3 M (18), other long-term liabilities of SEK 1 M (0) and other current liabilities of SEK 7 M (0) have been recognized in the balance sheet.

Given outstanding oil forward contracts on the balance-sheet date, a 10-percent increase in the price of bitumen at December 31, 2018 would give rise to a change of SEK 5 M (10) in shareholders' equity and of SEK 0 M (0) 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 hedges fulfill effectiveness requirements, meaning that all changes from changed prices are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

At year-end, the outstanding volume of electricity derivatives amounted to SEK 43 M (34), of which SEK 4 M (3) will fall due within three months, SEK 18 M (16) in three-12 months and SEK 21 M (15) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 21 M (5). Of this amount, other receivables of SEK 21 M (5) and liabilities of SEK 0 M (0) 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 creditworthy 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 210 M (156) at the end of 2018. The net receivable per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 1,268 M (3,104).

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

	2018		2017	
GROUP	Gross	Reserve for doubtful receivables	Gross	Reserve for doubtful receivables
Not due accounts receivable	6,960		7,383	
Past-due accounts receivable 1-30 days	1,020		475	
Past-due accounts receivable 31-60 days	310		91	5
Past-due accounts receivable 61-180 days	280	6	169	8
Past-due accounts receivable > 180 days	2,437	1,230	1,768	889
Total	**11,007**	**1,236**	**9,886**	**902**

Collateral for accounts receivable was received in an amount of SEK 0 M (0).

Receivables expired >180 days are essentially caused by ongoing discussions/disputes with the client and are not connected to a question about the client's creditworthiness.

PROVISION FOR DOUBTFUL RECEIVABLES

GROUP	**2018**	2017
On January 1	902	154
Provision for the year	371	854
Reversal of previously posted impairment losses	–34	–106
Translation differences	–4	
On December 31	**1,236**	**902**

Note 38 Financial instruments and financial risk management, cont'd.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

NCC applies IFRS 9 as of January 1, 2018. The carrying amount and fair value of financial instruments, and the change in measurement categories between IAS 39 and IFRS 9, are presented in the tables below. In NCC's balance sheet, mainly short-term investments (held for trading) and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement to fair value of currency-forward contracts, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. 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, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities – the fair value does not materially deviate from the carrying amount. For long-term holdings of securities (long-term interest-bearing receivables) and short-term investments held to maturity, the fair value is based on the prices 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. The assessment is that the fair value of other long-term and current interest-bearing liabilities did not materially deviate from the carrying amount.

The following table explains the original measurement categories according to IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities at January 1, 2018.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

SEK M	Original classification according to IAS 39	New classification in accordance with IFRS 9	Original carrying amount according to IAS 39	New carrying amount according to IFRS 9
Financial assets				
Long-term holdings of securities, equity instruments	Available-for-sale financial assets	Fair value through other comprehensive income, equity instruments	91	91
Long-term interest-bearing receivables	Accounts and loan receivables	Amortized cost	445	445
Long-term interest-bearing receivables	Held-to-maturity investments	Amortized cost	131	131
Other long-term receivables, derivatives	Derivatives used in hedge accounting	Derivatives used in hedge accounting	8	8
Accounts receivable	Accounts and loan receivables	Amortized cost	8,882	8,882
Current interest-bearing receivables	Accounts and loan receivables	Amortized cost	167	167
Other receivables, derivatives	Financial assets measured at fair value through profit or loss. Held for trading	Mandatory as fair value through profit and loss	43	43
Other receivables, derivatives	Derivatives used in hedge accounting	Derivatives used in hedge accounting	37	37
Other receivables	Accounts and loan receivables	Amortized cost	117	117
Short-term investments	Financial assets measured at fair value through profit or loss. Held for trading	Mandatory as fair value through profit and loss	10	10
Short-term investments	Held-to-maturity investments	Amortized cost	30	30
Cash and cash equivalents	Accounts and loan receivables	Amortized cost	3,063	3,063
Total financial assets			**13,023**	**13,023**
Financial liabilities				
Long-term interest-bearing liabilities	Other liabilities	Other liabilities	1,669	1,669
Other long-term liabilities, derivatives	Derivatives used in hedge accounting	Derivatives used in hedge accounting	18	18
Other long-term liabilities, derivatives	Financial liabilities measured at fair value through profit and loss. Held for trading	Mandatory as fair value through profit or loss	1	1
Other long-term liabilities	Other liabilities	Other liabilities	35	35
Provisions for pensions and similar obligations	Other liabilities	Other liabilities	1,407	1,407
Current interest-bearing liabilities	Other liabilities	Other liabilities	919	919
Accounts payable	Other liabilities	Other liabilities	5,179	5,179
Accrued expenses and deferred income	Other liabilities	Other liabilities	2	2
Other current liabilities, derivatives	Derivatives used in hedge accounting	Derivatives used in hedge accounting	38	38
Other current liabilities, derivatives	Financial liabilities measured at fair value through profit and loss. Held for trading	Mandatory as fair value through profit or loss	2	2
Other current liabilities	Other liabilities	Other liabilities	19	19
Total financial liabilities			**9,288**	**9,288**

Note 38 Financial instruments and financial risk management, cont'd.

The carrying amount and fair value of financial instruments are presented in the following table.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP, 2018	Financial assets at fair value through profit or loss[1]	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit and loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				77			77	77
Long-term interest-bearing receivables			195				195	196
Other long-term receivables		0	96				96	96
Accounts receivable			9,629				9,629	9,629
Prepaid expenses and accrued income			1				1	1
Current interest-bearing receivables			163				163	163
Other receivables	127	33	56				216	216
Short-term investments	72						72	72
Cash and cash equivalents			1,197				1,197	1,197
Total assets	**199**	**34**	**11,337**	**77**			**11,647**	**11,647**
Long-term interest-bearing liabilities[2]						1,342	1,342	1,343
Other long-term liabilities		5				3	8	8
Provisions for pensions and similar obligations						2,279	2,279	2,279
Current interest-bearing liabilities						1,051	1,051	1,051
Accounts payable						5,164	5,164	5,164
Other current liabilities		46			4	8	58	58
Total liabilities		**51**			**4**	**9,846**	**9,902**	**9,902**

1) Mandatory measured at fair value.

2) Reborrowing of 1,000 M from NCC's Pension Foundation is included.

GROUP, 2017	Financial assets at fair value through profit or loss[1]	Derivatives used in hedge accounting	Accounts and loan receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial liabilities measured at fair value through profit or loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities					91			91	91
Long-term interest-bearing receivables			445	131				575	575
Other long-term receivables		8						8	8
Accounts receivable			8,882					8,882	8,882
Current interest-bearing receivables			167					167	167
Other receivables	43	37	117					196	196
Short-term investments	10			30				41	41
Cash and cash equivalents			3,063					3,063	3,063
Total assets	**53**	**45**	**12,673**	**161**	**91**			**13,023**	**13,023**
Long-term interest-bearing liabilities[2]							1,669	1,669	1,676
Other long-term liabilities		18				1	35	54	54
Provisions for pensions and similar obligations							1,407	1,407	1,407
Current interest-bearing liabilities							919	919	925
Accounts payable							5,179	5,179	5,179
Accrued expenses and deferred income							2	2	2
Other current liabilities		38				2	19	59	59
Total liabilities		**55**				**3**	**9,230**	**9,288**	**9,301**

1) Held for trading.

2) Reborrowing of SEK 1,000 M from NCC's Pension Foundation is included.

Note 38 Financial instruments and financial risk management, cont'd.

PARENT COMPANY, 2018	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Accounts receivable	1			1	1
Current receivables from Group companies	745			745	745
Balance in NCC Treasury AB	161			161	161
Total assets	**907**	**45**		**952**	**952**
Long-term liabilities to credit institutions[1]			1,000	1,000	1,000
Long-term liabilities to Group companies			1,044	1,044	1,044
Other long-term liabilities			1	1	1
Accounts payable			25	25	25
Current liabilities to Group companies			1,232	1,232	1,232
Other current liabilities			350	350	350
Total liabilities			**3,652**	**3,652**	**3,652**

[1] Reborrowing of SEK 1,000 M from the NCC Group's Pension Foundation is included.

PARENT COMPANY, 2017	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Accounts receivable	1			1	1
Current receivables from Group companies	222			222	222
Other current receivables	1			1	1
Cash and bank balances	1,100			1,100	1,100
Balance in NCC Treasury AB	863			863	863
Total assets	**2,187**	**45**		**2,232**	**2,232**
Long-term liabilities to credit institutions[1]			1,000	1,000	1,000
Long-term liabilities to Group companies			1,044	1,044	1,044
Other long-term liabilities			4	4	4
Accounts payable			33	33	33
Current liabilities to Group companies			1,192	1,192	1,192
Total liabilities			**3,274**	**3,274**	**3,274**

[1] Reborrowing of SEK 1,000 M from NCC's Pension Foundation is included.

The classification categories Financial assets measured at fair value through profit and loss 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 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. This category does not apply for the Parent Company.
Level 3: on the basis of input data that is not observable in the market.

	2018				2017			
GROUP	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets measured at fair value through profit or loss								
Securities held for trading					10			10
Short-term investments	72			72				
Derivative instruments		127		127		43		43
Derivative instruments used in hedge accounting		34		34		45		45
Available-for-sale financial assets							91	91
Financial assets measured at fair value through other comprehensive income								
Equity instruments			77	77				
Financial assets not recognized at fair value								
Held-to-maturity investments					161			161
Long-term interest-bearing receivables	196			196				
Total assets	**268**	**161**	**77**	**506**	**171**	**88**	**91**	**350**
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit and loss								
Derivative instruments		4		4		3		3
Derivative instruments used in hedge accounting		51		51		55		55
Financial liabilities not recognized at fair value								
Other interest-bearing liabilities	79	2,315		2,394	482	2,119		2,601
Total liabilities	**79**	**2,370**	**0**	**2,449**	**482**	**2,177**	**0**	**2,659**

Note 38 Financial instruments and financial risk management, cont'd.

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. NCC has not offset any amounts in the balance sheet.

	2018		2017	
GROUP	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount[1)]	161	55	88	58
Amount included in the netting agreement	–52	–52	–54	–54
Net amount after netting agreement	109	3	34	4

1) The gross carrying amount of financial assets includes SEK 127 M (43) for derivatives measured at fair value through profit or loss in other receivables, SEK 0 M (8) for derivatives used in hedge accounting for other long-term receivables and SEK 33 M (37) in other receivables.
The gross carrying amount of financial liabilities includes derivatives measured at fair value through profit or loss in other long-term liabilities in an amount of SEK 0 M (1), other current liabilities of SEK 4 M (2), derivatives used in hedge accounting of other long-term liabilities of SEK 5 M (18) and other current liabilities of SEK 46 M (38).

The Parent Company has no derivatives outstanding.

Note 39 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 80 Solna, Sweden

The consolidated financial statements for 2018 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

At December 31, 2018, Nordstjernan AB accounted for 16.8 percent of the share capital and 47.4 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

Note 40 Events after the balance-sheet date

On January 14, 2019, NCC announced that NCC's Nomination Committee will propose that Alf Göransson be elected to the NCC Board of Directors. Board member Carina Edblad has declined re-election. Reelection of the other seven members is proposed. The Nomination Committee proposes that the Board of Directors, insofar as it is elected by the Annual General Meeting, comprise eight members with no deputies. Alf Göransson served as CEO of Securitas between 2007 and 2018. Prior to that, he was CEO of NCC between 2001 and 2007. He is Chairman of the Board of Loomis and Board member of Sweco, Attendo, Hexpol, Melker Schörling AB, Axfast, Axel Johnson Inc. and Sandberg Development Group.

On January 22, 2019, it was announced that Carola Lavén will be stepping down from her membership of EMT and as the head of NCC's Property Development business area to become the Deputy CEO and Investment Director at property company Castellum. Carola Lavén will continue in her current position until July 22 at the latest.

Note 41 Appropriation of the company's profit

The Board of Directors proposes that the available funds be appropriated as follows:	1,849,685,885
Ordinary dividend to shareholders of SEK 4 per share[1)]	432,135,088
To be carried forward	1,417,550,797
Total, SEK	1,849,685,885

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 8, 2019.

Appropriations of profits

The Board of Directors proposes that the available funds	1,849,685,885
be appropriated as follows:	
Ordinary dividend to shareholders of SEK 4.00 per share[1)]	432,135,088
To be carried forward	1,417,550,797
Total, SEK	**1,849,685,885**

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 8, 2019.

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 8, 2019. 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 9, 2019.

Solna, March 8, 2019

Tomas Billing
Chairman of the Board

Geir Magne Aarstad
Board member

Viveca Ax:son Johnson
Board member

Carina Edblad
Board member

Mats Jönsson
Board member

Angela Langemar Olsson
Board member

Ulla Litzén
Board member

Birgit Nørgaard
Board member

Karl-Johan Andersson
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Harald Stjernström
Board member
Employee representative

Tomas Carlsson
President and CEO

Our audit report was submitted on March 13, 2019

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor in Charge

Ann-Christine Hägglund
Authorized Public Accountant

Auditors' Report

To the general meeting of shareholders of NCC AB (publl), corporate identity number 556034-5174

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 8-67 in this document.

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 parent company as of 31 December 2018 and its financial performance and cash flow 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 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and the balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risk of material misstatement in the financial statements. We tailored our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the NCC group, the accounting processes and controls, and the industry in which NCC operates.

In a business such as NCC's, our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the financial statements. We have assessed the highest risk for misstatements in the financial statements to be the percentage-of-completion revenue recognition in some of the ongoing projects in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. In addition, we have identified a number of other risks that also reflect components of estimates and judgements, e.g, warranty provisions and disputes. As in all of our audits, we also addressed the risk of the Board of Directors' and management overriding internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Based on the risk assessment the central audit team developed an audit strategy according to which the group audit mirrors NCC's organisation and which starts in an audit of the five business areas. As a part of this strategy the audit has focused on the largest units within each business area, which are subject to a so-called full audit.

The central audit team performs the audit of the parent company and the consolidated accounts and issues, based on the audit strategy, instructions to the audit teams for each business area. We also perform a centralised audit of, e.g., selected controls in the financial processes handled by NCC's group common shared service centre as well as of relevant controls over NCC's group common information systems.
The results of these examinations are shared with local audit teams.

Materiality

The scope of our audit is influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and the consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Revenue and results recognition in construction projects

2018 revenue in NCC's construction and civil engineering operations amount to approximately SEK 44 billion. In all material respects revenue is related to construction projects and is recognised over time, i.e., applying percentage-of-completion. This means that
recognised revenue and costs in construction projects are based on assumptions and estimates on future outcome as documented in the project forecasts. These forecasts include estimates of costs for, e.g., labour, material, subcontractors and warranty obligations. From time to time, the latter may require updated estimates also for completed projects. As applicable, forecasts also include assessments of claims on customers relating to, e.g, change or additional orders and deficiencies in tender conditions.

The elements of assumptions and estimates means that final results may deviate from those now reported. During 2018 NCC has recognised considerable revaluations in primarily NCC Infrastructure, but also in NCC Building Nordics and NCC Building Sweden.

The size of the amounts involved combined with the elements of assumptions and estimates makes this a key audit matter.

Refer to the sections " Revenue from construction and similar projects", " Critical estimates and assessments" (subsections " Percentage-of-completion profit recognition of projects" , "Guarantee commitments" and "Guarantee obligations, legal disputes, etc") in note 1 Accounting Policies as well as note 3 Order stock and distribution of external net sales, note 27 Construction contracts, note 30 Other provisions and note 36 Pledged assets, sureties, guarantees and contingent liabilities (subsection "Contingent liabilities etc").

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have evaluated and on a sample basis tested selected key controls in so-called tollgates in NCC's project process, from calculation to current project reporting. We have also evaluated processes, routines and methodology for project completion.

We have performed analytical reviews of revenue and margins reported and evaluated management's routines for follow-up of the projects financial results and also discussed the latter with management.

On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have also tested the mathematical accuracy of the percentage-of-completion profit calculation.

In NCC Infrastructure and NCC Building Sweden, we have made site visits on certain projects.

We have discussed with NCC the principles, methods and assumptions on which estimates are based, including those forming the basis for warranty provisions for projects already completed.

For selected projects, we have performed more in-depth procedures including, e.g., reading contract excerpts, review of project forecasts and discussions with project leaders and controllers on judgements, assumptions and estimates. We have also obtained opinions from NCC's legal advisers on selected disputes.

We have kept a dialogue also with group management and the audit committee on NCC's estimates and the principles, methods and assumptions on which these are based. Our overall view is that NCC's assumptions and estimates lie within an acceptable range. However, we have communicated that many times these are difficult judgemental matters and that final outcome may deviate from the current assumptions, estimates and judgments.

Other information than the annual accounts and the consolidated accounts

Other information than the annual accounts and the consolidated accounts
This document also contains other information than the annual accounts and the consolidated accounts and is found on pages 1-7, 72-89 and 100-101. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and the consolidated accounts does not cover this other information and we do not express any form of assurance conclusion on this other information.

In connection with our audit of the annual accounts and the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and the consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the administration of the Board of Directors and the President of NCC AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Presidents be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of NCC AB by the general meeting of shareholders on 9 April 2018 and has been the company's auditor since 5 April 2017.

Stockholm 13 March 2019
PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016	2017	IFRS 15 2017	2018
Net sales	52,535	57,227	57,227	57,823	56,867	62,495	53,116	52,934	54,608	54,441	57,346
Production costs	–47,721	–51,724	–51,731	–52,027	–51,176	–56,009	–48,683	–48,484	–50,460	–50,460	–55,205
Gross profit	**4,814**	**5,503**	**5,495**	**5,796**	**5,691**	**6,486**	**4,432**	**4,450**	**4,148**	**3,981**	**2,140**
Selling and administrative costs	–2,774	–2,978	–2,988	–3,130	–3,117	–3,405	–2,765	–2,912	–2,933	–2,933	–2,875
Result from sales of owner-occupied properties	7	3	3	6	20	7	7	–10	1	1	12
Impairment losses on fixed assets	–38	–2	–2	7		–40	–39	–97	–7	–7	–82
Capital gain from sales of Group companies	3	6	6		3			2	21	21	
Result from participations in associated companies	5	5	5	1	8	–9	26	20	11	11	42
Operating profit/loss	**2,017**	**2,537**	**2,519**	**2,679**	**2,604**	**3,039**	**1,661**	**1,453**	**1,242**	**1,075**	**–764**
Financial income	76	74	74	75	46	50	39	26	39	39	36
Financial expense	–284	–348	–315	–354	–416	–433	–78	–138	–130	–130	–121
Net financial items	**–208**	**–274**	**–241**	**–279**	**–370**	**–383**	**–39**	**–112**	**–91**	**–91**	**–85**
Profit/loss after financial items	**1,808**	**2,263**	**2,277**	**2,400**	**2,234**	**2,656**	**1,623**	**1,341**	**1,150**	**983**	**–849**
Tax on profit for the period	– 496	–364	–367	–411	–396	–536	–302	–225	–141	–106	99
Profit for the period	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	**1,116**	**1,009**	**877**	**–750**
Attributable to:											
NCC's shareholders	1,310	1,894	1,905	1,986	1,835	2,113	1,315	1,113	1,004	872	–756
Non-controlling interests	2	5	5	3	3	6	6	3	5	5	6
Profit for the period	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	**1,116**	**1,009**	**877**	**–750**

2014: Operating profit/loss 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 what was its best ever full-year earnings. Continued favorable housing sales in NCC Housing and profit-recognized property projects in Property Development, at the same time as the trend for Construction Denmark and 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/loss for the year was adversely impacted by costs for the cartel case in Norway and costs for NCC's reorganization. Orders received during the year remained buoyant, thus strengthening the order backlog.

2016: Operating profit/loss declined within the all business areas apart from NCC Industry. This was mainly due to impairment losses on projects and resolved disputes within NCC Infrastructure and NCC Building. NCC Property Development's operating profit developed negatively because fewer property projects were recognized in profit and the profit margin was lower. Net financial items declined year-on-year due to higher average net debt, because Bonava received capital contributions in April 2016.

2017: NCC's operating result was lower than in 2016, primarily because of impairment losses on projects and provisions in NCC Infrastructure, which had a negative impact. Although NCC Building improved its earnings despite impairment losses on projects in Finland and provisions in Denmark, there is some way to go before it attains its financial objectives. NCC Industry delivered its best earning ever thanks to higher sales volumes and improved profitability. NCC Property Development improved its earnings and achieved its financial objectives.

2018: A full-year operating loss was reported, which was primarily due to the provisions, revaluations and impairment losses slightly exceeding SEK 1.5 billion that were carried out in the third quarter. Of the business areas, NCC Infrastructure, NCC Building Nordics and NCC Property Development incurred full-year operating losses, while NCC Building Sweden and NCC Industry reported operating profits.

AMENDED ACCOUNTING POLICIES – 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.

AMENDED ACCOUNTING POLICIES – IFRS 15, COMPARATIVE FIGURES FOR 2017 HAVE BEEN RECALCULATED.

In the Annual Report, comparative figures for 2017 been recalculated due to the application of IFRS 15 as of January 1, 2018. This applies for all tables and figures pertaining to 2017, unless otherwise stated. The amendment entails briefly that the requirements have been sharpened in respect of recognizing revenues deriving from contract modifications related to alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The changes affect the Building Sweden, Building Nordics and Infrastructure business areas.

BALANCE SHEET, SEK M	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016	2017	IFRS 15 2017	**2018**
ASSETS											
Fixed assets											
Goodwill	1,607	1,827	1,827	1,802	1,865	1,792	1,770	1,851	1,848	1,848	1,861
Other intangible assets	167	204	204	267	389	439	377	275	335	335	339
Owner-occupied properties	596	662	662	704	774	826	776	814	880	880	915
Machinery and equipment	2,209	2,395	2,395	2,502	2,487	2,417	2,356	2,569	2,712	2,712	3,052
Long-term holdings of securities						97	92	125	129	129	119
Long-term interest-bearing receivables						354	271	361	575	575	195
Other long-term receivables						307	203	62	26	26	119
Deferred tax assets						204		97	239	338	531
Participations in associated companies	8	9	9	9	52						
Other long-term holdings of securities	173	158	158	131	156						
Long-term receivables	1,750	1,859	615	496	671						
Total fixed assets	**6,511**	**7,114**	**5,870**	**5,910**	**6,395**	**6,435**	**5,845**	**6,154**	**6,743**	**6,843**	**7,133**
Current assets											
Properties held for future development						2,050	2,050	1,780	1,696	1,696	1,633
Ongoing property projects						2,013	2,013	1,440	1,039	1,039	2,292
Completed property projects						367	367	808	870	870	308
Properties held for future development, housing						3,749		16			226
Capitalized project development costs						969					
Ongoing proprietary housing projects						6,987					
Completed housing units						583					
Property projects	4,475	5,321	5,321	5,251	5,059						
Housing projects	9,860	11,738	11,738	12,625	13,246						
Materials and inventories	557	655	655	673	746	696	691	713	764	764	902
Tax receivables						33	13	42	241	241	146
Accounts receivable	7,265	7,725	7,725	7,377	7,178	7,083	6,619	7,682	8,882	8,882	9,629
Worked-up, non-invoiced revenues	910	782	782	918	1,066	1,400	1,394	1,737	1,671	1,554	1,276
Prepaid expenses and accrued income	1,114	1,544	1,544	1,325	1,415	1,262	936	1,061	1,170	1,170	1,418
Current interest-bearing receivables						106	1,752	152	167	167	163
Other receivables	1,151	1,277	1,277	1,024	1,048	1,301	901	446	687	687	608
Short-term investments	285	168	168	143	242	190	190	190	41	41	72
Cash and cash equivalents	796	2,634	2,634	3,548	2,592	4,177	3,592	3,093	3,063	3,063	1,197
Total current assets	**26,414**	**31,844**	**31,844**	**32,883**	**32,592**	**32,967**	**20,518**	**19,161**	**20,292**	**20,174**	**19,868**
TOTAL ASSETS	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**	**27,018**	**27,001**
EQUITY											
Shareholders' equity	8,286	8,974	7,634	8,658	8,847	9,691	4,962	5,553	5,516	5,168	2,931
Non-controlling interests	11	15	15	17	20	23	20	13	12	12	17
Total equity	**8,297**	**8,988**	**7,649**	**8,675**	**8,867**	**9,714**	**4,982**	**5,566**	**5,528**	**5,179**	**2,948**
LIABILITIES											
Long-term liabilities											
Long-term interest-bearing liabilities	3,850	7,102	7,102	7,029	6,957	5,887	3,865	2,288	1,669	1,669	1,342
Other long-term liabilities	643	841	841	299	548	609	158	54	54	54	8
Deferred tax liabilities	669	725	436	414	268	322	456	407	438	438	297
Provisions for pensions and similar obligations	6	9	393	125	585	338	338	1,008	1,407	1,407	2,279
Other provisions	2,619	2,435	2,435	2,070	2,017	1,970	1,612	1,686	1,889	1,889	2,563
Total long-term liabilities	**7,788**	**11,113**	**11,208**	**9,937**	**10,376**	**9,126**	**6,429**	**5,443**	**5,456**	**5,456**	**6,488**
Current liabilities											
Current interest-bearing liabilities	1,585	2,141	2,141	2,515	2,526	3,154	1,900	723	919	919	1,051
Accounts payable	4,131	4,659	4,659	4,096	3,960	4,694	4,176	4,427	5,179	5,179	5,164
Tax liabilities	60	122	122	58	117	287	135	115	95	95	
Invoiced revenues, not worked up	4,176	4,241	4,241	4,264	4,408	4,244	4,239	4,355	5,574	5,905	6,311
Accrued expenses and deferred income	3,277	3,748	3,748	3,888	3,952	4,012	3,172	3,205	3,207	3,207	3,452
Provisions						59	59	21	24	24	68
Other current liabilities	3,611	3,945	3,945	5,360	4,782	4,112	1,270	1,460	1,052	1,052	1,520
Total current liabilities	**16,839**	**18,855**	**18,856**	**20,181**	**19,745**	**20,562**	**14,951**	**14,306**	**16,051**	**16,382**	**17,566**
Total liabilities	**24,627**	**29,968**	**30,063**	**30,118**	**30,120**	**29,688**	**21,380**	**19,749**	**21,507**	**21,838**	**24,054**
TOTAL EQUITY AND LIABILITIES	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**	**27,018**	**27,001**

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 debt and the debt/equity ratio was a multiple of 0.8.

2015: During the year, the item housing projects was reduced by the many delivered and paid for 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 debt was reduced by a total of SEK 2.3 billion.

2016: During the year, the number of property projects declined, due mainly to the profit recognition of five property projects, sales of land and a lower work-up rate in ongoing projects following a delay in project starts. Cash and cash equivalents declined year-on-year. During the year, long-term interest-bearing loans of SEK 1.6 billion and bonds valued at SEK 1.3 billion became due for repayment. Net debt was reduced by SEK 4.3 billion.

2017: The Group's total assets increased primarily due to higher accounts receivable within NCC Industry and NCC Building. The item property projects declined when five property projects were recognized in profit. The Group's strong cash flow led to a reduction in net debt to SEK –149 M (–222). NCC was essentially debt free and had a solid financial position.

2018: Cash flow from operating activities was lower, primarily due to a lower operating result, to increased investments in development properties and to lower earnings from sales of property projects. The lower cash flow and an increased pension debt led to the Group's net debt increasing by SEK 3 billion. The Group's total assets were essentially unchanged compared with 2017.

KEY PERFORMANCE INDICATORS	2011	2012	IAS 19 2012	2013	2014	Excluding Bonava in 2015	2016	2017	IFRS 15 2017	2018
Financial statements, SEK M										
Net sales[3]	52,535	57,227	57,227	57,823	56,867	53,116	52,934	54,608	54,441	57,346
Operating profit/loss/loss[3]	2,017	2,537	2,519	2,679	2,604	1,661	1,453	1,242	1,075	–764
Profit after financial items[3]	1,808	2,263	2,277	2,400	2,234	1,623	1,341	1,150	983	–849
Profit for the year[3]	1,312	1,899	1,910	1,989	1,838	1,321	1,116	1,009	877	–750
Investments in fixed assets	1,257	1,345	1,345	1,055	987	1,092	1,406	1,238	1,238	1,669
Investments in property projects	2,333	2,692	2,692	3,890	2,255	1,858	1,612	1,152	1,152	2,602
Investments in housing projects[1]	7,529	8,997	8,997	7,912	9,712	9,725	3,154			
Cash flow, SEK M										
Cash flow from operating activities	–1,547	–26	–26	2,532	1,345	4,061	1,170	2,158	2,158	–375
Cash flow from investing activities	–857	–906	–906	–870	–771	–730	–1,181	–797	–797	–782
Cash flow before financing	–2,404	–932	–932	1,661	574	3,331	–11	1,361	1,361	–1,157
Cash flow from financing activities	491	2,774	2,774	–741	–1,515	–1,713	–1,087	–1,392	–1,392	–717
Change in cash and cash equivalents	–1,916	1,838	1,838	914	–956	1,586	–1,084	–30	–30	–1,866
Profitability ratios										
Return on equity, %[6]	17	23	28	26	22	26	19	18	17	–18
Return on equity, %[7]	17	23	28	26	22	26	118	18	17	–18
Return on capital employed, %[6]	16	15	17	15	14	17	13	13	12	–9
Return on capital employed, %[7]	16	15	17	15	14	17	63	13	12	–9
Financial ratios at year-end, SEK M										
EBITDA %[6]		5.6	5.6	5.9	5.8	6.2	4.7	3.6	3.3	0.8
EBITDA %[7]		5.6	5.6	5.9	5.8	6.2	17.0	3.6	3.3	0.8
Interest coverage ratio, multiple[6]	7.4	7.0	7.5	7.8	6.4	7.1	6.6	9.8	8.5	–6.0
Interest coverage ratio, multiple[7]	7.4	7.0	7.5	7.8	6.4	7.1	31.1	9.8	8.5	–6.0
Equity/assets ratio, %	25	23	20	22	23	25	22	20	19	11
Interest-bearing liabilities/total assets, %	17	24	26	25	26	24	16	15	15	17
Net cash +/Net debt –	–3,960	–6,061	–6,467	–5,656	–6,836	–4,552	–222	–149	–149	–3,045
Debt/equity ratio, multiple	0.5	0.7	0.8	0.7	0.8	0.5	0.0	0.0	0.0	1.0
Capital employed at year-end	13,739	18,241	17,285	18,345	18,935	19,093	9,585	9,523	9,174	7,619
Capital employed, average	13,101	16,632	15,755	18,005	18,531	18,672	13,474	9,418	9,138	8,780
Capital turnover rate, multiple	4.0	3.4	3.6	3.2	3.1	3.3	4.1	5.8	6.0	6.5
Share of risk-bearing capital, %	27	25	21	23	23	25	24	22	21	12
Closing interest rate, %[2]	4.2	3.6	3.6	3.3	2.8	2.8	2.6	2.0	2.0	1.3
Average period of fixed interest, years[2]	0.8	1.1	1.1	1.2	1.1	0.9	0.9	0.6	0.6	0.5
Order status, SEK M										
Orders received[3]	57,867	55,759	55,759	56,979	61,379	51,492	56,506	56,990	56,777	61,842
Order backlog[3]	46,314	45,833	45,833	47,638	54,777	41,538	47,940	51,806	51,734	56,837
Per share data, SEK										
Profit/loss after taxes, before and after dilution[6]	12.08	17.51	17.62	18.40	17.01	19.59	11.61	9.29	8.07	–7.00
Profit/loss after taxes, before and after dilution[7]	12.08	17.51	17.62	18.40	17.01	19.59	73.81	9.29	8.07	–7.00
Cash flow from operating activities, after dilution	–14.27	–0.24	–0.24	23.46	12.47	37.65	10.88	19.97	19.97	–3.47
Cash flow before financing, after dilution	–22.17	–8.61	–8.61	15.40	5.32	30.88	–0.05	12.59	12.59	–10.71
P/E ratio, before dilution[6]	10	8	8	11	15	13	19	17	19	–20
P/E ratio, before dilution[7]	10	8	8	11	15	13	3	17	19	–20
Dividend, ordinary	10.00	10.00	10.00	12.00	12.00	3.00	8.00	8.00	8.00	4.00[4]
Dividend yield, %	8.3	7.3	7.3	5.7	4.9	1.1	3.5	5.1	5.1	2.9
Shareholders' equity, before and after dilution	76.41	82.97	70.58	80.24	82.04	89.85	51.39	51.04	47.81	27.13
Share price/shareholders' equity, %	158	164	193	262	301	293	439	308	329	508
Share price at year-end, NCC B	121.00	136.20	136.20	209.90	246.80	263.00	225.40	157.30	157.30	137.80
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
Treasury shares at year-end		0.4	0.4	0.6	0.6	0.6	0.4	0.4	0.4	0.4
Total number of shares outstanding before dilution at year-end	108.4	108.0	108.0	107.8	107.8	107.9	108.1	108.1	108.1	108.0
Average number of shares outstanding before dilution for the period	108.4	108.2	108.2	107.9	107.8	107.9	108.1	108.1	108.1	108.1
Market capitalization before dilution, SEK M	13,136	14,706	14,706	22,625	26,574	28,369	24,325	16,997	16,997	14,896
Personnel										
Average number of employees	17,459	18,175	18,175	18,360	17,669	17,872	16,793	17,762	17,762	16,523

[1] This includes investments in the unsold share of ongoing proprietary housing projects and costs incurred before project starts.

[2] Excluding liabilities attributable to Swedish tenant-owner associations and Finnish housing companies, as well as pension debt according IAS 19.

[3] As of 2015, Bonava has been excluded.

[4] Dividend for 2018 pertains to the Board of Directors' motion to the AGM.

[5] All shares issued by NCC are common shares.

[6] When calculating the key figure, the impact on profit of SEK 6,724 M that arose from the spinoff of Bonava has been excluded.

[7] When calculating the key figure, the impact on profit of SEK 6,724 M that arose from the spinoff of Bonava has been included.

Figures for 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see page 101.

Quarterly data

SEK M	QUARTERLY AMOUNTS, 2018 Q1	Q2	Q3	Q4	FULL YEAR 2018	QUARTERLY AMOUNTS, 2017 Q1	Q2	Q3	Q4	FULL YEAR 2017
Group										
Orders received	17,521	13,834	12,738	17,750	61,842	11,431	16,385	12,738	16,223	56,777
Order backlog	58,851	58,741	56,587	56,837	56,837	49,386	52,239	52,175	51,734	51,734
Net sales	10,894	14,349	14,269	17,832	57,346	11,748	13,345	13,075	16,273	54,441
Operating profit/loss	–364	452	–1,108	256	–764	244	510	364	–43	1,075
Profit/loss after financial items	–372	427	–1,133	229	–849	225	484	339	–65	983
Profit after tax	–296	341	–955	160	–750	193	405	283	–4	877
Earnings per share after dilution, SEK	–2.73	3.12	–8.87	1.47	–7.00	1.80	3.72	2.59	–0.04	8.07
Cash flow before financing	–815	–1,710	–574	1,942	–1,157	1,737	–2,062	443	1,244	1,361
Equity/assets ratio, %	18	15	11	11	11	22	18	18	19	19
Net cash +/Net debt –	–1,011	–3,084	–4,169	–3,045	–3,045	1,519	–1,232	–884	–149	–149
NCC Infrastructure										
Orders received	9,497	3,740	5,423	6,220	24,880	4,996	4,483	5,158	7,090	21,727
Order backlog	25,195	24,118	24,923	24,786	24,786	17,957	18,019	18,792	19,682	19,682
Net sales	4,294	4,990	4,515	5,992	19,791	3,365	4,539	4,472	6,115	18,490
Operating profit/loss	–11	51	–883	–150	–993	–66	70	–65	–137	–198
Operating margin, %	–0.3	1.0	–19.6	–2.5	–5.0	–2.0	1.5	–1.4	–2.2	–1.1
NCC Building Sweden										
Orders received	3,677	3,111	2,394	5,893	15,075	2,351	7,095	3,232	3,032	15,710
Order backlog	19,367	18,422	17,435	18,709	18,709	16,953	20,457	20,781	19,340	19,340
Net sales	3,649	4,057	3,380	4,614	15,701	3,206	3,591	2,908	4,473	14,178
Operating profit/loss	111	147	86	109	453	93	103	107	186	489
Operating margin, %	3.0	3.6	2.6	2.4	2.9	2.9	2.9	3.7	4.2	3.4
NCC Building Nordics										
Orders received	1,915	3,349	2,488	3,477	11,229	1,380	1,917	2,306	3,648	9,251
Order backlog	10,384	11,501	11,110	11,313	11,313	10,205	9,670	9,577	10,288	10,288
Net sales	2,299	2,571	2,720	3,162	10,753	2,451	2,518	2,411	3,065	10,444
Operating profit/loss	11	34	–193	–78	–227	–55	3	–18	–11	–79
Operating margin, %	0.5	1.3	–7.1	–2.5	–2.1	–2.2	0.1	–0.8	–0.4	–0.8
NCC Industry										
Orders received	2,867	4,106	2,913	3,058	12,943	3,248	3,614	2,584	3,077	12,522
Order backlog	4,855	5,380	3,940	3,092	3,092	5,053	5,251	3,781	3,059	3,059
Net sales	1,165	3,625	4,301	3,876	12,968	1,087	3,416	4,051	3,839	12,393
Operating profit/loss	–411	324	283	155	350	–310	336	409	142	577
Operating margin, %	–35.3	8.9	6.6	4.0	2.7	–28.5	9.8	10.1	3.7	4.7
Capital employed	4,456	5,733	5,540	4,902	4,902	3,901	4,855	4,825	4,400	4,400
NCC Property Development										
Net sales	285	115	397	1,361	2,157	2,173	185	168	42	2,567
Operating profit/loss	16	–16	–326	144	–181	593	65	–9	–48	601
Capital employed	4,591	4,985	4,383	4,314	4,314	3,320	3,727	3,836	4,086	4,086
Operating margin, %	5.5	–13.9	–82.1	10.6	–8.4	27.3	35.2	–5.1	–116.7	23.4

The asphalt and civil-engineering operations of NCC Industry and certain activities within NCC Building Sweden, NCC Building Nordics and NCC Infrastructure 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.

Sustainability report

NCC is one of the leading construction and property development companies in the Nordic region and is active throughout the value chain in its efforts to create environments for work, living and communication.

NCC develops commercial properties and constructs housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and accounts for paving, operation and maintenance of roads.

NCC aims to be a leading player in the markets the company serves and to proactively contribute to reduce the use of non-renewable materials, increase societal value and develop new technical solutions, products and work methods that promote sustainable development for the customers, the Group and society at large. For NCC, this involves taking into account the needs of current and future generations, increasing its competitiveness and ability to generate profitable growth and taking long-term responsibility in its daily operations.

Our vision is to renew the industry and provide superior sustainable solutions.

INDUSTRY BEST IN SUSTAINABILITY

In the Nordics' largest brand study on sustainability, Sustainable Brand Index B2B, customers in the construction sector named NCC the Sustainability Industry Leader 2018.

"This is confirmation that the sustainable solutions NCC delivers make a difference and meet our customers' needs. Clear examples of this are our more environmental production method NCC Green Asphalt, and that we continuously review what parts of our operations can be switched to the use of renewable fuels. In recent years, we have found that our emphasis on sustainability has driven business-centric innovation with the customer in focus," says Christina Lindbäck, SVP Corporate Sustainability at NCC.

INDUSTRY LEADER 2018
SUSTAINABLE BRAND INDEX B2B

NCC's values

- Honesty
- Respect
- Trust
- Pioneering spirit

NCC's sustainability framework and the global goals

NCC's sustainability work constitutes the foundation for NCC's future development. The purpose of NCC's sustainability work is to use NCC's offerings to create conditions for people to work, reside, travel and live in a sustainable manner, and to increase value for shareholders, customers and society as a whole. The framework clarifies the principal areas of NCC's sustainability work – Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. NCC has set sustainability targets for the strategy period of 2016–2020 for all areas in the framework. The targets and outcomes for the year are reported on pp. 78-79.

For each area, there are also long-term directions in sustainability that relate to the long-term changes in market conditions, outline the path ahead and provide a direction for the Group's long-term sustainability work, beyond the strategy period.

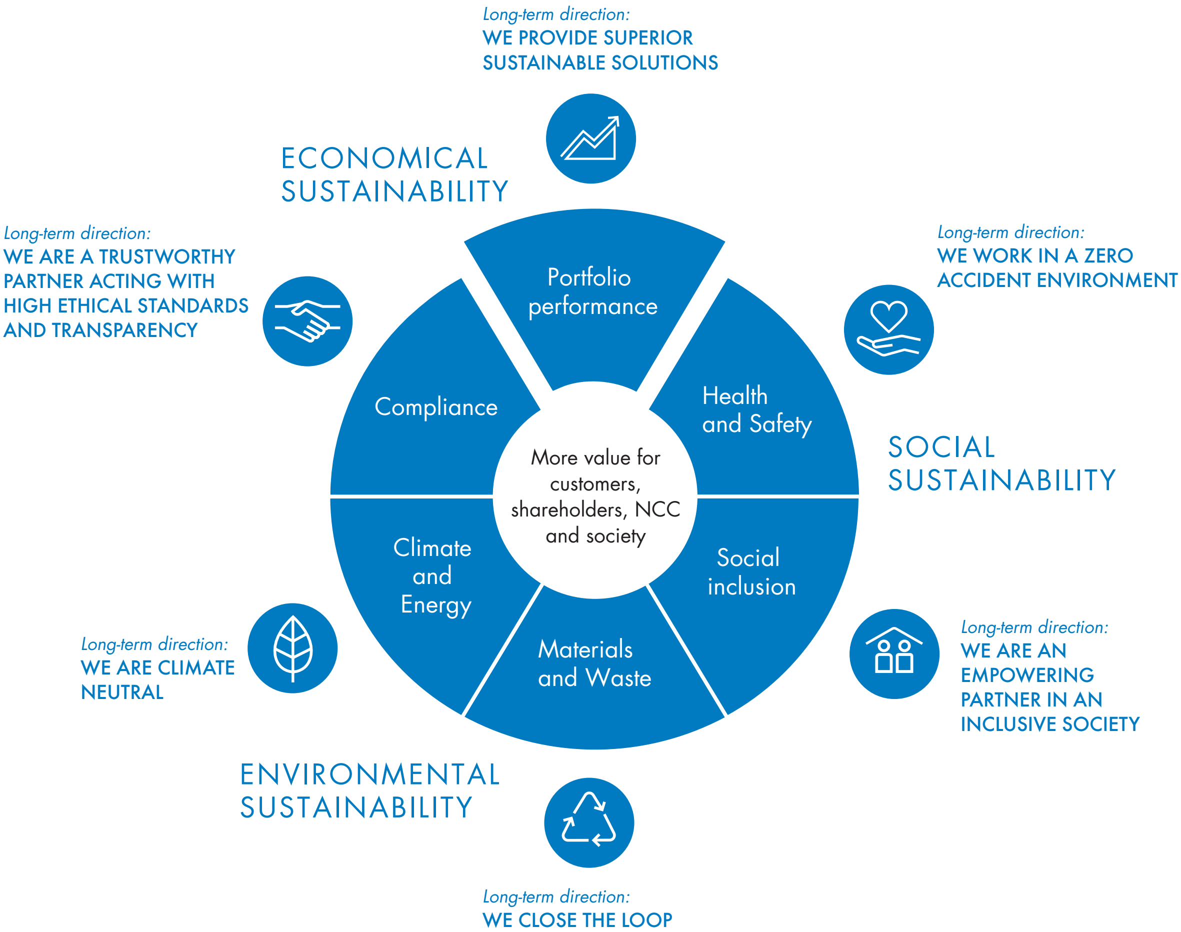
These long-term targets have also been supplemented by a selection of the UN Sustainable Development Goals. Agenda 2030 and the global goals help to ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active by enabling change where it is needed the most.

NCC has selected four global goals that NCC has the greatest potential to contribute to through the Group's societal solutions, and another 11 targets that are fundamental to NCC's operations and offerings. Supplementing these, some 50 sub-targets have been selected as being relevant and guiding for NCC in its work to achieve the global goals. NCC intends to continue to implement the global goals in its operations, in part by developing new solutions and involving more functions in the Group. Read more at: www.ncc.group/globalgoals.

NCC'S POSITIVE IMPACT THROUGH THE CORE BUSINESS

NCC's expertise, knowledge and solutions will be imperative to the achievement of sustainable development at places where people work, reside, travel and live. Accordingly, NCC plays an important role in the Nordic contribution to achieve global goals 7, 9, 11 and 12. This includes building housing and infrastructure that everyone can afford and that remove physical and mental barriers in cities; i.e.

NCC'S POSITIVE IMPACT THROUGH THE CORE BUSINESS



NCC'S RESOURCE MANAGEMENT

NCC'S FOUNDATION

inclusive societies. It also involves being resource-efficient by creating circular material flows and independence from fossil fuels. As the pace of climate change increases, NCC must help to build resilient societies that can cope with heavy rain and extreme heat.

NCC'S RESOURCE MANAGEMENT

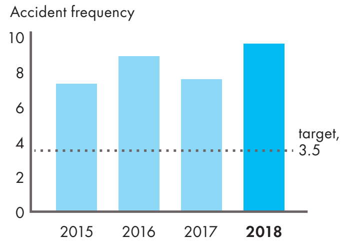
For long, NCC has been proactive in the work to formulate offerings and work methods that improve the situation for people and the environment. Accordingly, NCC regards global goals 3, 6, 13, 14 and 15 as fundamental to its operations and a prerequisite for long-term access to the natural resources needed by NCC. In addition, people's health and well-being can be promoted through intelligent buildings and sustainable infrastructure. By integrating green areas into urban environments, NCC also contributes to improving biodiversity and sustainable ecosystems. Although the Nordic region currently has relatively favorable access to water, NCC considers it important to contribute to the achievement of global goals 6 and 14, for example, through ecosystem services and water efficiency throughout the value chain.

NCC'S FOUNDATION

NCC is a company guided by its values and our merits, products, services and people are the foundation for how we do business. NCC raises knowledge and expertise in society through the schools we build and the education we provide to both young people and employees, which contributes to achieving global goal 4. NCC complies with principles for equality, reduced inequality and decent labor standards and economic growth, which are directly linked to global goals 5, 8 and 10. By 2030, the company will also continue to promote employment for young people, ensure a safe work environment and proactively work to end discrimination of women. Cooperation and partnerships with various stakeholders are fundamental to transform to a sustainable world by 2030, as reflected in global goals 16 and 17.

FOCUS AREA	DESCRIPTION AND EXAMPLES OF AREAS	LONG-TERM SUSTAINABILITY OBJECTIVE
Health and Safety	• Safe and secure worksites • Design and choices of materials that promote good health for all stakeholders in the value chain	We work in a zero accident environment
Social inclusion	• Better quality of life for workers, customers and society • Diversity and equality of workforce • Increased social sustainability in procurement processes • Empower local communities	We are an empowering partner in an inclusive society
Materials and Waste	• Non-hazardous materials • Circular supplies • Resource efficiency and waste reduction	We close the loop
Climate and Energy	• Less energy used and less greenhouse gases • Climate adaptation • Biodiversity as an asset	We are climate neutral
Compliance	• Fair business and no corruption • Supply chain control and transparency • Sustainable purchasing	We are a trustworthy partner acting with high ethical standards and transparency
Portfolio performance	• Provide superior sustainable solutions to our customers and the society	We provide superior sustainable solutions

TARGETS FOR 2020 AND OUTCOME IN 2018



Target for 2020
50%
reduction in number of accidents compared with 2015.

Accident frequency*
≤3.5

Outcome 2018
9.5

*Worksite accidents resulting in one day or more of absence from work per million worked hours.

The construction industry at large, including NCC, has experienced an increase in work-related injuries due to the high rate of construction in recent years. The work environment and health constitute one of our foremost focus areas for 2019 and our long-term aim of halving accidents between 2015 and 2020 stands firm.

Target, gender:
No gender should represent a higher share of a team* than 70%.

Outcome 2018
66%

*Management teams

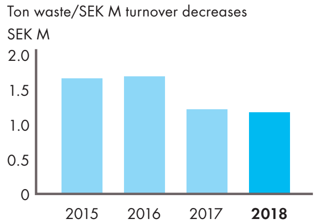
Target, diversity:
The team should mirror society.

Outcome 2018
45%

Target, age:
No age group (≤34 years, 35–49 years, ≥50 years) should represent a higher share of a business area than 70 percent.

Outcome 2018
The target has been fulfilled at business area level. NCC is also striving to meet the target for age diversity in all operational teams, which the various business areas are monitoring.

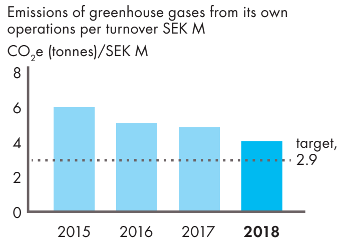
During 2018, a higher number of management teams had achieved the gender target. NCC also noted positive development during the year in terms of ethnical diversity.



Target for 2020
70%
of NCC's building and construction waste is reused or material recycled by 2020. The number of tons of building and construction waste per SEK M of turnover decreases.

Outcome 2018
50%

The amount of building and construction waste per SEK 1 M of sales declined during 2018, from 1.64 tons/SEK M in 2015 to 1.17 tons/SEK M in 2018. The recycling rate increased but certain of the actions taken have yet to generate any effect. Work is proceeding to ensure that the rate of waste sorting continues to increase up to 2020.

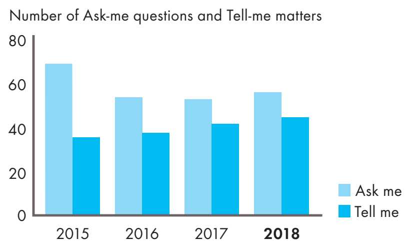


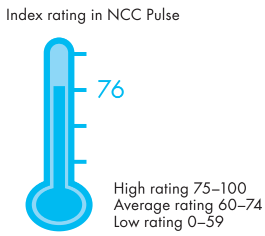
Target for 2020
50%
reduction in CO_2 emissions by 2020, compared with 2015.

Outcome 2018
32%

NCC continued to work to replace fossil fuels with renewable fuels, to switch to only purchasing electricity from renewable sources and increasing energy efficiency. This is generating results: relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 32 percent since 2015.

CULTURE Our aim is to have strong compliance culture in NCC, and very active compliance work.
PERCEPTION We track all employees' perception of our compliance culture in the employee survey, NCC Pulse, with the aim of significantly increasing the index score during the strategy period.
Transparency We disclose our number of Tell Me matters and Ask Me questions in our Annual Report.





OUR VISION A prerequisite for achieving our vision – "to renew our industry and provide superior sustainable solutions" – is to transform the conventional operations in a more sustainable direction. NCC has therefore decided to measure how the company's portfolio of sustainable products is developing by tracking net sales of sustainable products, services and concepts. Work is under way to develop a governing follow-up process for sustainable offerings.

Sustainability governance

Sustainability work in NCC is governed by the Group's framework for sustainability, the Code of Conduct and other policies, such as a sustainability policy featuring an environmental policy, a health and safety policy and a diversity policy.
NCC supports the UN's Global Compact initiative and has thus taken a stance in relation to issues involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the OECD's principles and norms for multinational companies and the Rio Declaration on the precautionary approach, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

CODE OF CONDUCT

NCC's Code of Conduct describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC's values and the voluntary initiatives undertaken by the Group, such as the World Economic Forum's Partnering Against Corruption Initiative (PACI) and the UN Global Compact. Principles for human rights, work methods, the environment and anti-corruption are stated in these initiatives. 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 Group is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Knowledge of the Code of Conduct at NCC is very high. According to NCC's employee survey, NCC Pulse, employees believe to a great extent that NCC's values and Code of Conduct provide guidance in their work.

NCC COMPASS

NCC Compass is a support to employees in their daily work, and makes it easier for them to make the right decisions. The tool is easily accessible on the company's intranet and, in addition to guidelines and general advice, also features an "Ask Me" and a "Tell Me" function.

The Ask Me function was created to assist employees in always making the right decisions. It is managed by 58 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

The Tell Me function is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner by specially trained internal resources jointly with external expertise, to guarantee legally secure treatment.

The Ask Me function received 55 questions (52) during the year, in line with 2017. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. In 2018, 27 (16) cases were reported in the Tell Me function, representing an increase compared with last year. A number of incidents were also reported in other ways, which resulted in a total of 44 (41) cases that warranted investigation. The incidents involved such matters as fraud and theft, conflicts of interests and other transgressions from NCC's Code of Conduct. Of the matters closed during the year, four led to dismissal and 19 to other actions, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

Matters related to personal data and integrity, in line with the EU's General Data Protection Regulation (GDPR), were added to NCC Compass during the year. Information on how the Group manages personal data and any inquiries and incidents is available on both NCC's external website and intranet.

In recent years, extensive training initiatives have been implemented to establish and facilitate understanding of the issues addressed by NCC Compass. During 2018, the main focus was on training NCC employees in matters related to the handling of personal data. All employees whose work involves the new Data Protection Regulations have been offered web-based training in the area. Certain occupational groups received additional training on the basis of their existing knowledge and duties.

SUSTAINABILITY ORGANIZATION

The CEO is ultimately responsible for NCC's sustainability efforts. Sustainability work is governed by the Group's SVP Corporate Sustainability in cooperation with the sustainability managers of each business area. The group meets regularly and sets shared targets, while following up on the sustainability work. The SVP Corporate Sustainability is responsible for implementation and has a staff that works daily with sustainability issues. Operational sustainability work is performed in NCC's business areas. The unit cooperates with other functions in the organization, such as representatives of purchasing and HR functions. NCC's compliance efforts are conducted via the NCC Group Compliance Officer together with selected representatives in each business area and Group staff.

NCC'S POLICIES

Area	Anti-corruption	The environment	Social issues incl. HR and human rights
Policies	Code of Conduct	Code of Conduct Sustainability policy featuring an environmental policy	Code of Conduct Health and safety policy Diversity policy
Main areas	• Business ethics • Compliance and tools for business ethics	• Environmental responsibility • Product and service development • Precautionary approach	• Human rights • Occupational health and safety • Recruitment • Training and education

Employees

NCC is a large employer. In all of our markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. 92 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered by collective agreements. In Denmark and Finland, fewer are covered by collective agreements; local agreements are applied instead.

Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas. NCC, together with the company Infobric, has designed Subcontractor Chain, a digital service that makes it easier to track all the subcontractors active at construction sites, and who has been commissioned for what. During 2018, the service was tested in the construction of NCC's new office Navet in Uppsala and in the expansion of the Ryhov County Hospital in Jönköping. Following the pilot period, it could be stated that the service works well, despite being put into operation in the middle of ongoing projects with a number of subcontractors already on site. The value is expected to become even greater when the EU requirement for subcontractor chains applies at an early stage of projects, and are included in construction contracts. The service is currently being used in some ten projects around Sweden. NCC continues to be involved in close dialog with Infobric and will continue its work on implementation the function during 2019.

Employee data pertains to the number of employees at the end of 2018 and was collected from the Group's HR and payroll system.

EMPLOYMENT CONTRACTS
2018

	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT	
Number of employees	Men	Women	Men	Women
Sweden	8,036	1,314	328	66
Norway	1,481	159	52	18
Denmark	1,953	301	21	11
Finland	1,247	290	24	5
Total, NCC	**12,717**	**2,064**	**425**	**100**

Health and Safety

Material topics under GRI: Occupational health and safety, Training and education.

Health and safety include both a safe and secure worksite for the Group's employees and subcontractors and good employment conditions and a healthy work-life balance. Health and safety also pervades the products and services provided by NCC, such as healthier buildings, improved indoor climate and well-planned outdoor environments.

OCCUPATIONAL HEALTH AND SAFETY

Health and safety work at NCC's worksites is governed by the Group's Health and Safety Policy. Health and safety incidents are reported to Synergi, the Group's digital system. The system is used to report accidents and incidents, as well as negative and positive observations. By following up all accidents, incidents and their causes, the most common causes and the most serious causes can be identified and actions taken. This information further improves the ability to conduct safety-enhancing efforts and thus to prevent worksite accidents. Synergi is available as both a web-based system and an app.

According to Synergi, injuries caused by slips, slides, cuts and the use of handheld equipment are the most prevalent accidents at NCC. Since the introduction of Synergi, a substantial increase in the reporting of incidents, as well as negative and positive observations, has been noted, which is leading to more accurate analyses and to actions being taken where the need is the greatest. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments. NCC has also identified three high-risk areas for illness among the Group's employees and subcontractors: working with asbestos, strain injuries and working with quartzite dust.

Every year, NCC implements a number of activities to increase occupational health and safety, including the Awareness Day and the Health and Safety Week. The aim is to highlight inspiring activities that enhance occupational health and safety awareness.

In September 2018, the Awareness Day was held for the eighth consecutive year and the theme for the year was to reflect on our behaviors and how health and safety can continue to be a natural part of NCC's culture. Tools were downed at 9:00 a.m. at all worksites in all NCC markets. A Group-wide discussion was held at the worksite, giving everyone the opportunity to put forward thoughts and ideas on how the worksite can be made even safer and what each individual can do to help foster a safety culture.

During the year's Health and Safety Week, NCC's 3,000 projects reserved time for various exercises, lectures, rescue training and health and safety walks at NCC's production facilities. The focus at offices throughout the Nordic region was primarily on the organizational and social work environment.

During 2018, the Group continued to implement and improve work methods and procedures in health and safety work that have been developed in recent years. These measures include safe behavior, safety equipment, work aids and tools and have led to favorable results. NCC did not experience any work-related fatality during 2018. Unfortunately, the construction industry at large, including NCC, has experienced an increase in work-related injuries due to the high rate of building production in recent years. Health, safety and work environment efforts are included in the workshops implemented within the framework of the value-based work launched in the Group during the year. Read more on p. 83.

ABSENTEE RATE[1], NCC EMPLOYEES	Sickness leave, % All types of illness and poor health		Lost day rate[2] Sickness absence due to injuries	
	2018	2017	2018	2017
Sweden	3.7	3.7	21.63	27.74
Norway	4.8	5.4	16.52	5.82
Denmark	4.1	3	38.54	23.38
Finland	3.6	2.8	59.59	34.24
Total	**3.8**	**3.6**	**27.44**	**24.07**

[1] Collected through Synergi and payroll systems.

[2] Number of lost working days during the year per 100 full-time employees.

INCIDENTS AND OBSERVATIONS, NCC EMPLOYEES AND SUBCONTRACTORS

Number of days	2018	2017
Sweden	6,494	3,508
Norway	5,012	4,495
Denmark	8,385	7,005
Finland	14,412	19,834
Total	**34,303**	**34,842**

Since the introduction of the Synergi reporting and analysis system, reporting of incidents and negative and positive observations has improved. To date, NCC Finland has succeeded best in securing sound and qualitative reporting of positive observations.

WORK RELATED INJURIES, INJURY FREQUENCY AND FATALITIES

		Injuries[1] Injuries resulting in one day or more of sickness absence		Injury frequency Injuries per million worked hours		Work related fatalities	
Number		2018	2017	2018	2017	2018	2017
Sweden	NCC employees	148	143	9.5	8.4	0	1
	Subcontractors	113	81	12.8	2.7	0	0
Norway	NCC employees	20	10	5.4	3.1	0	0
	Subcontractors	10	0	2.8	0	0	0
Denmark	NCC employees	44	26	13.4	6.9	0	0
	Subcontractors	32	27	9.5	7.7	0	0
Finland	NCC employees	34	25	11.6	7.7	0	0
	Subcontractors	39	51	14.5	15.5	0	0
Total	**NCC**	**257**	**204**	**9.5**	**7.5**	**0**	**1**
	Subcontractors	**238**	**164**	**11.9**	**4.0**	**0**	**0**

[1] Crushing and cuts are the most common injuries.

NCC, like the construction industry at large, has recently experienced an increased number of injuries of a minor nature, which is strongly linked to the boom in the construction sector and the consequential high rate of employee turnover.

TRAINING

Recruitment and ensuring that the right expertise will be available in the future are key issues for the industry. The construction industry is facing a generation shift over the next few years, and NCC is working on multiple fronts to contribute to skills development in the industry. Employees are offered continuous skills development in the form of traditional courses, e-learning or mentorship, all adapted to the requirements and needs of the individual. In Sweden, for example, NCC's training catalog offers more than 350 courses.

NCC also started a special project management training course for large projects during the year as a first step in a wider effort to strengthen the competency of key individuals at various levels. The program is a one-year Nordic initiative arranged in cooperation with the Royal Swedish Institute of Technology.

Sustainability training is a high-priority area and, since its launch in spring 2017, some 4,000 white collar employees at NCC have completed or started a digital interactive course in sustainability comprising the six components of NCC's sustainability framework. During 2018, the course was made downloadable, thereby also enabling blue collar employees without access to a computer with internet connection at the worksite, to also take part in the training program. In spring 2018, a successful pilot project featuring courses for blue collar employees that have been adapted with a clearer local focus, such as on the sorting of waste and the effect of leaving engines idling, was conducted at a number of worksites. An analysis is under way to determine whether that training program can be rolled out on a broad front in coming years.

Due to technical difficulties in collecting data, the reported statistics below do not encompass parts of NCC's local training programs and certain interactive courses.

HOURS OF TRAINING, SWEDEN

	2018[1]			
	Men	Women	Total	2017
White-collar employees	41.1	17.5	34.8	40.8
Blue-collar employees	10.7	17.6	10.8	13.7

[1] Includes compulsory training programs implemented in 2018 for new employees before their employment at NCC commenced.

HOURS OF TRAINING, NORDIC REGION

	2018	2017
White-collar employees	27.5	28.8
Blue-collar employees	8.7	14.5

Social inclusion

Material topics under GRI: Diversity and equal opportunity, Non-discrimination.

NCC is a major player in the industry and endeavors to be a driving force in efforts to achieve an inclusive society. By means of cooperation with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe/secure and inclusive environments. One example is NCC's Sustainable Refurbishment holistic concept, which results in profitable synergies between refurbishment, energy-efficiency and maintenance.

DIVERSITY AND EQUAL OPPORTUNITY

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees thrive, perform and develop. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. The guiding framework for efforts to promote diversity and equality are the Group's diversity policy, and associated diversity targets for the strategy period (read more on p. 79), NCC's Code of Conduct and NCC Compass.

NCC's diversity policy is based on the conviction that diversity contributes to workplace satisfaction and increased business value, and that NCC will become a better business partner for customers if the company reflects the society that NCC is involved in building. The Code of Conduct and NCC Compass clarify how NCC supports and respects international human rights conventions. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, physical impairments or age. No confirmed cases of violations of human rights were reported during the year.

NCC is pursuing a number of proactive initiatives for increasing diversity and equality, both in the construction industry and in the Group. Through NCC Diversity Councils, good examples regarding diversity are disseminated to bring about a tangible increase in diversity in the Group.

In 2018, NCC initiated a comprehensive initiative based on the Group's values. Through workshops and dialog exercises, employees contribute to shaping the Group's culture. The purpose of this initiative is to deepen the significance the Group's values and simultaneously to teach the employees more about diversity and inclusion. At year-end, more than 60 employees had been trained to facilitate such workshops and about ten management teams and some 400 employees have already received the training. The initiative will be intensified and expanded in 2019.

NCC's female network Stella celebrated its 20th anniversary in 2018. In addition to promoting more gender-equal norms in the construction industry and working to facilitate more female managers, the network has pursued such practical issues as parental salaries, increased flexitime, bans on discriminatory photos at the worksite, workwear for women and succession planning, and also influenced the formation of a Diversity Committee within NCC. The network currently has more than 550 members and offers network meetings, lectures and workshops.

Since 2016, the Group offers the NCC Nystart labor market program aimed at foreign-born engineers who are seeking employment. The education has been designed in cooperation with the Kunskapsskolan school and the Swedish Public Employment Service to meet NCC's considerable recruitment need and promote integration and diversity. For 30 weeks, theoretical studies at Kunskapsskolan are mixed with practical work at NCC's worksites. The aim is to offer employment to the participants when they have completed the program. Since the start, 36 people have completed the training program and 25 have been offered employment at NCC.

GENDER DIVERSITY AT NCC

	2018		2017	
Proportion, %	Women	Men	Women	Men
Board of Directors	63	37	57	43
Executive Team	50	50	33	67
Management groups	40	60	37	63
Managers	14	86	14	86
Employees	14	86	13	87
White-collar employees	26	74	25	75
Worker	3	97	2	98

A movement in a positive direction was noted in 2018 concerning NCC's overall diversity target of reflecting the society in which we operate in respect of gender.

AGE DIVERSITY AT NCC

	2018			2017		
Proportion, %	≤34 years	35-49 years	≤50 years	≤34 years	35-49 years	≤50 years
Board of Directors	0	13	87	0	0	100
Executive Team	0	50	50	0	44	56
Management groups	3	43	54	–	–	–
Managers	10	46	43	–	–	–
Employees	29	34	37	28	34	38
White-collar employees	25	40	35	24	39	37
Worker	34	28	38	32	28	40

During the year, NCC entered into a three-year partnership with Fryshuset that is intended to lead to inclusive construction sites, stimulate young people to take part in training and promote integration into society. Partnerships are a feature of NCC's role as a community developer and NCC believes that partnerships can lead to new methods for making the Group's construction projects places that enable integration, training and recruitment. The project is being initiated with a pilot project in Rinkeby.

NON-DISCRIMINATION

NCC does not accept any form of discrimination and acts forcefully when incidents are reported. In NCC's employee satisfaction survey NCC Pulse, 6 percent (5) responded that they had experienced discrimination due to gender or age, harassment or bullying during 2018.

NCC has formulated an action plan to counter harassment, discrimination and bullying. The discrimination issue is also being illuminated in conjunction with value-based workshops in management teams and workshops in the operating activities.

NCC's Ask Me/Tell Me function is available for all types of issues, both external and internal, where events that are perceived as not being compliant with NCC's Code of Conduct can be reported anonymously.

Materials and Waste

Material topics under GRI: Materials, Effluents and waste.

The construction process is material intensive and considerable resources are required for completing a building or structure. Thus, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as by means of project engineering and design that facilitates reuse and recycling. The aim for the strategy period is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. Read more on p. 79.

TRACEABILITY THROUGHOUT THE PRODUCTION CHAIN

NCC aims to produce buildings and civil engineering structures that are content-declared and only comprise sustainable products that are sound from an environmental and health perspective. In the long term, this will result to a greater extent in buildings being designed to allow for their input materials to be recycled when their useful life expires.

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 appropriate requirements on suppliers and to work with traceability throughout the production chain.

In April 2018, NCC together with industry actors made the decision to take shared responsibility for meeting future requirements for a digitalized, traceable and sustainable construction process through the use of GTIN (Global Trade Item Number), a joint and global standardized method for identifying products. GTINs are created by the respective producers and are allocated to each unique product. This unique identification provides traceability and serves as a platform for an unbroken information flow concerning the construction products from manufacturing and project design to management and demolition. In 2018, NCC developed a new purchasing system, which now directly imports sustainability performance data on products from various databases with the help of GTIN. This digital solution increases the efficiency of the purchasing process and facilitates sustainable product selection.

CIRCULAR INITIATIVES

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has initiated an effort to create a platform that enables projects to share surplus materials in other projects within the Group. Other examples of efforts to contribute to a circular flow include the acclaimed Loop Rocks platform, which contributes to a smarter way of managing building residue, stones, soil and gravel. Loop Rocks became a separate company in 2018 and is now available in all Nordic countries, with Norway as the latest market in February 2018.

NCC cooperates closely with the Group's waste-management partners in a number of areas to enable the recycling or reuse of materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic. NCC also contributes to research projects in collaboration with other players concerning the recycling of glass wool, plastics and gypsum.

Every year, NCC handles large amounts of construction pallets, some of which are thrown in containers at construction sites. In 2018, NCC Building Sweden and NCC Infrastructure implemented an initiative to increase the proportion of pallets that are resold to the Byggpall returnable system, an industry initiative aimed at collecting and recycling construction pallets. The initiative contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and carbon emissions from the production of new pallets.

In May 2018, NCC together with Axfood, H&M, Houdini, IKEA, SSAB, Tarkett and the Swedish Recycling Industries' Association, launched the Circular Sweden corporate forum. The aim is to move policies and development towards more circular material flows. The point of departure is that resource-efficient societal responsibility is an important part of the solution for climate adjustment and that a shift from linear to circular material flows is necessary to maintain welfare levels in the future.

NCC also continuously improves its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2018, recycled asphalt granulate accounted for 21 percent (20) of hot asphalt production.

WASTE PER TYPE AND DISPOSAL METHOD

	2018		2017	
	total weight, ton	%	total weight, ton	%
Non-hazardous waste				
Sorting (mixed waste)	11,083	21	13,135	26
Energy recycling (combustible waste)	12,112	22	11,192	22
Landfill	3,863	7	2,987	6
Reuse/materials recycling	26,548	49	22,351	45
Special treatment (hazardous waste)	629	1	436	1
Total amount of waste	**54,054**		**50,102**	

[1] The data has been collected from NCC's waste-management partners.

The total amount of waste increased by 8 percent compared with 2017. This was due largely to the increased number of projects compared with 2017. The amount of building and construction waste per SEK 1 M of sales continued to decline during 2018, from 1.64 tons/SEK M in 2015 to 1.17 tons/SEK M in 2018.

The rate of sorting increased but some of the actions implemented have yet to generate effect. Work is continuing to ensure that the rate of sorting continues to increase up to 2020.

The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are sorted separately and reused to a large extent and are thus not included in statistics in the table.

Climate and Energy

Material topics under GRI: Energy, Emissions.

Since the construction industry has a considerable environmental impact, which includes large emissions of greenhouse gases, NCC works actively to influence development in a sustainable direction. By using new technology, for example, emissions from production, operations and maintenance of finished products are being reduced. Accordingly, NCC is able to contribute to lower climate impact throughout the value chain.

TOWARDS CLIMATE NEUTRALITY

Increasingly efficient energy consumption, internal process improvements, more resource-efficient products and a transition from fossil fuels to more eco-friendly energy sources are high on NCC's agenda for reducing the Group's climate impact. These measures also contribute to increased competitiveness and reduced costs for the Group's customers. NCC is also working to influence external players towards improving the industry's sustainability work, such as by supporting advances in procurement, lifecycle analysis and training.

NCC joined Fossil-free Sweden in February, 2018. This organization constitutes a platform for collaboration and dialog among 300 players that want to make Sweden free from fossil fuels. In April 2018, the construction and civil engineering industry submitted a joint road map to the Swedish government concerning how the industry aims to use existing technology to halve its emissions by 2030.

NCC's asphalt production accounts for approximately 60 percent of the Group's own carbon emissions. A large share of the carbon emissions derives from the combustion of fossil fuels at the 66 stationary plants that produce hot asphalt. By switching to such renewable fuels as wood pellets or bio-oil, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. In Sweden, NCC has converted 23 of a total of 28 asphalt plant for the use of biofuel. NCC is also endeavoring to develop more eco-friendly products, in part by increasing the portion of recycled asphalt in production. Another example of environmental activities is NCC Green Asphalt®, which is warm asphalt produced by a manufacturing method that generates significantly lower carbon emissions than conventional production of hot asphalt. NCC currently has some 50 facilities that can produce NCC Green Asphalt®, which corresponds to nearly 80 percent of the facilities.

To reduce the Group's other carbon emissions, NCC's various business areas are working on a range of quantity initiatives such as energy-efficiency improvements, an increased mix of renewable fuel in machinery and vehicles, energy-efficient modules and a continued transition to electricity from renewable sources.

ELECTRICITY USE IN THE ORGANIZATION

MWh	2018	Change compared with base year 2015, %	2017	2016	2015[1]
Electricity from renewable sources[2]	152,259	49	118,754	108,927	102,360
Other electricity	18,559	-86	55,259	102,861	131,120
Electricity, total	**170,817**	**-27**	**174,013**	**211,787**	**233,480**

[1] Excluding Bonava.
[2] Hydroelectric and wind power.

During 2018, nearly 90 percent of all electricity purchased by NCC was either eco-labeled as a good environmental choice or origin-labeled using guarantees of origin. The amount of fossil-based electricity has been reduced by 86 percent since 2015.

USE OF FUEL WITHIN THE ORGANIZATION

MWh	2018	Change compared with base year 2015, %	2017	2016	2015[1]
Renewable fuels	111,879	7	114,206	87,893	104,786
Fossil fuels	889,356	-14	951,544	906,966	1,034,349
Fuels, total	**1,001,234**	**-12**	**1,065,750**	**994,859**	**1,139,135**

[1] Excluding Bonava.

NCC continues to reduce its use of fossil fuels. Since 2015, their use has been reduced by 14 percent, due largely to the continued conversion to biofuels in the Swedish asphalt plants.

DISTRICT HEATING/DISTRICT COOLING USE WITHIN THE ORGANIZATION

MWh	2018	Change compared with base year 2015, %	2017	2016	2015[1]
District cooling	624	199	22	1,286	209
District heating	29,156	-41	29,207	48,933	49,239
District heating/district cooling, total	**29,780**	**-40**	**29,229**	**50,219**	**49,448**

[1] Excluding Bonava.

The need for district heating and district cooling varies from year to year. The amount of district heating and district cooling that is purchased depends to a large extent on the projects that were under way during the year, their placement and the phase at which they found themselves.

GREENHOUSE GAS EMISSION FROM NCC'S OPERATIONS

Market-based	2018	Change compared with base year 2015, %	2017	2016	2015[1]
Greenhouse gas emissions[2] CO_2e (tons, 000s)	227	-27	260	267	312
– of which, scope 1[3]	217	-15	234	223	255
– of which, scope 2[4]	10	-83	26	44	57
Net sales, SEK M	57,346	8	54,608	52,934	53,116
CO_2e (tons)/MSEK	4.0	-32	4.8	5.0	5.9

[1] Greenhouse gases N_2O, CH_4 and CO_2 are included in the calculations
[2] Refers to direct emissions from NCC's operations, of which –0.5 (tons 000) derived from the combustion of biomass (2018).
[3] Refers to indirect emissions from electricity and heat.
[4] Excluding Bonava.

Carbon emissions related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015. This was because of an increased use of renewable fuels, the transition to electricity from renewable sources and energy-savings measures. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 32 percent since 2015.

DEFINITIONS

For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol. The market-based calculation method is used to measure carbon emissions from electricity and heating. NCC does not use climate compensation. Information on purchases of fuels, electricity and heating/cooling energy is collected from NCC's suppliers. The Credit360 support system is used to compile the statistics.

In 2018, NCC worked to refine and develop procedures for collecting sustainability data, mainly concerning climate and energy. The aim is that this will enable more comprehensive sustainability reporting, both internally and externally.

CLIMATE CHANGE PROGRAM

NCC responds on an annual basis to the CDP's "Climate change program," in which additional details about the Group's energy consumption and emissions are reported. During 2018, NCC belonged to the top 5% of organizations in the world that are leaders in the effective management of carbon and climate change risk.

RISKS AND OPPORTUNITIES

Future climate changes are expected to affect both societies and people, and can be linked to both risks and opportunities for NCC. The Group manages this through risk assessments, climate adaptation of operations and targeted efforts to reduce NCC's climate impact. Demand for new business models is also growing, as customers become aware of the opportunities that, for example, digitization and sharing services can generate.

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and this could benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers. Products developed by NCC include NCC DrænStabil® – a stone-material product that prevents flooding by ensuring that water quickly and readily penetrates the soil. NCC is also working on site- and project-adapted solutions for outdoor environments, whereby development and construction are combined with retained diversity of natural services, such as temperature regulation, noise abatement, surface water management, esthetics and opportunities for recreation.

In the next few years, stricter legislation regarding the energy efficiency of buildings is expected. NCC welcomes this and works continuously to improve the energy performance of its buildings but regards follow-up as an important feature for attaining the full impact of new, more rigorous requirements. NCC is also reviewing its production processes and working to enhance efficiency so as to gradually reduce the negative environmental impact.

Internal processes

NCC depends on a large quantity of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. To minimize the impact, NCC endeavors to achieve a long-term reduction of its climate impact, phase out fossil fuels and move towards a more circular use of raw materials.

Climate change, such as extreme weather and flooding, could also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes could negatively impact the safety of employees, as well as the storage of materials at construction sites. NCC manages this risk by performing risk assessments of all projects.

Compliance

Material topics under GRI: Anti-corruption, Anti-competitive behavior, Supplier environmental assessment, Supplier social assessment.

NCC endeavors to be a trustworthy partner acting with high ethical standards and transparency. The Group's Code of Conduct is an important feature of NCC's compliance efforts, both as an internal compass for describing how the Group should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct constitutes a component of NCC's agreements with suppliers. Other stakeholders are informed about the Code of Conduct through NCC's website, contracts and agreements.

NCC works continuously to ensure compliance with its Code of Conduct in all of the Group's partnerships, and to ensure that no violations occur in respect of, for example, competitive situations and business ethics. NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other industry players in Sweden, a joint policy has been formulated: "Agreement on counteracting bribery and corruption."

Following an analysis based on the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance: bribery and corruption, competition law and conflicts of interest. No confirmed cases of corruption were reported during the year.

SUSTAINABLE PURCHASING

Developing sustainable and competitive purchasing is a key issue for NCC. The Group's Code of Conduct is the foundation for purchasing work and NCC works systematically to minimize risks and increase control. Towards the end of 2018, NCC launched a Code of Conduct for Suppliers, which is a condensed version of the Group's Code of Conduct. The aim is that it must be easy to understand, which makes it easier for the Group's suppliers to follow and disseminate to their own employees and further on in the value chain, thus facilitating positive supplier behavior.

NCC's supplier base is large and the company cooperates with several thousand suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. By far the majority of NCC's suppliers are Nordic, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of framework agreement suppliers, international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control.

To be able to manage NCC's staffing requirements during work peaks, NCC has developed its own staffing company, NCC Montage. NCC Montage has been tasked with securing NCC's capacity and competence supply of skilled workers and to transparently show that the right wages and terms and conditions are provided. This initiative minimizes NCC's risks and simultaneously strengthens control and healthy competitiveness in the industry. During 2018, NCC Montage supported projects in the Nordic region with some 350 skilled workers.

NCC works continuously on quality development of the follow-up the Group's suppliers. According to NCC's purchasing processes, an assessment of a new supplier must be conducted before any cooperation commences. The scope of this assessment varies depending on the type of supplier. However, NCC still has no quantitative data to report on the follow-up of supplier assessments (in terms of the entire Group). To assess, monitor and develop non-Nordic suppliers, NCC focuses specifically on audits of social responsibility, quality, environment and work environment. To ensure compliance with NCC's requirements and advances in these areas, NCC applies a one- to three-year supplier-assessment and supplier-performance audit cycle. Noncompliance that is noted under the supplier assessment and that is not corrected according to the action plan could lead to termination of cooperation with the supplier. For suppliers in high-risk countries (according to the BSCI definition), audits performed by own staff are combined with third-party audits performed with the help of external experts.

TCFD

NCC supports the recommendations that the TCFD (Task Force on Climate-related Financial Disclosure) has formulated concerning reporting of climate-related information. By working with climate-related risks, knowledge is enhanced and thus also opportunities to make well-founded decisions, develop new products and services, manage forthcoming regulations and become more competitive.

Portfolio performance

Material topic under GRI: Marketing and labeling.

The Group's product portfolio includes NCC's initiatives in the sustainability area, which facilitate a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets, while strengthening its competitiveness and ability to generate long-term profitable growth.

SUSTAINABILITY-CERTIFIED PROJECTS

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM, LEED, DGNB and Citylab are used for housing and infrastructure projects, as well as city districts. BREEAM and DGNB are used for the projects that NCC develops itself. NCC sees that demand for environmentally certified buildings continues to increase. NCC certified 68 (47) commercial and residential buildings in 2018, a year-on-year increase of 45 percent. This shows that demand for certified buildings continues to rise. Read more about some of the Group's certified buildings on pp. 88.

SUSTAINABLE SOLUTIONS

NCC contributes to favorable social and urban development by providing sustainable solutions. The year's projects included the Markbygden ETT wind farm in Piteå and civil engineering works at Amagerverket in Copenhagen. Read more on pp. 88.

SUSTAINABLE SITES

During the year, NCC launched a Group-wide tool for sustainable sites that is linked to NCC's sustainability framework. The aim of the tool, which has been named "Sustainable Sites", is to create a shared platform upon which to base the sustainability work at all worksites, regardless of country or type of operation. Work is based on a checklist containing requirements that must always be fulfilled and requirements for which fulfillment would be advantageous. It is obligatory to document how the requirements have been attained and the projects' plans for regular follow-ups. The tool is already obligatory for all projects in NCC Building Sweden with a project value exceeding 50 MSEK. During autumn 2018, pilot projects were also initiated at NCC Infrastructure and within NCC Industry.

SUSTAINABILITY-CERTIFIED BUILDINGS

	NORDIC SWAN ECOLABEL	BREEAM		LEED		DGNB		SWEDEN GREEN BUILDING COUNCIL	
Certification systems	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number
		Pass		Bronze		Bronze		Bronze	
		Good		Silver		Silver		Silver	43
		Very Good	2	Gold		Gold	2	Gold	5
		Excellent	1	Platinum		Platinum			
	15	Outstanding							
Total, 2018 (2017)	**15 (9)**		**3 (10)**		**0 (1)**		**2 (0)**		**48 (27)**

MASTHUGGSKAJEN IN GOTHENBURG

Masthuggskajen in Gothenburg became the first urban-development project in Sweden to be certified under Guide 2.0, Sustainable Urban Development in the Planning Stage. This certification system, which has been developed by the Sweden Green Building Council, is the first one for sustainable urban development that has been completely adapted to Swedish conditions. The certification covers early and overall planning and program stages, and the project must fulfill 20 indicators to be approved. These include a distinct vision and tangible targets for the development and that the area offers various forms of tenure, meeting places, green spaces and sustainable modes of transport.

VALLE WOOD IN OSLO

Valle Wood is Norway's largest office building with a frame of solid wood and has attracted considerable interest during the development and construction phases. What is planned at Valle Wood includes an office concept featuring collaborative and entrepreneurial activities, as well as meeting rooms, conference facilities and various catering and service offerings. The building fulfilled rigorous environmental requirements during construction and achieved BREEAM Excellent certification.

NEW DISTRICT COURT IN LUND

NCC built Lund's new, environmentally certified district court on behalf of Specialfastigheter. The architectural expression of the new district court is modern and stylish, while meeting the stringent security requirements of the court's operations. The building comprises 12,400 square meters divided between seven floors, one of which is underground. The building was certified at the Gold level by the Sweden Green Building Council, meaning that energy consumption will be 38 percent lower than the level stated in construction regulations for southern Sweden. The indoor environment contains carefully selected materials with a focus on sustainability.

MARKBYGDEN ETT IN PITEÅ

NCC has been commissioned to conduct extensive infrastructure work at the Markbygden ETT wind farm in Piteå. With 179 wind turbines, it will be one of Europe's largest land-based wind farms and it will increase Sweden's share of wind power by 12.5 percent.

AMAGERVERKET IN COPENHAGEN

At the Amagerverket power plant in Copenhagen, NCC is assisting HOFOR, Copenhagen's energy company, by performing such civil engineering works as roads and green areas. Through comprehensive refurbishment, the power plant is being switched from the use of coal to sustainable biomass and is a feature of Copenhagen's ambition to be the world's first capital city to become climate neutral by 2025.

Stakeholder dialog and materiality analysis

NCC uses internal analyses of strategic issues, drivers in society and the results of stakeholder dialogs to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. The participants in stakeholder dialogs are selected by the various business areas on the basis of relevance; for example, if they are affected by the Group's work.

In 2016, a web-based stakeholder survey was conducted to solidify NCC's sustainability framework and enable stakeholders to provide feedback on NCC's significant issues. More than 2,800 stakeholders from Sweden, Denmark, Finland and Norway participated in the survey, jointly representing employees, suppliers, customers, investors and students. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders were healthy and safe workplaces, sound business practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health and environmental properties.

Other types of dialog are also implemented regularly, for example, in the form of a quarterly customer survey (Net Promoter Score) and an employee survey (NCC Pulse). Every third year, NCC measures the Group's reputation among decision-makers, interest organizations and the general public.

During 2018, NCC focused the stakeholder dialog on investors, mainly major shareholders. The dialog primarily involved the Group's climate impact and reporting based on the framework of the Task Force for Climate Related Financial Disclosures,

Regular checks will continue to be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

NCC'S MATERIAL ASPECTS

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects, which can be grouped according to economic, environmental and social responsibility, pervade every link of the value chain, and their significant impact on the value chain is presented in the table below.

SIGNIFICANT SUBSTANCES AND BOUNDARIES

	Significant impact of suppliers	Significant impact of NCC's operations:	Significant impact of customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	
Anti-competitive behavior	●	●	
ENVIRONMENTAL IMPACT			
Material		●	●
Energy		●	●
Emissions		●	
Waste/effluents[1)]		●	
Supplier assessment	●	●	
SOCIAL IMPACT			
Health and Safety		●	
Training		●	
Diversity/equality		●	
Supplier assessment	●	●	
Non-discrimination		●	
Product and service labeling		●	●

1) Limited to NCC's building and construction operations.

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information have been applied. The Sustainability Report, which pertains to the 2018 fiscal year, has been prepared according to GRI Standards Core and also constitutes NCC's Communication on Progress under the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp. 76–89. For the GRI index, refer to www.ncc.group/sustainabilitygovernance. The financial statements have not been examined by a third party. The Report on the 2018 fiscal year was published on March 15, 2019. Unless otherwise stated, all the information pertains to the entire NCC Group.

Contact: Head of Sustainability Christina Lindbäck, +46 8 585 519 07, christina.lindback@ncc.se

STATUTORY SUSTAINABILITY REPORT

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report on the following pages: pp. 1–7, pp. 17-19 and pp. 76–89.

NCC's business model and sustainability framework are presented on pp. 76-77, environment on pp. 78–79 and 84–86, social conditions on pp. 78–79, 83 and 86, personnel on pp. 78–79 and 81–83, human rights on pp. 78-80, 83 and 86 and anticorruption on pp. 78-80 and 86. Risk descriptions are presented on pp. 17–19.

Unless otherwise stated, the information pertains to the entire NCC Group, including subsidiaries.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of the examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.
Stockholm 13 March 2019

PricewaterhouseCoopers AB

Håkan Malmström Authorised Public Accountant Auditor-in-charge	Ann-Christine Hägglund Authorised Public Accountant

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 other rules that apply to listed companies, 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. During the year, NCC AB complied with Nasdaq Stockholm's Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors but is not part of the formal Annual Report documentation.

How NCC is governed

GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association.

Official notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website www.ncc.se. Confirmation that the Official notice has been issued will be announced in Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting.

Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the company prior notice of this. There are no stipulations in the Articles of Association concerning the appointment and dismissal of Board Members or concerning amendments of the Articles of Association.

SHARE STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see ncc.se. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the company's Board, which makes continuous decisions on conversion matters. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. The number of shareholders at year-end was 48,863, with Nordstjernan AB as the largest individual holder accounting for 17 percent of the share capital and 47 percent of the voting rights.

BOARD OF DIRECTORS AUDIT COMMITTEE AND PROJECT COMMITTEE

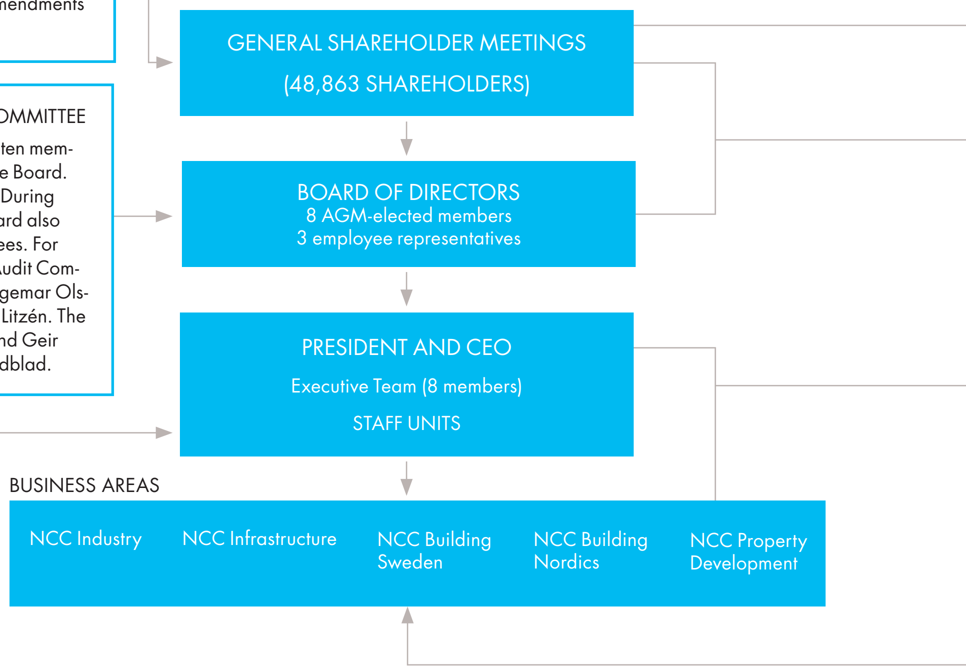
The Board shall consist of not fewer than five and not more than ten members elected by the AGM. The employees are represented on the Board. The members of the Board are elected for a period of one year. During 2018, eight Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Board members, see pp. 96-97. The Audit Committee comprises Members of the Board Ulla Litzén, Angela Langemar Olsson and Mats Jönsson. The Chair of the Audit Committee is Ulla Litzén. The Project Committee comprises Board Members Carina Edblad and Geir Magne Aarstad. The Chair of the Project Committee is Carina Edblad.

CHAIRMAN OF THE BOARD

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 97). The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the President and CEO, in order to continuously monitor the Group's operations and development.

The Chairman represents the company in ownership matters and is a co-opted member of the Nomination Committee but has no voting right.

NCC'S CONTROL STRUCTURE 2018



PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and CEO of the company is Tomas Carlsson (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to pp. 99.) The Board has established instructions for the division of duties between the Board and the President and CEO, and for financial reporting to the Board (also refer to Board of Directors' report on internal control, p. 94).

DEPUTY CHIEF EXECUTIVE OFFICER

The company has not appointed any Deputy Chief Executive Officer.

EXECUTIVE TEAM (ET)

Since October 8, 2018, NCC's Executive Team (ET) has consisted of the President and CEO, the Heads of NCC Industry, NCC Infrastructure, NCC Building Nordics, NCC Building Sweden and NCC Property Development, the Chief Financial Officer and Head of Operational Development and IT. For information on members of the ET, see pp. 98-99.

The ET mainly focuses on strategic and other Group-wide matters and generally meets once per month.

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. Another task of the Nomination Committee is to nominate auditors and propose the fees to be paid to them. The Nomination Committee's work 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. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," p. 92).

The Board or, where appropriate, the Audit Committee appointed by the Board, also assists the Nomination Committee in evaluating the work of the auditors.

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. Each business area is led by a business area manager 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.

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.

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 2019, the registered firm of accountants PricewaterhouseCoopers AB (PwC) serves as NCC's auditors. Authorized Public Accountant Håkan Malmström has been elected PwC's auditor-in-charge. The Audit Report is also signed by Authorized Public Accountant Ann-Christine Hägglund. For more information on elected auditors, see p. 97.

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, Chief Financial Officer and Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be confirmed by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary housing 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 develop and implement the Group's values has long been under way. 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 2018, NCC continued to refine its compliance program in line with the applicable Group-wide policy and needs-adapted process. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. Three areas have been identified as especially important in NCC Compass: bribery and corruption, competition law and conflicts of interest. The area of diversity was added to NCC Compass in 2017 and in 2018 management of personal data was added as a feature of NCC's GDPR work. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to 58 employees 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. In addition, NCC has introduced advanced system support for internal and external reporting of irregularities, all 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 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 combined with training and discussions with NCC employees continued in 2018. All NCC employees are covered by the training programs. Further training in the area is provided in the form of shorter, Web-based courses. During 2018, both web-based and instructor-led GDPR courses were arranged for groups with special interests and needs due to their management of personal data.

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 result in an investigation and, in any cases that arise, a written report compiled by an independent party. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act
- Market Abuse Regulation

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Rules of procedure for Board work
- Audit Committee's rules of procedure
- Project Committee's rules of procedure
- Division of work between Board/CEO
- Decision-making regulations for the 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 2018

ANNUAL GENERAL MEETING 2018

The 2018 Annual General Meeting (AGM) was held at Grand Hôtel, Vinterträdgården, in Stockholm on April 11. 469 shareholders were present representing 54.1 percent of the share capital and 68.17 percent of the total number of votes. The minutes of the 2018 AGM and from previous AGMs are available at www.ncc.se. The 2018 AGM passed the following resolutions, among others:

Dividend for the 2017 fiscal year of SEK 8.00, divided into two payments.

Tomas Billing, Carina Edblad, Viveca Ax:son Johnson, Geir Magne Aarstad, Mats Jönsson, Ulla Litzén and Birgit Nørgaard were reelected as Members of the Board. Angela Langemar Olsson was newly appointed to the Board. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees would total SEK 4,100,000, excluding remuneration for committee work, distributed so that the Chairman of the Board would receive SEK 1,100,000 and that each other AGM-elected member would receive SEK 500,000. The adopted fees for the Chairman and per Board member are unchanged. Fees to the members of the Audit Committee are payable as follows: the chair of the Committee will receive SEK 175,000 and each other member will receive SEK 125,000.

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 2018) for senior executives and key personnel.

To cover the commitment under LTI 2018, the AGM authorized the Board, until the next AGM, to purchase a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to the participants of LTI 2018. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2015, LTI 2016, LTI 2017 and LTI 2018).

Income statements and balance sheets for 2018 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2018, NCC's Board held seven scheduled meetings, four non-scheduled meetings 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. Project impairments and management changes gave rise to a number of non-scheduled Board meetings during the year. Reporting on the progress of the company's operations and financial position was a standing item on the agenda. The Board has established rules of procedure 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.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial statements and preparing matters related to the company's financial statements and audit in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and fulfill the duties pursuant to EU ordinance No. 537/2014.

In 2018, the Audit Committee held six meetings at which all members were present. The Board also assessed the need of a special audit function (internal audit). The Board concluded that moving

BOARD OF DIRECTORS 2018

	Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Board fees, SEK 000s	Fees for work on committees, SEK 000s	BOARD MEETINGS AND ATTENDANCE 2018: 10 Jan (unscheduled)	24 Jan	19 Mar (unscheduled)	11 Apr	11 Apr (statutory)	24 Apr	26 Jun	17 Jul	18 Sep (unscheduled)	15 Oct (unscheduled)	24 Oct	14 Dec
Board Members elected by the AGM																	
Tomas Billing	1999	yes	no	1,100		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	yes	no	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad	2014	yes	yes	500	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Geir Magne Aarstad	2017	yes	yes	500	100	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Angela Langemar Olsson*	2018	yes	no	500	125					✓	✓	✓	✓	✓	✓	✓	✓
Mats Jönsson	2017	yes	yes	500	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	500	175	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Birgit Nørgaard	2017	yes	yes	500		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Regular employee representatives																	
Lars Bergqvist**	1991			–		✓	✓	✓	✓	✓							
Karl G. Sivertsson	2009			–		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–		✓		✓	✓	✓	✓	✓	✓		✓	✓	✓
Harald Stjernström**	2018			–								✓	✓	✓	✓	✓	✓

* Angela Langemar Olsson participated as an observer at the March 19 and April 11 Board meetings and was elected to the Board at the AGM on April 11, 2018.

** Employee representative Lars Bergqvist passed away on April 17, 2018 and was succeeded on the Board by employee representative Harald Stjernström.

forward there will be a need for a separate internal audit and an independent internal audit function, Group Internal Audit, was established in December 2018. The Board's evaluation of its work was conducted by the Board engaging in separate interviews of other Members. The results of these interviews were then compiled and discussed by the Board. Documentation for this matter was prepared by the Nomination Committee.

In July 2017, the Board established a Project Committee, which assists in the preparation, analysis and decisions regarding tenders in contracting operations in respect of projects exceeding SEK 1.5 billion. In 2018, the Committee addressed six projects and held five meetings, which all members attended. A special fee is paid to the members the Project Committee, which amounts to SEK 125,000 for the chair and SEK 100,000 for each other member.

BUYBACK OF COMPANY SHARES

The company holds 402,050 Series B shares to cover its commitments under long-term incentive programs. In 2018, 31,952 shares were sold to cover costs, 20,343 shares were transferred to participants in LTI 2015 and 101,022 shares were bought back.

REMUNERATION OF THE EXECUTIVE TEAM

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involvnig 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 adopted 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. The 2018 AGM resolved on a long-term performance-based incentive program (LTI 2018), comprising the CEO, members of the Executive Team (ET) and an additional 148 executives in the Group. LTI 2018 is a three-year program that entitles the participants to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2020. 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. The Swedish Code of Corporate Governance stipulates 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 the Executive Team. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on p. 39.

NOMINATION COMMITTEE 2018

The AGM on April 11, 2018 reelected Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB), Anders Oscarsson (equity manager AMF/AMF Fonder) and Simon Blecher (Carnegie Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chair. 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. The diversity policy applied by the Nomination Committee complies with Article 4.1 of the Swedish Code of Corporate Governance. The Nomination Committee's proposals to the 2019 AGM are available at ncc.se.

THE BOARD OF DIRECTORS' 2018 WORKING YEAR – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FINANCING.

BOARD MEETING DECEMBER 14
- Board's evaluation of its own work
- Audit
- Budget
- Internal control

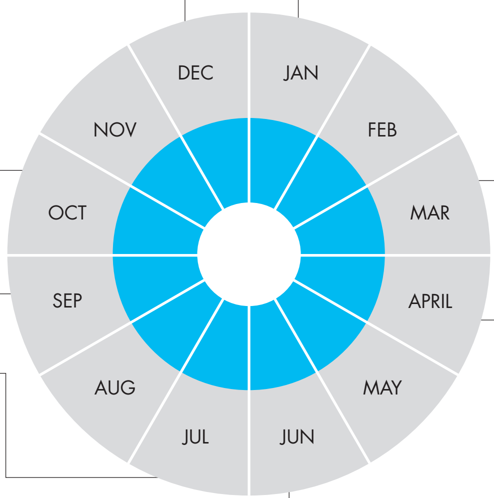
BOARD MEETING OCTOBER 24
- Quarterly report
- The Group's risk analyses
- Company signatories

UNSCHEDULED
BOARD MEETING OCTOBER 15
- Analysis of the operations, earnings and Hard Close

UNSCHEDULED BOARD MEETING
SEPTEMBER 18
- Organizational changes

BOARD MEETING JULY 17
- Semi-annual report
- Organizational change concerning NCC Building business area

BOARD MEETING JUNE 26
- Workplace visit Copenhagen
- Debriefing, compliance work
- Debriefing, health and safety issues
- Debriefing, sustainability issues



UNSCHEDULED BOARD MEETING JANUARY 10
- Recruitment of CEO

BOARD MEETING JANUARY 24
- Year-end accounts 2017
- Annual Report
- Proposed distribution of profits
- Motions to the AGM
- Motion concerning guidelines for salary and other remuneration
- Corporate Governance Report
- Definitive audit report

UNSCHEDULED BOARD MEETING MARCH 19
- Outcome Jan-Feb
- Savings program
- Acquisition of operation in Denmark
- New projects

BOARD MEETING APRIL 11
- Information prior to the AGM
- Competitor analysis
- Evaluation of Board members

ANNUAL GENERAL MEETING APRIL 11

STATUTORY MEETING APRIL 11
- Company signatories appointed
- Fees
- AGM resolution in respect of buyback and transfer of company shares, etc.
- Board Committees

BOARD MEETING APRIL 24
- Quarterly report
- LTI matters
- Financial policy
- Revision of rules of procedure and procedures for decisions

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 in the preparation of the company's 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 company's established processes.

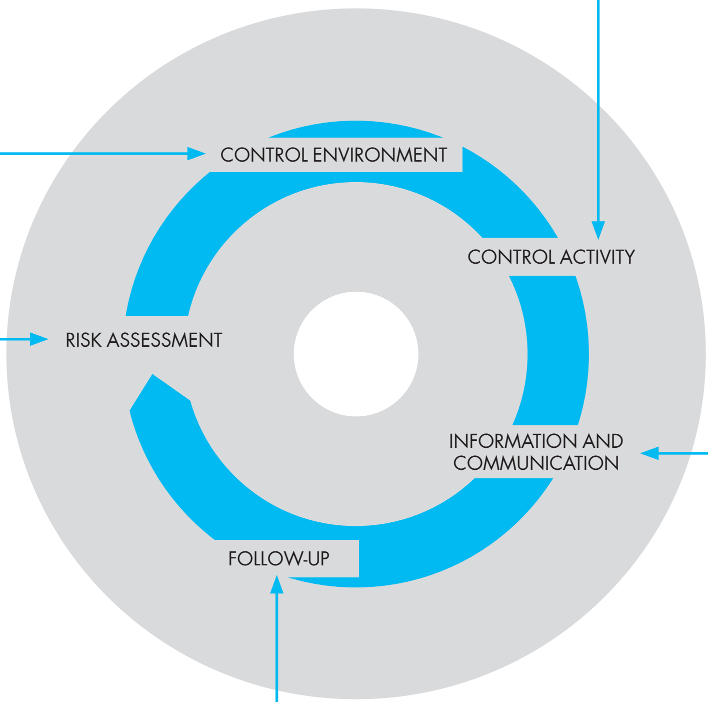
The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial recognition. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk 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, the CEO and the Chief Financial Officer (CFO) always attend these meetings. 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.
- **Business area meetings** in the various business areas, which are held at least five times per year. The meetings are minuted. Those participating in the meeting, in addition to the Head of the business area and members of its management team, are NCC AB's CEO, CFO and Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome, forecast and alternative budget. Forecasts are formulated and are checked 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 confirmed by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board. The Project Committee is to be involved in projects exceeding SEK 1,500 M. 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 financial 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 internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, guidelines, manuals and job descriptions. These must be documented and kept available. In 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 ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is an international organization that governs and conducts its operations in a Nordic operational structure. 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 to the business areas. The basis for the internal control of financial reporting comprises everything that is documented and communicated in control documents, such as internal policies, guidelines, instructions and other manuals. Considerable effort has been devoted to achieving a structure between the policies that are central and the policies regarded as local, and that all significant areas are covered. The NCC Group's legal governance occurs on the basis of a uniform corporate structure with subsidiaries in each country.

For more information on governance and control, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

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 established control structure 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 financial transactions of the Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries.

There is also Development & Operations (DOS), which has central responsibility for the shared IT systems in NCC.

The functions require that their processes include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control target matrixes that connect risks, control and efficiency measurement, and ensure that the control is documented and that proof of control exists.

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 (MyNCC).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. It 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. MyNCC includes among others 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.
- Accounting function's organization
- 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 MyNCC.

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 MyNCC.

Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

The status of the internal control set-up is reported annually at a meeting of the NCC AB Board. Debriefing also occurs at business area level. The CFO of the NCC Group is responsible for ensuring that information about and communication of the control have been established and are effective.

5 FOLLOW-UP

Follow-ups to safeguard the efficiency and 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 of the Board's assessment of internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are 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.

As part of its audit of the financial statements and the administration, NCC's auditor, PwC, also examines a selection of NCC's controls. The Audit Committee held five meetings during 2018. The duties of the Audit Committee in terms the financial statements include monitoring the efficiency of the company's internal controls, internal audit and risk management. In December 2018, the NCC AB Board of Directors decided, through its Audit Committee, to establish an independent internal audit function, Group Internal Audit, in accordance with the Swedish Code of Corporate Governance. The function is led by the Chief Audit Executive and is responsible for providing independent and objective assurance and evaluation of risk management and internal control processes. The function plans its work in consultation with the Audit Committee and it reports directly to the Board of Directors through the Audit Committee. The Board meets the auditors at least once a year. 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 considered and followed up within the particular unit. NCC's auditor also reviewed the company's nine-month report.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 90-99 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 13 March 2019
PricewaterhouseCoopers AB

Håkan Malmström Authorised Public Accountant Auditor-in-charge	Ann-Christine Hägglund Authorised Public Accountant

Board of Directors













Auditors – PricewaterhouseCoopers AB

HÅKAN MALMSTRÖM

Auditor-in-charge. Born 1965.
Other material assignments Auditor-in-Charge at companies including Axel Johnson, JM and Nordstjernan

ANN-CHRISTINE HÄGGLUND

Authorized Public Accountant Born 1966.
Other significant assignments:
Auditor-in-Charge at Business Sweden, Byggmax and Lernia.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2018.

TOMAS BILLING

Chairman. Born 1963.
Board member since 1999 and Chairman since 2001.
Other assignments: Board member of BiJaKa AB, Röko AB, Centrum för rättvisa (Center for Justice) and Parkinson Research Foundation.
Previous experience includes: CEO of Hufvudstaden AB and Monark Bodyguard AB.
Shareholding in NCC AB: 20,600 Series A shares and 105,400 Series B shares.

ULLA LITZÉN

Born 1956.
Board member since 2008 and chairman of the Audit Committee.
Other assignments: Board member of AB Electrolux, Husqvarna AB, Ratos AB and Epiroc AB.
Previous experience includes: CEO of W Capital Management AB (2001–2005) and Vice President of Investor AB (1996–2001).
Shareholding in NCC AB: 6,900 Series B shares.

GEIR MAGNE AARSTAD

Born 1960.
Board member since 2017 and member of the Project Committee.
Other assignments: Chairman and partner of GRAA AS.
Previous experience includes: CEO of AL Rahhi Contracting Company Ltd (Saudi Arabia) (2009–2011), CEO of Skanska Norway (2004–2009) and regional head of Skanska Norway (2001–2004).
Shareholding in NCC AB: 0.

Employee representative
KARL-JOHAN ANDERSSON

Born 1964. Paver.
Board member since 2011. Employed since 1984. Shop steward in NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).
Other assignments: Chairman of SEKO's Road and Rail Department in Skåne. Chairman of SEKO's negotiating organization at NCC.
Shareholding in NCC AB: 0.

Employee representative
MATS JOHANSSON

Born 1955. Carpenter.
Deputy Board member since 2011. Employed since 1977. Construction carpenter and shop steward at NCC, as well as officer for occupational health and safety issues. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers Union).
Other assignments: Board member of AB Ronneby Industrifastigheter and Deputy Chairman of Byggnadsarbetareförbundet in the Småland/ Blekinge region.
Shareholding in NCC AB: 260 Series B shares.

VIVECA AX:SON JOHNSON

Born 1963.
Board member since 2014.
Other assignments: Chairman of the Board of Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board member of Bonava AB, Rosti Group AB, FPG Media AB and the Axel and Margaret Ax:son Johnson Foundation.
Previous experience includes: Deputy Chairman of Nordstjernan (1997–2007), Chairman since 2007, as well as various positions in the Nordstjernan Group.
Shareholding in NCC AB: 59,000 Series B shares (including related-party holdings), as well as 25,000 Series A shares and 31,000 Series B shares via private companies.

MATS JÖNSSON

Born 1957.
Board member since 2017 and member of the Audit Committee.
Other assignments: Chairman of the Board of Logent and Lekolar and Member of the Board of Coor and Assemblin.
Previous experience includes: President and CEO of Coor Service Management (2004–2013), Business Unit Manager of Skanska Services (2000–2004) and Division Manager of Skanska Sweden (1998–2000).
Shareholding in NCC AB: 10,000 Series A shares.

ANGELA LANGEMAR OLSSON

Born 1970.
Board member since 2018 and member of the Audit Committee. Senior Investment Manager at Nordstjernan AB.
Other assignments: Chairman of the Board of Win-Group AG. Previous experience includes: CFO at Nordstjernan AB, Group Controller at Hufvudstaden AB and Assistant Controller at Swedish Match AB.
Shareholding in NCC AB: 5,700 Series B shares.

Employee representative
HARALD STJERNSTRÖM

Born 1962, Project Manager within the NCC Building, Building Stockholm Dept.
Board member since 2018. Employed since 1984. Shop steward in NCC. Employee representative of Ledarna (Swedish Association of Supervisors).
Shareholding in NCC AB: 0.

BIRGIT NØRGAARD

Born 1958.
Board member since 2017.
Other assignments: Chairman of the Board of Norisol A/S, Deputy Chairman of the Board of NNE A/S, Danska Statens IT Råd och Dansk Vækstkapital I, Board member of DVS A/S, IMI Plc, WSP Global Inc., RGS Nordic A/S and Dansk Vækstkapital II.
Previous experience includes: President and CEO of Carl Bro A/S (2003–2010), COO of Grontmij NV (2006–2010) and CFO of Danisco Distillers A/S (1993–2000).
Shareholding in NCC AB: 3,000 Series B shares.

CARINA EDBLAD

Born 1963.
Board member since 2014 and chair of the Project Committee. CEO of Thomas Betong AB.
Other assignments: Chairman of the Board of Svensk Betong and Member of the Board of Instalco and the Confederation of Swedish Enterprise.
Previous experience includes: 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.

Employee representative
KARL G. SIVERTSSON

Born 1961. Carpenter and crane operator.
Board member since 2009. Employed since 1981. Shop steward in NCC. Employee representative of Svenska Byggnadsarbetareförbundet.
Other assignments: Board member of Svenska Byggnadsarbetareförbundet, Central Norrland Region, and deputy member of Federation Board of Svenska Byggnadsarbetareförbundet.
Shareholding in NCC AB: 200 Series B shares.

Employee representative
BENGT GÖRANSSON

Born 1959. Installation Manager
Deputy Board member since 2017.
Shop steward in NCC. Employee representative of Unionen.
Shareholding in NCC AB: 0.

SECRETARY OF THE BOARD
ANN-MARIE HEDBECK

Born 1972, Master of Laws.
NCC AB's Senior Legal Counsel since September 28, 2018.
Previous experience includes: Acting Senior Legal Counsel at NCC AB, Chief Legal Counsel in NCC Infrastructure and Senior Legal Counsel at Skanska AB. Employed by NCC since 2017.
Shareholding in NCC AB: 0.

Executive Team








TOMAS CARLSSON

President and CEO
Born 1965.
President and CEO since May 7, 2018.
Previous experience includes: CEO of Sweco (2012-2018), Head of NCC Construction Sweden (2007-2012) and Regional Manager of NCC Construction Western Sweden (2005-2006).
Other assignments: Board member of Alimak Group AB.
Shareholding in NCC AB: 21,270 Series A shares and 282,929 call options on Series B shares.

KENNETH NILSSON

Head of NCC infrastructure business area
Born 1961.
Head of NCC Infrastructure since April 3, 2018. Employed by NCC since 2018.
Previous experience includes: 20 years of experience from various senior positions at Skanska and in management teams, and another ten years of experience as a works manager, project manager and supervisor.
Shareholding in NCC AB: 14,147 call options on Series B shares

CAROLA LAVÉN

Head of NCC Property Development business area
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), Property Manager for Stockholm/Uppsala at Drott (1998–2003) and Property Manager for Skanska (1995–1998).
Other assignments: Board member of Sweden Green Building Council and WinGroup AG.
Shareholding in NCC AB: 3,572 Series B shares and 28,292 call options on Series B shares.

SUSANNE LITHANDER

Chief Financial Officer
Born 1961.
Chief Financial Officer since November 12, 2018. Employed since 2018.
Previous experience includes: CFO of Billerud Korsnäs (2011–2018), CEO of Mercuri International and several positions at Ericsson.
Shareholding in NCC AB: 0

KLAUS KAAE

Head of NCC Building Nordics business area
Born 1959.
Head of NCC Building Nordics since October 1, 2018. Employed by NCC since 1985.
Previous experience includes: Business Area Manager of NCC Building (2016-2018) and NCC Construction Denmark (2012–2015) and Vice President of NCC Construction Denmark (2009–2012). Executive Director of NCC Construction Denmark (2002–2009).
Shareholding in NCC AB: 7,842 Series B shares and 28,292 call options on Series B shares.

JYRI SALONEN

Head of NCC Industry business area
Born 1965.
Head of NCC Industry since 2016. Employed by NCC since 2008.
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) and various positions at ExxonMobil internationally and Esso in Finland.
Shareholding in NCC AB: 3,017 Series B shares and 28,292 call options on Series B shares.

YLVA LAGESSON

Head of Development & Operations Services
Born 1971.
Head of Development & Operations Services since October 8, 2018. Employed by NCC since 2018.
Previous experience: CEO of Nobelhuset AB (2017–2018). Prior to that, such positions as Deputy Division Manager of NCC Building, Head of Market and Operational Development at NCC Construction Sweden and a number of construction contract and production roles.
Shareholding in NCC AB: 2,000 Series B shares.

HENRIK LANDELIUS

Head of NCC Building Sweden business area
Born 1975.
Head of NCC Building Sweden since October 1, 2018. Employed at NCC for a total of 10 years.
Previous experience includes: Division Manager of NCC Building Sweden (2016–2018), Vice President of NCC Construction Sweden (2014–2016), Head of Project Development Fastighets AB L E Lundberg and CEO of Byggnads AB L E Lundberg (2011–2013) and Business Manager NCC Construction Sweden (2005–2011).
Shareholding in NCC AB: 1,000 Series B shares and 14,147 call options on Series B shares.

Senior Management Team

HARRI SAVOLAINEN, Head of Purchasing
MARIE REIFELT, Senior Vice President Human Resources
ANN-MARIE HEDBECK, Senior Legal Counsel
MARIA GRIMBERG, Head of Corporate Communication

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2018.

Financial information and contact details

NCC will publish financial information regarding the 2019 fiscal year on the following dates:

April 9	Annual General Meeting
April 29	Interim report, January–March
July 19	Interim report, January–June
October 28	Interim report, January–September
January 2020	Year-end report 2019

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 or Annual Report.

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, IR Manager (Tel: +46 8 585 523 53; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING (AGM)

The Annual General Meeting will be held at 4:30 p.m. on April 9, 2019. Location: Norra Latin, Drottninggatan 71 B, Stockholm. Notification can be made via NCC's www.ncc.se website, by regular mail to NCC AB c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, or by telephone to +46 8 402 92 no later than April 3, 2019. Notification should include name, personal identification number (corporate registration number), address, telephone number and the number of any advisors.

Registration at the Meeting will begin at 3:30 p.m. 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, 2019. Confirmation that the official notification had been issued was announced in Dagens Nyheter and Svenska Dagbladet.

NCC AB (publ), Corp. Reg. No. 556034-5174,
Registered Head Office: Solna.
Addresses to the companies in the NCC Group are available at www.ncc.se.

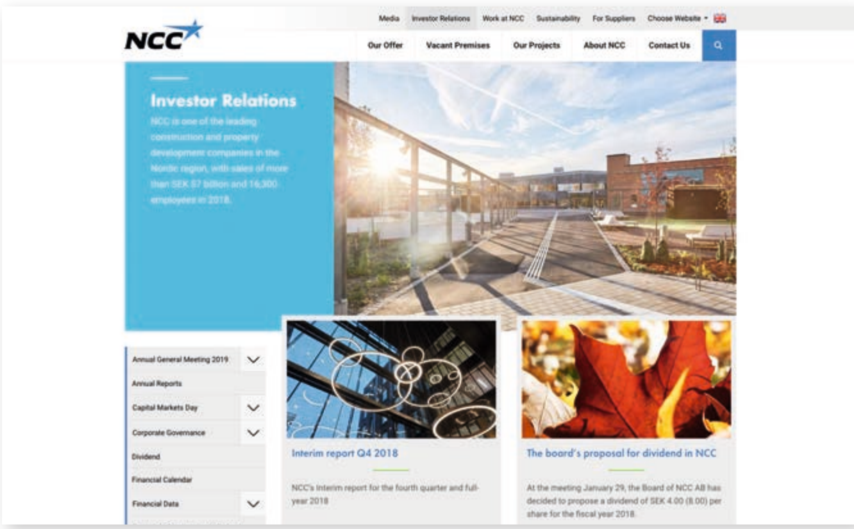
SHAREHOLDER INFORMATION ON NCC.SE

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.

SHARE-PRICE INFORMATION
Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

LIST OF ANALYSTS.
Here, you will find a list of the analysts who regularly monitor NCC.



MORE INFORMATION/ CONTACT PERSON.

Johan Bergman
IR Manager
Tel: +46 8 585 523 53,
E-mail: ir@ncc.se

Definitions/glossary

FINANCIAL KEY FIGURES

Share of risk-bearing capital: Sum total of shareholders' equity and deferred tax liabilities as a percentage of total assets.

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.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed. Return on capital employed is used to optimize the Group's capital allocation and value generation.

Dividend yield: Dividend as a percentage of the market price at year-end.

Operating net: Profit from property management before depreciation.

EBITDA: Operating profit in accordance with the income statement with depreciation and impairment losses reversed (not construction-related projects) including impairment losses properties classed as current assets.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average of recognized shareholders' equity at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate: Net sales divided by average capital employed.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classed as current assets.

Net debt: Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

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. Property sales are recognized on the date when significant risks and benefits 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.

Net debt/EBITDA: Net debt excluding pension debt divided by EBITDA. NCC uses this measure to analyze the amount of debt the company can have and to provide guidance to creditors about its indebtedness.

Orders received: Value of received projects 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 well as sold completed housing units from inventory.

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.

P/E ratio: Year-end market price of the shares, divided by earnings per share after taxes.

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.

Interest-coverage ratio: Profit after financial items following the reversal of financial expense divided by financial expense.

Operating margin: Operating profit as a percentage of net sales.

Debt/equity ratio: Net debt divided by shareholders' equity.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

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.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Closing date interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

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

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

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.

SECTOR-RELATED DEFINITIONS

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.

Development rights: Estimated possibility to develop a site. 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.

Detailed development plan: Municipal plan for the use of land in a certain area, which is legally binding and can form the basis for granting building permits.

Required yield: The yield required by purchasers in connection with acquisitions of property projects. Operating revenues less operating and maintenance expenses (=operating net) divided by the market value.

Proprietary project: When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project. Pertains to commercial property projects.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

Function contract: Usually a multi-year contract in which the customer imposes functional requirements rather than detailed requirements concerning materials and design.

Buildings/other buildings: In descriptions of operations, this term pertains in part to commercial buildings, mainly offices, retail outlets, shopping malls, garages, hotels and industrial buildings and in part to public premises and buildings such as hospitals, schools, healthcare and care facilities and public administration buildings.

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.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

VDC Virtual Design and Construction.

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.

Production: NCC and Solberg. Translation: The Bugli Company

Photographers: BAU p.6. Trine Gaarder Stenberg p.88. Sten Jansin p.96, 98. Johnér Bildbyrå p.76. Erik Holmstedt p.88. Joakim Kröger p.3, 6-7, 15, 88, 96, 98, cover front and back. Simon Sørensen p.88. Daniel Ring p.6. White Arkitekter p.88.

Printing: Göteborgstryckeriet

NORDIC ECOLABEL 3041 0250

FSC www.fsc.org MIX Paper from responsible sources FSC® C021184

NCC is one of the leading construction and property development companies in the Nordic region, with sales of more than SEK 57 billion and 16,500 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 provides 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.

NCC AB
SE-170 80 Solna, Sweden
Tel: +46 8 585 510 00
ncc.se