NCC 2004

Annual Report

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This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

Cover photos:
Construction worker, Turning Torso, Malmö.
Saltsjöqvarn, one of NCC's projects in the Stockholm region.

NCC 2004

FOCUS

Focusing on a successful business approach means assigning priority to profitability rather than volume. Our competitive edge is developed in close cooperation with customers. NCC focuses on devoting all of its time and resources to satisfying customer needs in the best possible manner.

SIMPLICITY

Simplicity means minimizing all forms of bureaucracy that restrict the business and do not generate added value for our customers. Simple, straightforward solutions boost our efficiency. Doing business with NCC must be as simple as possible.

RESPONSIBILITY

Building the environments of the future and thus contributing to sustainable social development entails a major responsibility. Responsible enterprise creates value for customers and, within NCC, accepting personal responsibility is a matter of course.

TOMORROW'S ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATIONS

NCC is one of the leading construction and property-developing companies in the Nordic region. The Group had sales of SEK 45 billion in 2004, with 22,000 employees.

FOCUS ON THE NORDIC REGION

NCC is active throughout the value chain in its efforts to create environments for work, living and communications. NCC develops residential and commercial property projects and builds offices, industrial facilities, housing, roads, civil-engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and conducts paving, operation and maintenance operations in the roads sector. The Group's primary geographical focus is on the Nordic region.

EXPECT A BIT MORE

NCC's vision is that the customer should be able to expect a bit more from NCC when it comes to developing future environments for work, living and communications. We shall operate as a young, exciting company that is distinguished by its customer focus, simple straightforward solutions and responsible action.

The Arken Turku Academy, Turku.

CONSTRUCTION

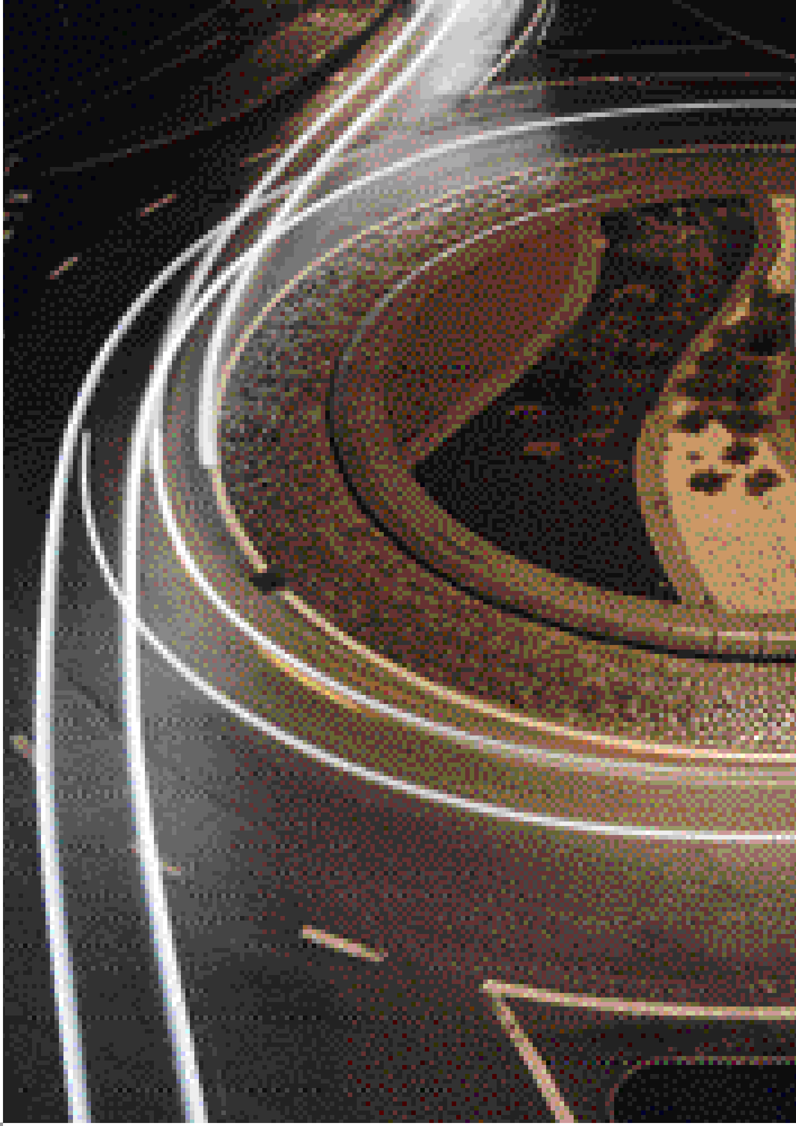
NCC's Construction units develop residential projects and build offices, industrial facilities, housing, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic region.

In several Nordic markets, the Group is currently the leading player in proprietary housing development.

PROPERTY DEVELOPMENT

NCC Property Development develops and sells commercial properties in Nordic growth markets. Its target groups are users seeking inspirational environments and investors seeking properties that offer stability and a secure return over time.

Frösunda Front, Solna



A traffic circle at Hisingen, Gothenburg.

ROADS

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is active mainly in the Nordic region, Poland and the St. Petersburg area of Russia.

SUMMARY OF 2004

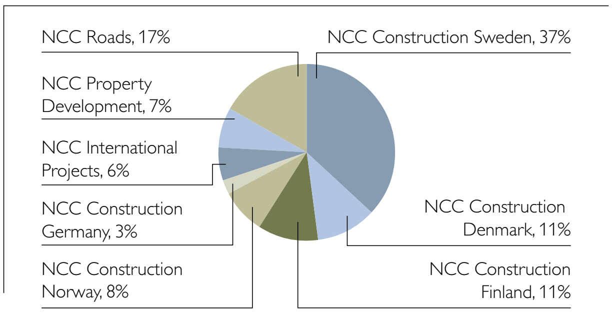
- The transformation of NCC into a financially stronger company with a healthy and less risk-exposed core business was completed. The Nordic Construction units generated a return on capital employed in excess of 27 percent and the Group's net indebtedness was reduced from SEK 4.9 billion to SEK 0.7 billion.
- Profit after financial items improved to SEK 955 M (loss: 323).
- Property sales totaling nearly SEK 5 billion were completed, including the remaining 50-percent share of Kista Science Tower.
- The phase-out of international projects in Africa, Asia and Central America was initiated. NCC International Projects ceased to operate as a business area on December 31, 2004.
- Breakthrough for NCC Partnering in Sweden, through an order worth SEK 555 M from LKAB.
- In view of NCC's stronger financial position, the Board proposes an ordinary dividend of SEK 4.50 (2.75) per share, plus an extraordinary dividend of SEK 10.00 per share.

Key figures

	2004	2003
Orders received, SEK M	45,362	40,941
Sales, SEK M	45,437	45,252
Operating profit (EBIT), SEK M	1,117	5
Profit/loss after financial items (EBT), SEK M	955	–323
Net profit/loss for the year, SEK M	856	–421
Earnings/loss per share after tax, SEK	8.35	–4.10
Dividend per share, SEK	4,50[1]	2,75
Extraordinary dividend per share, SEK	10.00[1]	6.70[2]
Cash flow before financing, SEK M	4.495	762
Return on shareholders' equity, %	14	neg
Equity/assets ratio, %	25	21
Net indebtedness, SEK M	679	4,891
Average number of employees	22,214	24,076

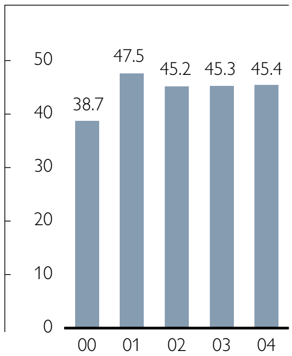
1) Proposed ordinary dividend.
2) Pertains to shares in Altima, which were spun off in December 2003.

Sales by business area



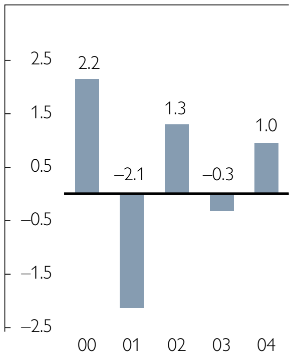
NCC Construction units accounted for 76 percent of consolidated sales in 2004.

Net sales
2000–2004, SEK billion



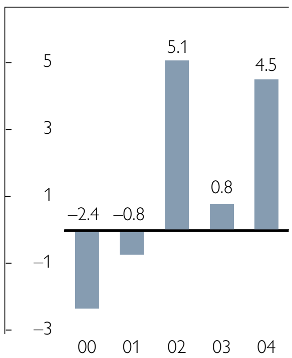
During recent years, net sales have been affected by the phase-out of operations, a selective tendering policy whereby profitability has been assigned priority over volume and weaker market conditions. The increase between 2000 and 2001 was due to acquisitions.

Profit/loss after financial items (EBT) 2000–2004, SEK billion



Profit for 2004 amounted to SEK 955 M. The losses reported in 2001 and 2003 were due mainly to write-downs and restructuring measures.

Cash flow before financing
2000–2004, SEK billion



Cash flow before financing has improved in recent years, due mainly to major sales of managed properties and property-development projects within NCC Property Development. The cash flow trend for Construction units has also been favorable, mainly as a result of greater profitability.

REVIEW BY THE PRESIDENT

THE DIRECTION IS RIGHT – AND WE'RE MAKING PROGRESS

After tax, the return on shareholders' equity was 14 percent in 2004. This was not entirely satisfactory, but we're making progress toward achieving our financial goal, which is a return of 15 percent. Cash flow remained favorable and net debt was reduced from SEK 4.9 billion to SEK 0.7 billion during 2004. Our financial situation is better now than it has been for a very long time.

- For 2004, all four Construction units in the Nordic region reported a return on capital employed in excess of 27 percent. Favorable conditions in the housing market were a strong factor contributing to profitability, while the profitability of other construction operations can be improved. The extensive restructuring conducted in Norway in recent years resulted in this business area – which showed major losses a few years ago – reporting the highest return on capital employed in the Group during 2004. NCC Construction Finland consolidated its Number 1 position in terms of operating margin.
- At the beginning of 2004, we initiated measures to discontinue all operations in Asia, Africa and Central America, the background being the unprofitable results of international contracting operations in recent years and the fact that considerable capital was tied up in these operations. As a result of these measures, most of which are expected to be completed during 2006, NCC will reduce its risk exposure in regions where we have only limited market knowledge. A fundamental part of our strategy is to work in markets that we know and with products and services with which we are familiar.
- NCC Roads' profitability improved in 2004, but is still not satisfactory. Although this is due mainly to overcapacity in the asphalt market, with resultant pressure on prices, the low return on capital employed is also the result of acquired goodwill. NCC Roads is focusing on divesting non-core operations, reducing tied-up capital and rationalizing and improving the efficiency of production through measures including an increased level of benchmarking and productivity ranking among different units.
- NCC Property Development's profitability was also too weak. Tied-up capital has been reduced significantly, thanks to the sale of all wholly owned managed properties, the phase-out of operations outside the Nordic region and the leasing and divestment of several property projects that had been included in NCC's balance sheet for many years. A new project portfolio is being built up gradually, which is planned to provide a better return within a few years.
- The total return to shareholders – defined as the share-price trend during the year plus the dividend – was approximately 66 percent. Based on the SIX Return Index, the Stockholm Stock Exchange average was 21 percent.
- The results of our extensive HCI (Human Capital Index) survey indicate that pride in working for NCC is continuing to grow and that an increasing proportion of employees intend to remain with the Company.

In coming years, the fine-tuning of NCC's organization, products and services will continue. We call this the Fitness Phase, which will provide us with the competitively stronger base necessary for combining future growth with sustainable profitability.

During the year, Alf Göransson took further steps to boost profitability.

GEOGRAPHICAL FOCUS

We are currently concentrating our operations to the Nordic region, Poland, Germany, the Baltic States and the St. Petersburg area. By phasing out major portions of our international operations, the Company is reducing its risk exposure. All past experience in the construction sector indicates that when a company is active in unknown markets – with customers it doesn't know, in projects that are often large and complicated and with employees with limited experience of such a combination of factors – the chances of achieving profitability are infinitesimal. Nevertheless, builders have a deep-rooted confidence in their own ability and are always optimistic about the task ahead. There is never any unwillingness to test new challenges.

We now want to harness and develop these driving forces and our entrepreneurial spirit step-by-step, by steering them away from risk-filled new business notions, project ventures that are impossible to calculate and new unknown markets. Instead, we want to channel these forces into finding new ways of resolving old problems and developing construction processes – in Partnering projects with customers – in familiar markets, finding new purchasing channels, internationalizing procurement processes, increasing direct purchases, avoiding wholesaler channels, industrializing construction processes and challenging established structures. And all this in markets that we know, with customers that we know and in the kind of projects that we have built with pride and quality for many years. The challenge lies in steering all our resources in this direction. If this means that our units develop at different rates is less important, as long as they all move in the right direction.

NCC PARTNERING AND NCC EKOCONCEPT

Three years ago, we started applying NCC Partnering as a method for reducing construction costs and achieving a better project process. NCC Partnering means that all parties involved in a construction project transparently report all of their costs, have a joint motivation to reduce construction costs and, ultimately, share the profits. This also entails that the projects are staffed with personnel who can and want to find new ways of resolving problems and who are on the same side of the fence and share a common goal.

Since 2002, we have doubled our revenues from Partnering projects. Sales totaled about SEK 3 billion in 2004 and will increase again during 2005. The greatest progress in the Nordic countries has been reported by NCC in Denmark.

During 2004, NCC entered the Fitness Phase. The organization, products and services are being fine tuned for future growth.

Visiting projects is a high-priority activity for Alf Göransson. Here he is talking to Team Foreman Hannu Ylippuki at Saltsjöqvarn.

> As long as the direction is right, the fact that our units develop at different rates is less important.

A recently conducted survey indicates that 90 percent of the customers involved in Partnering projects are very satisfied and consider that they have benefited financially from having chosen this form of cooperation. Time schedules have been met and no legal disputes have arisen. In many projects, final costs have ended up below the budgeted level, while NCC's margins have improved by slightly more than 1 percentage point.

We are now intent on further developing NCC Partnering. This will be achieved by inviting our customers to participate in the savings generated by our increased international purchasing and through the NCC EkoConcept. The latter is a unique model for optimizing the total cost of a project, which means it optimizes the investment, operating and maintenance costs. This service is already established in Finland and is now being developed throughout the Group.

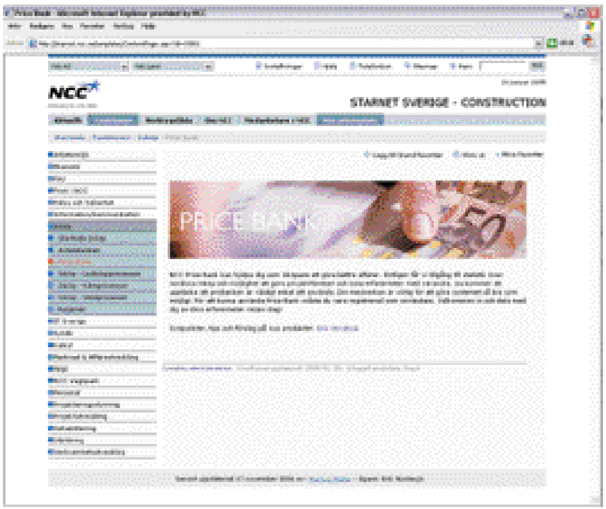
INTERNATIONALIZATION AND INDUSTRIALIZATION OF THE NORDIC CONSTRUCTION MARKET

It is still far too expensive to build in the Nordic region, which is regarded as a high-price market in many respects. In the past six years, the cost of building an apartment block has risen by twice the rate of inflation. The engineering industry has been able to offset pay rises during the past decade through increased productivity, while the construction sector's pay increases have led to increased building costs.

Lower building costs require long-term access to qualified employees, productivity development, process development, an increased element of foreign construction companies/installation workers/materials suppliers, more direct purchasing from domestic and international suppliers, new logistics structures and the industrialization of the construction process.

During 2004, we purchased increasing amounts of building materials from former Eastern Bloc countries and commissioned subcontractors and installation firms from the Baltic States, Poland and Germany. Costs were reduced by as much as 20–30 percent. We are now seeing how outmoded structures are being challenged by us and by foreign builders with their subcontractors. We are also seeing how established players at various levels are beginning to rethink and, to some extent, adopt new approaches.

During the year, we launched a new tool, the Price Bank, in which purchases are registered and the data made available to all Group companies for comparative purposes in future negotiations and project purchasing. In addition, an increasing proportion of the Group's purchasing is being



The Price Bank is an internal tool in which purchases are registered. The tool can be used throughout the Group to compare prices, as part of NCC's efforts to reduce costs.


Johanna Hagelberg is President of NCC's new purchasing company, NCC Purchasing Group, which is building on the aims of continued coordination and internationalization of purchasing operations.

coordinated through Nordic agreements, resulting in lower costs and fewer suppliers. We require that our employees remain loyal to these purchasing agreements and, in order to ensure that this goal is achieved in a decentralized organization like ours, we shall be including this requirement in bonus agreements as of 2005. Personnel who are found to have been deliberately disloyal to national and Nordic purchasing agreements will forfeit their rights to a bonus.

We are driving the industrialization of the construction process on several fronts. We are successfully selling and building our housing product, Det ljuva livet® (The Good Life) – prefabricated units that are assembled on site. We are gradually increasing the degree of prefabrication in many of our construction projects. Our German housing concept, with a high level of prefabrication, is now being extended to several regions of Germany and will also be introduced in the Nordic region. We are developing a Nordic office concept, meaning a standard platform from which changes and options will be possible. We are making a substantial investment in the development of a residential concept for apartment buildings, which – if successful – will entail NCC investing in a full-scale plant in the Mälardalen region for the production of prefabricated units with a high degree of value added.

NCC's GROWTH STRATEGY

NCC's growth strategy is simple. Compared with our competitors, we shall have lower costs and generate greater added value for our customers. In those markets and product areas where this is achieved, we will show healthy margins, and if we have good margins and low costs, we will also have the best possible conditions for offering winning tenders, which will automatically allow us to grow. We do not need a more advanced growth strategy than this. It can be summed up in just a few words, but will hold good for all foreseeable time. And we will apply this strategy in close cooperation with our customers, preferably in the form of a Partnering project, so that our customers can "Expect a bit more" from NCC.

The art and challenge of leading NCC is to ensure that motivation and force move in the right direction, and I firmly believe that an ounce of motivation is far more effective than a ton of facts – particularly in the construction industry.

Solna, February 2005

Alf Göransson
President and CEO

From the rocks of Saltsjöqvarn, residents have a view over the Saltsjö Sea and Djurgården, and, within the deep bedrock shaft, an underground car park is being prepared.

Alf Göransson talking to Project Manager Stefan Karlsson and Project Engineer Angela Berg.

> NCC's growth strategy is simple. Compared with our competitors, we shall have lower costs and generate greater added value for our customers.

THE NCC SHARE

HIGH TOTAL RETURN

The price of the NCC share rose by nearly 60 percent in 2004. At year-end, the market price per Series B share was SEK 88 and NCC's market capitalization was approximately SEK 9 billion. The total return rose to 66 percent.

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name. The shares are currently traded on the O List and were quoted among the most heavily traded shares on the Attract 40 list during 2004. A round lot is 200 shares. On December 31, 2004, the share capital amounted to SEK 867 M, represented by 54.9 million Series A shares and 53.6 million Series B shares with a par value of SEK 8 each. Series A shares carry ten voting rights and Series B shares carry one voting right each.

SHARE PERFORMANCE AND TRADING

The price of Series B NCC shares during 2004 rose 59 percent from SEK 55.50 to SEK 88.00. This may be compared with Stockholm Stock Exchange as a whole (according to the SIX General Index), which rose by about 17 percent during 2004 and the sector index (SIX Construction and Civil Engineering Index), which rose by approximately 35 percent. The highest price paid per Series B NCC was SEK 88.75 on December 30 and the lowest price, SEK 50.00, was quoted on February 13. At year-end, the total market capitalization for Series A and B shares was SEK 8,984 M (excluding repurchased shares).

An average of 6,143 (16,502) Series A shares and 159,778 (98,811) Series B shares were traded per day. A total of 42.0 million (29.1) NCC shares were traded during the year, corresponding to 41 percent (28) of the total number of NCC shares issued (excluding repurchased shares). The turnover rate for Series A NCC shares was 28 percent and the rate for Series B shares was 85 percent (excluding repurchased shares). The turnover rate for the Stockholm Stock Exchange as a whole was 133 percent, and the rate for the O List was 82 percent.

OWNERSHIP STRUCTURE

The number of NCC shareholders at year-end was 24,103 (22,808). Nordstjernan AB, the largest shareholder, accounted for 54.6 percent of the voting rights and 35.3 percent of the share capital. The second largest shareholder was L E Lundbergföretagen, with 18.5 percent of the voting rights and 13.6 percent of the share capital. The ten largest shareholders jointly accounted for 87.6 percent of the voting rights and 66.7 percent of the share capital. Of the Swedish-held shares, institutions accounted for 31.3 percent of the share capital and mutual funds for 16.7 percent. The proportion of foreign shareholders was 6.8 percent of the share capital, with the US and UK accounting for the largest holdings. No major changes in shareholdings occurred during the year. Catella Funds and SHB/SPP Funds are new members of the ten largest shareholders, replacing Ram One Fund and Östersjöstiftelsen on this list.

SHARE REPURCHASES AND CONVERSIONS

During 2000–2003, NCC bought back a total of 6,035,392 Series B shares. The reason for repurchasing the shares was to cover the exercise of options under NCC's rolling options program, which was discontinued in 2002 (also see Note 11, page 67). No shares were repurchased in 2004. At February 18, a total of 3,526,606 options had been exercised. Less the repurchased shares, the total number of shares outstanding at year-end was 102,400,430.

In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. During the year, 3,187,942 (2,892,296) Series A shares were converted to B shares, and 8.3 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors, which makes decisions regarding conversions on an ongoing basis.

DIVIDEND AND DIVIDEND POLICY

NCC's dividend policy has been to distribute approximately half of profit after taxes to shareholders. As of 2005, this policy has been revised to the objective that at least half of profit after taxes be distributed. The Board of Directors proposes an ordinary dividend of SEK 4.50 (2.75) per share for 2004 plus an extraordinary dividend of SEK 10.00, making a sum total of SEK 14.50 per share. The reason underlying the extraordinary dividend is NCC's improved financial structure.

The ordinary dividend corresponds to 54 percent of profit after taxes during the year. In total, the proposed dividend, including the extraordinary dividend, amounts to SEK 1,485 M (282). In 2003, NCC distributed a cash dividend plus Altima shares worth SEK 6.70 each.

The total return (share price performance plus dividend) for NCC B shares in 2004 was approximately 66 percent (22), compared with the Stockholm Stock Exchange average (according to Six Return Index) of 21 percent (34). For those shareholders who have retained their Altima shares and currently have Ramirent shares, the total return on these shares during 2004 was 40 percent.

NCC share trend in past five years

	2000	2001	2002	2003	2004
Market price at year-end, NCC B share, SEK	69.00	70.00	53.00	55.50	88.00
Market capitalization, SEK M	7,353	7,347	5,366	5,625	8,984
Ordinary dividend, SEK	4.50	2.25	2.75	2.75	4.50[3]
Extraordinary dividend, SEK				6.70[1]	10.00[3]
Dividend yield, %	6.5	3.2	5.2	17.0[2]	16.5[3]
Total return, %	–30	5	–23	22	66
Number of shares at year-end (millions)	105.7	105.0	102.4	102.4	102.4

Key figures per share are presented in the multi-year review on page 85.

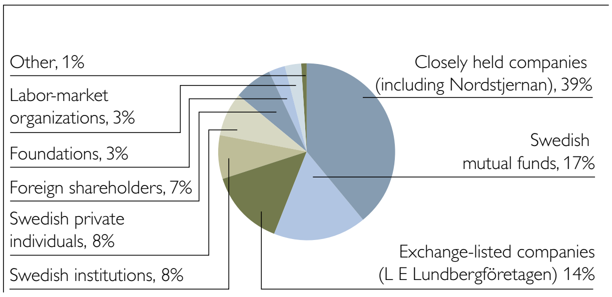
1) Pertains to Altima shares that were spun off in 2003.
2) Including the value of the Altima shares.
3) Proposed dividend.

Distribution of shares by holding[1]

No. of shares held	No. of shareholders	Percentage of total shareholders	No. of shares	Percentage of share capital
1–500	18,517	76.8	2,763,859	2.7
501–1,000	2,898	12.0	2,392,821	2.3
1,001–10,000	2,373	9.9	6,611,234	6.5
10,001–100,000	238	1.0	7,162,803	7.0
100,001–1,000,000	69	0.2	23,101,607	22.6
1,000,001–	8	0.1	60,368,106	58.9
Total	**24,103**	**100.0**	**102,400,430**	**100.0**

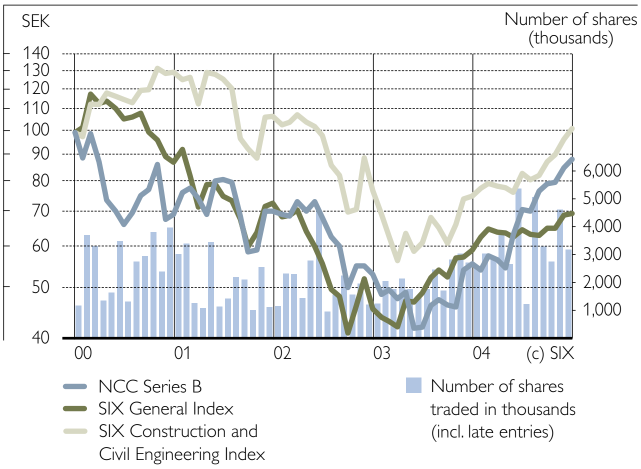
1) Calculated after a deduction for repurchased shares.
(Source: SIS Ägarservice.)

Categories of shareholders, percentage of total share capital



The proportion of Swedish institutional ownership, including mutual funds, is 48 percent.

Share price and trading volume in 2000–2004



The price of NCC's B share rose by nearly 60 percent in 2004. At the same time, the General Index rose 17 percent and the Sector Index rose 35 percent.

Ownership structure at December 31, 2004

Shareholder	No. of series A shares	No. of series B shares	Percentage of[1] Share capital	Voting rights
Nordstjernan	32,169,805	4,023,390	35.3	54.6
L E Lundbergföretagen	10,721,140	3,242,860	13.6	18.5
Robur mutual funds	3,007,146	2,962,452	5.8	5.5
Eikos mutual funds	1,241,400	1,028,400	2.2	2.3
Swedish Industrial Salaried Employees Association, SIF	–	2,192,604	2.1	0.4
Svenska Handelsbanken	2,012,600	1,934	2.0	3.4
SEB mutual funds	–	1,728,700	1.7	0.3
Skandia Life	1,313,175	137,224	1.4	2.2
Catella Funds	–	1,385,400	1.4	0.2
SHB/SPP Funds	–	1,180,771	1.2	0.2
Total ten largest shareholders	**50,465,266**	**17,883,735**	**66.7**	**87.6**
Other shareholders in Sweden	4,156,800	22,961,797	26.5	10.9
Other shareholders outside Sweden	229,817	6,703,015	6.8	1.5
Total	**54,851,883**	**47,548,547**	**100.0**	**100.0**
Repurchased shares	–	6,035,392		
Total number of shares	**54,851,883**	**53,583,939**		

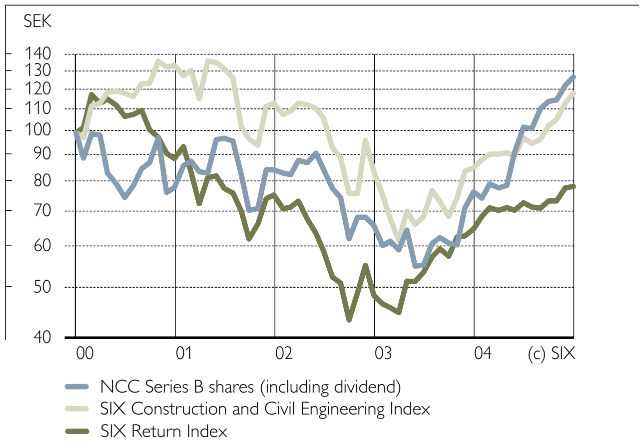
(Source: SIS Ägarservice.)
1) After repurchased shares have been deducted.

Series A and B shares[1]

	Series A shares	Series B shares	Total A and B shares
No of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares during 2000-2003	–5,071,857	5,071,857	
Shares repurchased during 2000-2003	0	–6,035,392	–6,035,392
No of shares on Dec. 31, 2003	58,039,825	44,360,605	102,400,430
Conversion of Series A to Series B shares during 2004	–3,187,942	3,187,942	
Shares repurchased during 2004	0	0	0
No of shares on Dec. 31, 2004[2]	54,851,883	47,548,547	102,400,430
Number of voting rights	548,518,830	47,548,547	596,067,377
Percentage of voting rights	92	8	100
Percentage of share capital	53	47	100
Closing price Dec. 30, 2004, SEK	87.50	88.00	
Market capitalization, SEK M	4,800	4,184	8,984

1) Between January 1, 2005 and February 17, 2005, an additional 1,116,400 Series A shares were converted into Series B shares.
2) At February 18, 2005, 3,526,606 options had been exercised within the framework of the options programs in effect from 1999 to 2001. Also see Note 11, page 67.

Total return including dividend 2000–2004



On average, the total return (share performance plus dividend) on NCC B shares has outperformed the stock exchange in the past five years.

Changes in share capital are presented in Note 29 on page 75. Updated share and share-price information, ownership statistics and a list of analysts who cover NCC are available on NCC's website, www.ncc.info

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN NCC

GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Notice of meetings shall be made in the form of an announcement in the Official Gazette (Post- och Inrikes Tidningar), and in Dagens Nyheter or another national Swedish newspaper. Notice of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings 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 a General Meeting, each person is entitled to exercise unlimited voting rights on the full number of shares that he or she owns or represents. Shareholders may be accompanied by not more than two assistants, on condition that the shareholder has given the Company prior notice of this.

The 2004 Annual General Meeting was held on April 7 and was attended by 252 shareholders representing 50,268,110 Series A shares and 9,294,380 Series B shares, which in total represented 511,975,480 voting rights, corresponding to 90 percent of the total number of voting rights.

OWNERSHIP STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. A maximum of 70 million Series A shares and 114 million Series B shares may be issued. Each Series A share carries ten votes and each Series B share one vote. All of the shares carry identical rights to participation in the Company's assets and liabilities and identical entitlement to dividends. The distribution of shares and voting rights is shown on page 7.

On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the Company's Board, which makes continuous decisions on such matters. Following a conversion decision, the matter is reported to VPC for registration. Conversions become effective when they are registered.

COMPOSITION OF THE BOARD

The Board shall consist of not fewer than five and not more than ten members, with not more than eight deputies, elected by the Annual General Meeting. The employees are represented on the Board. The Board Members are elected for a period of one year. During 2004, there were seven elected Board Members, including the CEO. In addition, the employees had three representatives and two deputies. Three of the members were dependent on the principal owner Nordstjernan (Antonia Ax:son Johnson, Tomas Billing and Marcus Storch) and one of the members (Fredrik Lundberg) was dependent on the second largest shareholder L E Lundbergföretagen. CEO Alf Göransson is the only Board Member who is also a member of NCC's Group Executive Management. Information on individual Board Members is presented on pages 88–89.

NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee, which nominates candidates for Board membership, proposes the fees to be paid to Board members and nominates auditors. The Annual General Meeting held on April 7, 2004 elected the following persons to the Nomination Committee: Viveca Ax:son Johnson (Board Member representing Nordstjernan), Erik Åsbrink (Chairman of Alecta), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen) and Johan Björkman (Chairman of Nordstjernan), with Johan Björkman as Chairman. Tomas Billing, Chairman of the NCC Board, was a co-opted member of the Committee, but had no voting right. No remuneration was paid to members of the Nomination Committee, which held a total of two meetings in 2004.

BOARD DUTIES

NCC's Board held eight Board Meetings in 2004 at which minutes were recorded, which complied with the established schedule. The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with the NCC's decision-making procedures, have to be addressed by the Board. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made a number of worksite visits during the fiscal year.

Other senior executives within NCC participated in Board meetings in order to present matters. NCC's senior legal counsel was secretary of the Board.

CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters.

REPORTING

The CEO is responsible for ensuring that the Board receives continuous reports and information of such a quality that the Board is able to make well-founded assessments. Business and financial reports are presented at each scheduled Board meeting. Quarterly reports and the year-end report constitute the Company's fundamental financial reporting, which is supplemented by business unit information from NCC's internal reporting system. Scheduled Board Meetings also address matters of major significance in terms of principle or of major financial importance.

EVALUATION OF BOARD WORK

The Board's work is evaluated within the framework of the Nomination Committee's activities. In addition, the Board conducts an annual evaluation of its work and of the format for performing such work, which constitutes part of the evaluations conducted by the Nomination Committee.

BUSINESS CONTROL AND AUDITS

During 2004, the Board considered the matter of whether to form an Audit Committee. However, it decided not appoint such a committee but to manage audit-related matters within the confines of regular Board work. The Board and the auditors meet twice per year, including one occasion without the presence of Executive Management. In addition, the Chairman of the Board and the auditors meet on a number of occasions during the year on behalf of the Company. For the purpose of examining the Company's annual report, financial accounts and internal controls, and the administration of the CEO and the Board, not more than three Authorized Public Accountants, with not more than three deputies, are elected at the Annual General Meeting. The Nomination Committee evaluates audit work and nominates auditors to serve for periods of four years. At the Annual General Meeting on April 7, 2004, the matter of the election of auditors was addressed and Bo Ribers and Carl Lindgren were appointed regular auditors. Helene Willberg and Björn Flink were elected deputies. All of the auditors are Authorized Public Accountants from KPMG Bohlins AB.

BOARD REMUNERATION

The Nomination Committee proposes the fees to be paid to the Board of Directors. The Annual General Meeting on April 7, 2004 resolved that the director fees for Board work in 2004 would total SEK 1,700,000 to be distributed among the elected Board Members, with the exception of CEO Alf Göransson who does not receive any director fees. The Chairman received SEK 400,000, the Deputy Chairman SEK 300,000 and the four other Board Members SEK 250,000 each. Total director fees for 2004 were increased by SEK 250,000, compared with 2003, as an additional member was elected to the Board. Employee representatives do not receive director fees.

REMUNERATION TO THE CEO AND EXECUTIVE MANAGEMENT

During 2004, the Board considered the matter of whether to form a Remuneration Committee. However, it decided not to appoint such a committee but to manage such matters within the confines of regular Board work. Remuneration for the CEO is decided by the Board. Remuneration for other members of Group Management is established by the CEO and approved by the Chairman of the Board. Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation and other benefits such as pensions, etc.. Framework conditions for variable compensation are decided by the Board. The term "other senior executives" pertains to the executives who, together with the CEO, constitute Group Management. A specification of salaries and other remuneration paid to the CEO, senior executives and Board Members is presented in Note 11, Personnel Costs, on pages 66–67.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Board of Directors has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to "Reporting" above).

DEPUTY CHIEF EXECUTIVE OFFICERS

The NCC Group had two Deputy Chief Executive Officers in 2004: Olle Ehrlén, President of NCC Construction Sweden, and Mats Wäppling, President of NCC Property Development, who is also in charge of NCC Construction Germany and NCC International Projects. As of January 1, 2005, NCC International Projects is no longer a business area.

GROUP MANAGEMENT

In 2004, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Norway, NCC Construction Finland, NCC International Projects, NCC Property Development and NCC Roads, plus the Finance Director and the Senior Vice Presidents for Corporate Human

Resources, Corporate Communications and Corporate Legal Affairs. As of 2005, the Vice President Human Resources (this function no longer exists) and the head of NCC International Projects (this business area no longer exists) are no longer members of Group Executive Management. Further information on members of Group Management in 2005 is shown on pages 90–91.

Group Management mainly focuses on strategic matters and generally meets once per month.

INTERNAL CONTROL AND GOVERNANCE

NCC's operations require a considerable amount of delegated responsibility. Procedures have been formulated within the Group in order to clarify exactly who is to do what in each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated explicitly include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements.

The number of projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer.

Major projects are monitored on a monthly basis by the CEO and the Finance Director. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be authorized by NCC AB's Board. Proprietary housing and property-development projects representing an investment exceeding SEK 10 M must be approved by the CEO and such projects exceeding SEK 100 M must be authorized by NCC AB's Board.

GOVERNANCE OF BUSINESS AREAS

The Group comprises business areas that constitute separate subsidiaries managed by presidents. Each business area has a Board of Directors. For certain decisions, the approval of the CEO or NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function. Many types of decisions are preceded by consultation.

Country managers (the heads of NCC Construction's operations in a particular country) are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include safeguarding the Group's brands and image, utilizing synergistic potential, maintaining uniform salary systems, accounting and IT, and coordinating salary-setting and personnel policies.

CODE OF CONDUCT

A comprehensive program to formulate and implement the values that are to hallmark NCC's operations has been under way in recent years. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. They are summarized in "NCC's Guidelines on Business Ethics – Our Code of Conduct" – a document that was adopted by Group Management in 2003 and applies to all employees.

To facilitate work in this area, a number of concrete, elucidating examples of what the guidelines mean in everyday situations have been formulated to serve as discussion material. Within NCC's large and decentralized organization, implementing these discussions in a manner that encompasses all employees is an extensive and time-consuming process. Clarifications and supplementary information is found in the Group's policies for specific areas, such as Purchasing, Information, Accounting and Human Resources.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about and urged to observe NCC's Code of Conduct. Managers within NCC must always set a good example and act in accordance with NCC's values. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

Repeated and serious violation of the Code of Conduct by NCC employees results in legal action in labor courts. If any of NCC's subcontractors or suppliers repeatedly and seriously violate NCC's Code of Conduct, cooperation is discontinued.

The Compliance Program, a comprehensive training program in business ethics and competition law, was introduced in 2002. The program is now an integrated part of NCC's ordinary training of newly appointed managers and has been received by approximately 1,700 managers within the Group since 2002. The program is a specified part of the employment relationship.

Further information on corporate governance within NCC is presented on the Group's website – www.ncc.info – where other pertinent documents, such as the Articles of Association, the Code of Conduct and various policies, are also available.

FINANCIAL OBJECTIVES

The aim of the NCC Group's strategy is to generate a healthy return for shareholders under financial stability. This is reflected in the financial objectives of a return on equity of 15 percent after taxes, a positive cash flow before financing and net indebtedness that is less than shareholders' equity. Net indebtedness is defined as interest-bearing liabilities less liquid assets and interest-bearing receivables. The return objective is to be achieved over a fiscal year, as is the goal that cash flow be positive. Net indebtedness should not exceed shareholders' equity in any quarterly closing accounts.

These financial objectives have been adopted against the background of NCC's current operational risks, resulting from the mix of operations that currently exist in the Group. Proprietary housing and property-development projects and the machinery-intensive NCC Roads account for most of the Group's capital requirements. The contracting operations have virtually no capital requirements but have considerable seasonal changes in working capital.

NCC has gradually become a more streamlined building contractor, without major elements of property management. At the same time, the Group's risk exposure has been reduced during recent years. During 2004, such assets as A-Train, Kista Science Tower and concrete operations in the Nordic region were divested. The settlement of the Södra Länken dispute and a tax dispute in Germany, as well as the phase-out of international project operations, has also reduced the risk level of the Group as a whole.

When monitoring the results of business operations, which is conducted internally within NCC, the operating margin, return on capital employed and cash flow are the key figures of primary importance. There are also operationally related goals of a significant nature related to the work environment, customer satisfaction, product quality and environmental impact.

DIVIDEND POLICY

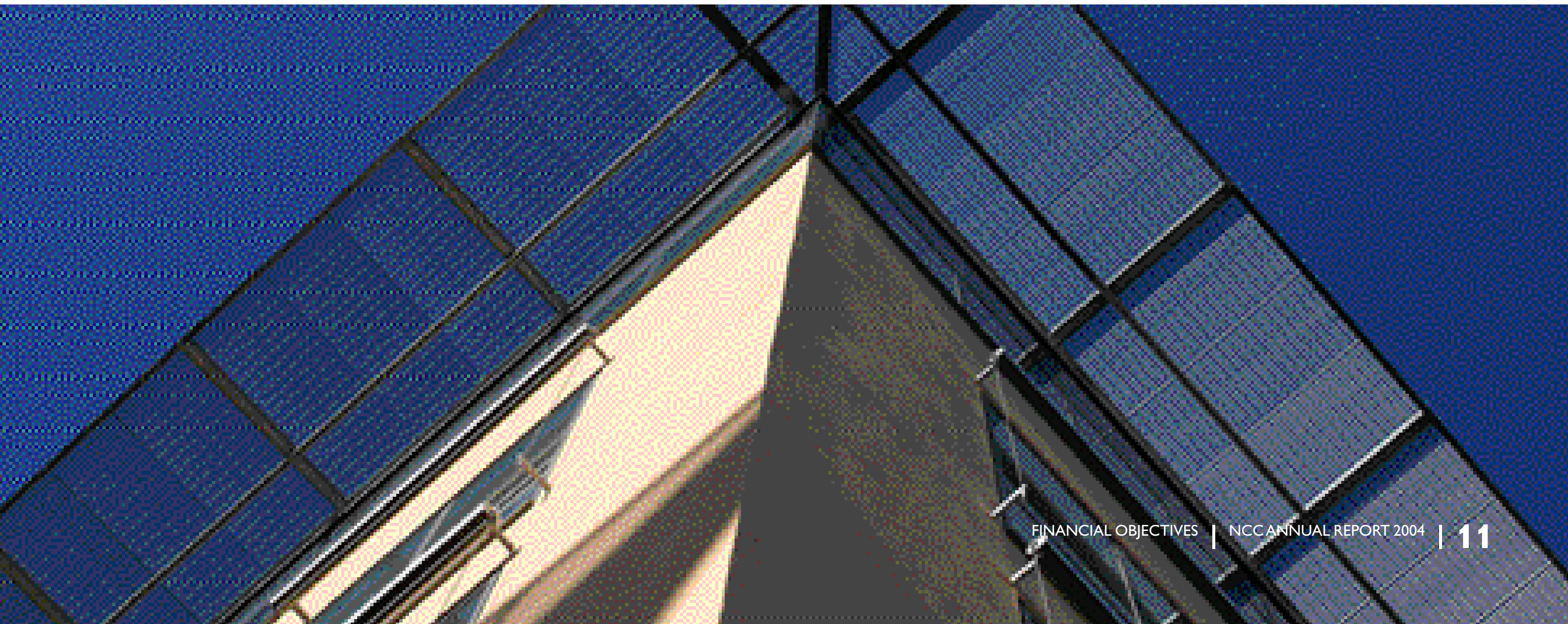
As of 2005, NCC's dividend policy is that at least half of profit after taxes be distributed to shareholders.

Financial objectives and dividend

	Target	Result 2000	2001	2002	2003	2004	5-year average
Return on shareholders' equity after tax, %	15[1]	15	neg	11	neg	14	6
Debt/equity ratio[2]	<1	0.8	1.4	0.8	0.8	0.1	0.8
Cash flow, SEK M	Positive	–2,356	–746	5,055	762	4,495	1,442
Dividend, SEK	Policy: As of 2005, at least 50% of profit after tax	4.50	2.25	2.75	2.75	4.50	3.35

1) The target was 12 percent until the end of 2001.
2) New objective as of 2005: Net indebtedness/Shareholders' equity.

Frösunda Front, Solna. A successful real estate project that was fully leased shortly after completion, with major tenants including Eniro and Eli Lilly.



STRATEGIC ORIENTATION

INDUSTRIALIZED, SUSTAINABLE AND EFFICIENT CONSTRUCTION

NCC's strategic orientation is to concentrate on its core business, focus on the Nordic market, assign priority to profitability ahead of volume and to change the working methods used in the construction industry. Construction costs must be reduced, the construction process must be made more efficient and new forms of cooperation must be established. NCC's objective is to focus on industrial and efficient construction in the future, based on low operating and maintenance costs.

VISION

NCC's vision is that the customer should be able to expect a bit more from NCC when it comes to developing future environments for work, living and communications. NCC will operate as a young, exciting company that is distinguished by its customer focus, straightforward solutions and responsible action.

STRATEGY

Concentration on core business

NCC is continuing to focus on the Group's core business. During 2004, the remaining concrete operations in Sweden and Denmark were divested, as were a number of additional operations in NCC Roads that were not part of the core business. Most of the remaining holding of managed properties was sold, as was the majority of the properties outside the Nordic region. A concentration of major civil engineering projects to the Baltic Sea area was initiated during the year, which entailed that no new tenders will be submitted in markets in Africa, Asia and Central America.

Changed work methods in the industry

NCC aims to change the construction industry, and a key objective is to reduce construction costs. The keys to success

With Det ljuva livet® (The Good Life) concept, NCC has proved that it is possible to reduce the cost of constructing rental properties without sacrificing quality or comfort. The ready-built building sections, which are produced in a plant in Hässleholm, are assembled on site. As a result of the short construction period, disturbance of the surroundings is minimized, while tenants gain rapid excess to their new homes. The method also leads to excellent control over production, reduced costs and a number of other benefits, such as a good work environment, airtight structures with improved insulating capacity, no built-in dampness, better quality assurance and reduced energy consumption.

The photo is from Södra Råtorp, Karlstad.

The strategy of coordinating international purchases in order to reduce costs is beginning to take shape and yield concrete results, as exemplified by this granite stairwell at Lysaker Brygge, Oslo.

will be new forms of cooperation with customers and suppliers, a new approach to construction, whereby the entire life-cycle cost is addressed during the project-development phase, a more efficient construction process and changed purchasing patterns. The basic prerequisite for driving the necessary changes in the industry is the existence of shared and stable values within the NCC Group with respect to such matters as business ethics, management, employees and environmental issues.

New forms of cooperation – NCC Partnering

The traditional way of working in the construction industry is to submit tenders, after which the assignment is performed in accordance with the specifications on which the bid was based. Nonconformities that arise during the course of a project result in additional charges, which could lead to disputes between the client and the builder, among other parties. NCC's aim is to increase cooperation with all the parties involved in a project. NCC's cooperation format for achieving a better, more cost-effective construction process is called NCC Partnering, which entails that all the parties involved in a project apply an "open books" approach to the reporting of all the costs involved and have joint financial incentives for reducing construction costs. Compared with traditional working formats, NCC Partnering reduces the risks associated with projects, in part by reducing disputes. Interest in NCC Partnering is increasing steadily and sales based on the concept totaled approximately SEK 3 billion in 2004, compared with SEK 1.5 billion in 2002.

Industrialized construction

Construction can be made more efficient by increasing the use of prefabricated and ready-to-assemble units, whereby an increasing proportion of the work is performed in a factory environment. A large proportion of the production of single-family houses in the Nordic region is already industrialized and in Germany, NCC markets a "ready-built" concept that offers considerable freedom of choice based on a standardized platform. NCC aims to serially produce multifamily dwellings on a larger scale, in order to reduce construction costs. Demand in the lower price segment is healthy, particularly in Sweden. NCC has already invested in this strategically important area and plans to make further investments during 2005.

Sustainable construction

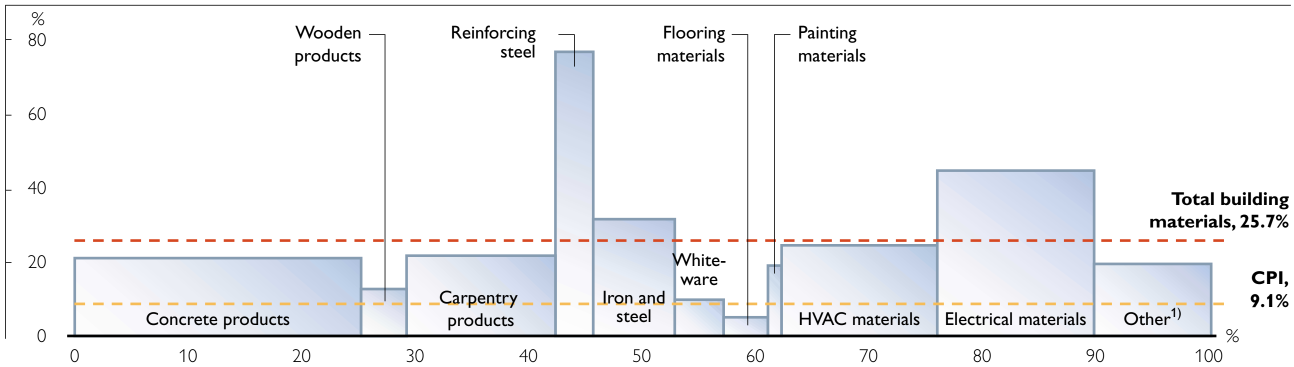
The construction industry's traditional approach to construction costs is to concentrate the calculations on the actual construction process. NCC's aim is to look increasingly at a project's total cost throughout its entire lifecycle. In this type of calculation, such factors as sustainability, operation and maintenance will be included in the total cost of the project. A lifecycle approach also encourages energy-efficient construction using durable materials that reduce maintenance. In Finland, NCC has for several years been applying the NCC EkoConcept, a model for calculating life-cycle costs. NCC is also engaged in various projects and is developing environmental targets for contributing to sustainable construction in other areas; also see page 20–21.

More efficient construction through changed purchasing approach

For several years, construction costs have risen more than inflation, in part because construction is not a rationalized process and involves numerous parties. NCC is working strategically to change the construction process and make it more efficient. Other processes can also be modified by introducing changed forms of cooperation and a higher degree of industrialization. Purchasing is the key process in financial

Trend for various building products in Sweden, December 1998–December 2004

Factor price index for multi-family buildings, excl. VAT



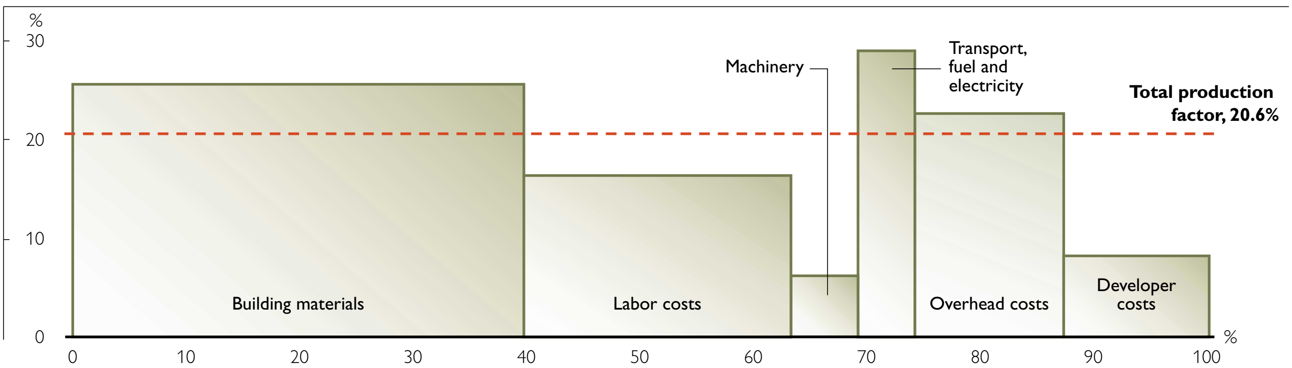
1) Including materials for heat insulation, refuse equipment, plaster and wood-based board, corrugated board, etc.

The price of building products in Sweden rose by an average of 25.7 percent between December 1998 and December 2004. The greatest price increase occurred for reinforcing steel, which rose by nearly 80 percent. The Consumer Price Index (CPI) during the same period rose by 9.1 percent.

(Source: Statistics Sweden.)

Trend for various production factors in Sweden, December 1998–December 2004

Factor price index for multi-family buildings, excl. VAT



Building materials account for 40 percent of the production cost of a multi-family building in Sweden. The price of building materials has risen by approximately 25 percent since December 1998.

(Source: Statistics Sweden.)

terms. An intensive program is under way within the NCC Group to coordinate purchasing and make it more efficient. The NCC Group's purchases total approximately SEK 30 billion per year. During 2004, approximately 4 percent of these purchases were coordinated at the Nordic level.

The main aim of NCC's purchasing strategy is to concentrate volumes, achieve the best possible price and find new suppliers in new markets. The strategy is exemplified by the Group-wide purchasing agreements that NCC has concluded with suppliers of, for example, elevators, whiteware, insulation, work clothes and telecommunication and datacommunication products. NCC is also purchasing increasing amounts from new purchasing markets; for example, large amounts of steel and concrete elements are purchased from Poland. The price bank that has been developed within NCC and facilitates efforts to attain optimal prices is a key tool in purchasing efforts.

Values

NCC aims to be the company that pioneers the development, change and industrialization of the construction process. Driving the process requires clear leadership, with each individual's attitudes and actions contributing to change. A prerequisite for this is an organization and employees characterized by stable and shared values. Since 2001, NCC has been working systematically on values, a process that is continuously under way. The Code of Conduct, which was adopted in 2003, summarizes the Group's position on issues such as business ethics, human rights, the work environment and environmental responsibility, and how these issues are to be monitored.

NCC PARTNERING YIELDS MORE SATISFIED CUSTOMERS AND REDUCES RISKS

NCC Partnering is a cooperation format that has been developed with the aim of improving the construction process and making it more cost-effective. Partnering results in more satisfied customers, lower construction costs and improved margins. A Danish customer survey, which compared NCC's traditional construction projects with Partnering projects between 2000 and 2004, provides clear-cut answers regarding the effects:

Customers highlight the following benefits result from Partnering:

– Fewer disputes. Not a single dispute during the four years and 37 Partnering projects examined.
– Improved quality.
– Better delivery precision.
– Financial parameters that are adhered to.

The main benefits attained by NCC were an improved margin (1–1.5 percentage points higher from Partnering projects), reduced risk of disputes and more satisfied employees.

NCC is increasing its focus on Partnering as a working format. Partnering projects generated sales of approximately SEK 3 billion in SEK 2004, double the level noted in 2002.

One of the largest Partnering projects to date within NCC, and the breakthrough in Sweden, was launched in November 2004 and heralded a collaborative venture with LKAB. The project consists of the expansion of an enrichment plant and the construction of a pelletizing plant and a larger, more modern loading/unloading station, with a railway track and storage space. The total cost is estimated at SEK 555 M.

The project is located at the Vitåfors Mine in Malmberget, just outside Gällivare, and constitutes the construction portion of an investment program worth a total of SEK 2.6 billion that LKAB is making in a new pelletizing plant. The plant will increase LKAB's production capacity by 2 million metric tons and its total sales by SEK 800 M per year.

RISKS AND RISK MANAGEMENT

SIGNIFICANTLY REDUCED RISK PROFILE

OPERATIONAL RISKS

For a building contractor, the principal risk-limitation phase is during the contract-tendering process. NCC's overall strategy is to adopt a selective approach to tendering in order to reduce the proportion of unprofitable projects. When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, manageable and calculable.

Most risks, such as contract risks and technological and production-related risks, are best managed and minimized in cooperation with the customer and other players during early stages of the project. Accordingly, new cooperation formats, such as NCC Partnering, are key features of efforts to limit risk.

Project control is of decisive importance to minimizing problems and thus costs. In order to control and follow-up operations within Construction units, NCC uses a process-controlled operational management system. Several Group units are quality and environmentally certified.

DEVELOPMENT RISKS

Proprietary project development in both residential and commercial properties includes a development risk, as well as contracting risks. Every project concept must be adapted to local market preferences and the planning requirements imposed by public authorities. State-of-the-art skills are required to optimize projects that have to be processed by, for example, local municipalities and possibly have to pass an appeals process.

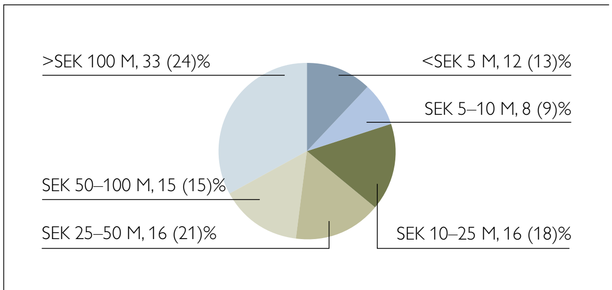
To reduce these risks, NCC has successively limited the markets in which the Group operates. Proprietary residential and property projects are conducted primarily in large growth communities in the Nordic countries. NCC has also made a concerted effort to refrain from excessively niche-oriented projects for narrow target groups, since earnings in this sector have historically not corresponded with their higher inherent risks. Risk limitation is achieved through high leasing rates when a construction project is started, and tied-up capital is reduced through early sales.

The key action taken in 2004 was NCC's decision to discontinue all operations in Asia, Africa and Central America. The background is that international construction operations tie up substantial amounts of capital and are associated with major risks. As a result of this action, which NCC expects to complete no later than 2006, the Group reduces its risk exposure in areas where its local market knowledge is limited.

A fundamental element in NCC's strategy is to work in markets known to the Group, and with products and services for which the Company has advanced skills.

Project categories within orders received in 2004

NCC's Construction units



The increase in projects with a value exceeding SEK 100 M is most evident within Swedish operations. Among other orders, NCC secured two subprojects for construction of the City Tunnel in Malmö and a Partnering contract for a pelletizing plant for LKAB.

Major projects in progress[1]

Project	NCC's share of order value	Completion rate at Dec. 31, 2004	Estimated year of completion
Circle Line C822, Singapore	1,492	54%	2006
City Tunnel Station E101 Malmö, Sweden	1,123	0%	2009
Snøhvit/Tractebel, Norway	797	83%	2005
Lysaker Brygge, Phases I–III, Norway	683	84%	2005
Alberga, Finland	639	64%	2005
Circle Line C825, Singapore	565	61%	2006
MK3 Vitåfors, Sweden	555	3%	2006
Trollhättan Tunnel, Sweden	456	78%	2005
E4 Highway, Markaryd, Sweden	397	70%	2006
Rya cogeneration plant, Sweden	372	21%	2006
Chalinze-Melela, Tanzania	345	91%	2005
Hospital Linköping, Sweden	339	7%	2006
Frøsilo, Denmark	307	81%	2005

1) Construction projects on behalf of external customers with a value exceeding SEK 300 M.

SEASONAL RISKS

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

RISK FOR ERRORS IN PROFIT RECOGNITION

NCC and other companies in the sector apply the percentage-of-completion method for recognizing profit from contracting operations, whereby profit is recognized in parallel with completion, which means before the final result is established. The risk that actual profit will deviate from percentage-of-completion profit recognition is minimized through NCC's project-management model, which ensures the necessary follow-up and control of all construction projects on which profit recognition is based. Accordingly, if the final result of a project is expected to be negative, the entire loss from the project is immediately charged against earnings, regardless of the project's degree of completion.

Profit recognition from NCC's proprietary housing projects is based on the lower of the worked-up rate and sales rate. This eliminates the risk of recognizing profit from proprietary projects before a sale has been completed.

With the introduction of new IFRS regulations, profit recognition from proprietary housing projects will be computed in accordance with the model of multiplying the worked-up rate with the completion rate, which will result in more cautious profit recognition.

FINANCIAL RISK

The assumption of financial risk should be viewed against the background of the capital requirements of NCC's various operations. Contract operations generally do not require any tied-up capital and should be financed by means of a positive cash flow from the projects concerned.

Proprietary housing and property development operations tie up capital throughout the entire duration of the project, from land investments and subsequent development through the final sale of the project.

NCC Roads has capital employed in fixed assets (quarries, crushing plants, asphalt plants, paving machinery, etc.).

Based on the present range of operations, the NCC Group's net indebtedness should not exceed shareholders' equity. Also refer to "Financial objectives" on page 11.

The Group's financial risks, such as interest-rate, currency, credit, liquidity and financing risks, are managed centrally in order to minimize and control risk exposure.

MARKET AND COMPETITORS

UPWARD FOR HOUSING IN 2004 – CAUTIOUSLY POSITIVE ENTERING 2005

The Nordic construction market in 2004 was at the same level as in 2003. The market for new construction of commercial property projects remained sluggish, while housing investments increased sharply. Some growth is expected in 2005.

As a rule, the construction market follows the general economic trend, measured in terms of GDP, but with a time lag of at least one year. This is partly due to construction projects often being procured during one economic cycle and produced during the next. Larger projects also extend over a longer period of time. Infrastructure projects can function as economic balances and are affected by political positions and national budget considerations.

MARKET TREND

Total construction investments in the Nordic region during 2004 were largely unchanged compared with 2003. NCC anticipates growth in 2005, mainly attributable to a gradually stronger housing and civil engineering market, which is expected to offset the weak office market in the Nordic region.

Demand for housing was high during 2004 in all Nordic countries, due in part to low interest rates. Housing sales increased in all markets. NCC started production of 3,158 (2,751) housing units and sold 3,595 (3,371). During recent years, NCC's position as a residential construction company has been strengthened in all Nordic markets. NCC also builds private homes on a limited scale in selected areas of Germany, particularly in the Berlin-Brandenburg area.

The civil engineering market in the Nordic region showed signs of growth in 2004 and, according to NCC, is expected to continue to grow in the next few years. Several large infrastructure projects are planned, including the start-up of the City Tunnel construction project in Malmö during 2005.

Demand for office and public buildings remained weak during 2004 and no turnaround is anticipated in 2005. The market climate for the initiation of commercial property projects has been weak during recent years, and vacancy rates in the Nordic countries remained high at year-end 2004. Investor interest in properties with high leasing rates remained strong during 2004.

In Poland, where NCC's operations consist mainly of asphalt, aggregates and paving, the market is outperforming the Nordic countries in terms of growth. Market growth in 2005, according to NCC's assessment, will be 10 percent. Increased demand for civil engineering projects has been noted in the St. Petersburg area, which is also a growing market for NCC Roads.

COMPETITORS

The Nordic construction market is national and highly fragmented. NCC is the second largest player, and the Group's share of total construction investments is about 6 percent. In local markets, NCC competes with many smaller contractors. Larger civil engineering projects in the Nordic region are often procured in international competition with Europe's largest construction companies. Major infrastructure projects are often managed by consortiums.

Real estate markets in the Nordic region, 2004

	Vacancy rate, %		Rent, m² per year[2]		Yield, %[2]	
Copenhagen	9	→	1,675 (DKK)	→	6.25	→
Helsinki	10	→	300 (EUR)	→	6.50–7.00	→
Oslo	9	↘	1,700 (NOK)	↗	6.00	→
Stockholm	18[1]	→	3,600 (SEK)	→	5.85	↘

[1] Pertains to Greater Stockholm.
[2] Pertains to City Business Districts.
(Source: NCC.)

Construction markets in the Nordic region, 2005

Market trend/growth forecast, %	Sweden	Denmark	Norway	Finland
Housing	↗	↗	→	→
Buildings	↘	↗	→	→
Civil engineering	↗	→	→	N/A[1]
Total	↗	↗	→	→

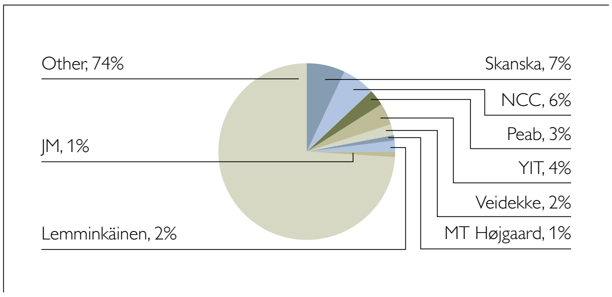
[1] NCC is not active in this market.
(Source: NCC.)

NCC's assessment is that the general construction market in the Nordic region will grow in 2005.

In the Nordic region, NCC's foremost competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke of Norway and YIT and Lemminkäinen of Finland. In Sweden, JM is a major competitor for residential housing projects. In the Nordic market for civil engineering projects, road construction and asphalt and paving, state-owned and municipal production units are major competitors.

NCC conducts proprietary property development in parallel with its traditional construction contracts. NCC Property Development operates in the Nordic region's largest metropolitan areas, namely Stockholm, Gothenburg and Malmö in Sweden, Copenhagen and Aarhus in Denmark, Oslo in Norway and Helsinki and Tampere in Finland. There are many competing companies in the property development sector, ranging from private property owners to traditional real estate companies and other large construction companies. In certain markets, particularly in Denmark, there are also pure property development companies, for example Sjælsø Gruppen.

Market shares



Sales in the Nordic region totaled approximately SEK 690 billion in 2004, distributed approximately equally among Sweden, Norway, Finland and Denmark. The markets are highly fragmented and although NCC is the second-largest construction company in the Nordic region, the Group's combined market share is only 6 percent. (Source: Euroconstruct.)

NCC's development rights, construction-initiated and sold proprietary housing units within NCC, December 31

	Sweden		Denmark		Finland		Norway		Germany		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Number of development rights	10,200	11,700	493	443	6,834	6,640	1,633	1,684	1,242	1,012	20,402	21,479
Number of construction-initiated housing units	1,155	815	345	209	1,229	1,201	68	264	361	262	3,158	2,751
Number of sold housing units	1,450	1,056	629	453	1,057	1,157	133	218	326	360	3,595	3,371
Number of sold housing units under production[1]	1,993		317		1,412		141		269		4,132	
Number of sold housing units that have been completed for more than six months	110	115	8	18	6	11	18	33	101	92	243	269

[1] Statistics for 2003 are not available.

Competitors in the Nordic region, 2004

Key ratios and products	NCC	Skanska[1]	Peab	MT Højgaard[2]	Veidekke	YIT	Lemminkäinen	JM	Colas	CRH[3]	Heidelberg Cement[3]
Sales (SEK billion)	45	121	22	9	14	28	14	8	75	20	7
Number of employees (thousands)	22	54	11	5	7	22	7	2	56	10	5
Housing	●	●	●	●	●	●	●	●			
Building	●	●	●	●	●	●	●	●			
Civil engineering	●	●	●	●	●	●	●				
Asphalt, aggregates, concrete	●	●	●		●		●		●	●	●
Property development	●	●		●	●	●		●			
Machinery rental		●	●	●							

[1] It is estimated that Nordic operations account for approximately SEK 45 billion of Skanska's sales.
[2] Pertains to the period October 2003 to September 2004.
[3] NCC's estimate of the particular market.

The Nordic market is highly fragmented and is characterized by the existence of thousands of small companies. Accordingly, NCC competes with many small building firms in local markets.

THE ENVIRONMENT AND SOCIETY

RESPONSIBLE ENTERPRISE FOR SUSTAINABLE DEVELOPMENT

Building the environments of the future is a major responsibility. NCC promotes a sustainable society through long-term development of its operations, products and services.

COORDINATION CREATES LONG-TERM VALUES

To achieve this goal, NCC creates strong, long-term relations with all stakeholders, based on knowledge of and mutual respect for each other's requirements. This applies primarily to customers, employees and owners – but also partners, subcontractors, suppliers, users, public authorities and other stakeholders in the community.

NCC Partnering, combined with NCC's EkoConcept, creates greater potential for a lifecycle philosophy in building and construction planning. When future operating and maintenance costs are clear-cut and measurable, it is possible to assign increased priority to resource-efficient solutions – generating value for customers, users and society at large.

During 2004, NCC continued its dialog with legislators and public authorities concerning its code of conduct, construction costs and new forms of procurement. One of the goals is to increase opportunities to use NCC Partnering and provide greater consideration for a construction project's total lifecycle costs during public procurement procedures.

ENVIRONMENTAL POLICY SHOWS THE WAY

NCC is assuming increased and broader responsibility for its role in society for many reasons. This is a natural point of departure for a construction company that actively supports and generates long-term values, and it is a foundation for profitable and long-term business operations. NCC's four overall environmental objectives are to:

- create healthy living environments
- continuously reduce the impact on the climate
- reduce the use of harmful materials
- increase the recovery and recycling of materials.

CONSIDERABLE POTENTIAL FOR ENVIRONMENTAL IMPROVEMENTS

NCC continues to develop skills and various support systems and procedures that enable the Group to offer customers optimal solutions. Environmental responsibility is part of management responsibility at all levels of NCC.

Energy consumption in buildings is one of the most important areas in which NCC can contribute to major environmental improvements. NCC Construction Sweden, for example, requires ever-earlier coordination with its strategic installation contractors as part of efforts to achieve optimal energy solutions. This work is important since EU statistics show that energy consumption in buildings exceeds consumption in the entire transport sector. About 80 percent of energy consumed by a residential building is attributable to the operational stage, while the production stage accounts for only a small percentage. These questions will gain greater urgency beginning in 2006, when the EU plans to introduce energy directives that include demands for the energy declaration of buildings.

THE HOUSE THAT IS FUELED BY SUN, WIND AND WATER

NCC has created NCC Concept House, a self-sufficient building that proves that it is fully possible today to design an office/conference building that does not require any supplies of electricity or fossil fuel. Extensive interaction on matters related to energy efficiency has yielded extremely good results. The project increases NCC's expertise, at the same time as NCC contributes to an important exchange of knowledge in society. See, listen and read more about NCC Concept House on www.ncc.info

For users and owners, the long-term value of buildings or other construction projects depends on future operating and maintenance costs. NCC Construction Finland has decided to offer lifecycle calculations, budgeted maintenance costs and reporting/guidance related to energy consumption in all residential and office projects. Increased focus on a lifecycle philosophy adds greater value both for NCC's customers and the environment.

NCC Property Development prepares a unique environmental profile for every project. This contains the project's specific environmental goals, which are monitored and documented throughout the entire project. NCC Property Development decided in 2004 to enter the European Green Light Program, whereby the lighting systems in all projects must provide favorable working conditions, low energy consumption and low lifecycle costs.

CHEMICAL DATABASE IDENTIFIES RISKS

NCC Construction Denmark has participated in the development of the Danish Chemical Database, an Internet tool that enables users to create workplace instructions based on various safety data. The system provides a rapid review of products that contain harmful materials. NCC can easily specify which products are used in every project and add local information to the system.

MORE RECYCLING AND LESS WASTE

NCC's goal is to improve resource management by increasing materials recovery and recycling and reducing waste. All waste is normally sorted at every construction site. Environmentally hazardous waste is always sorted separately.

Materials recycling is a key area for NCC Roads. Particular interest is focused on asphalt recycling and energy consumption in asphalt production. During the past five years, the amount of recycled asphalt has doubled, resulting in lower costs and reduced demand for new bitumen.

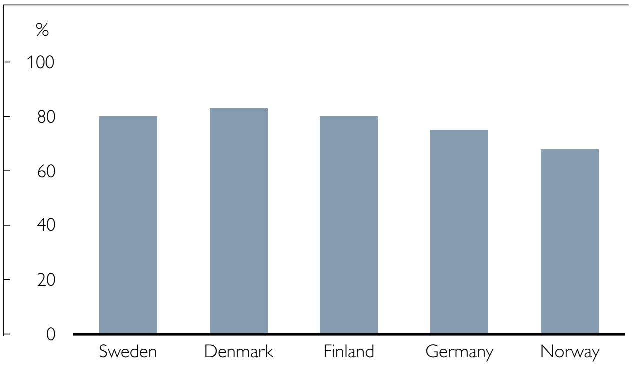
RESEARCH AND DEVELOPMENT

NCC Construction Sweden manages and actively participates in several research and development projects related to energy and the environment. Examples include energy efficiency (EBOB and IDEEB), solar energy (Sol-El and PV-NORD) and harmful materials (BASTA). Participation in these types of projects provides knowledge about leading technologies and opportunities to offer customers better solutions, particularly from a lifecycle perspective.

ADDITIONAL INFORMATION

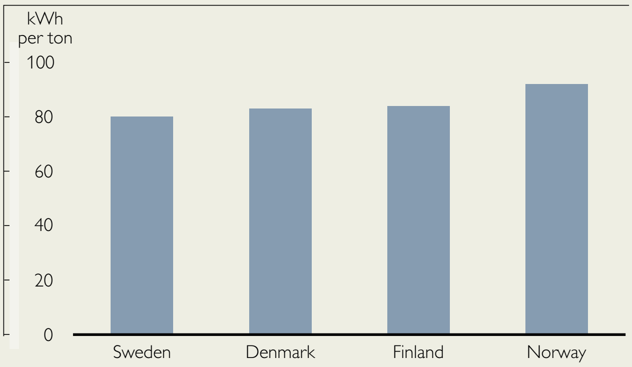
More detailed information about NCC's environmental work and ongoing research and development projects is available at www.ncc.info. Information about the energy consumption in NCC's own housing projects is also presented on the website.

Construction waste used for recycling, 2004



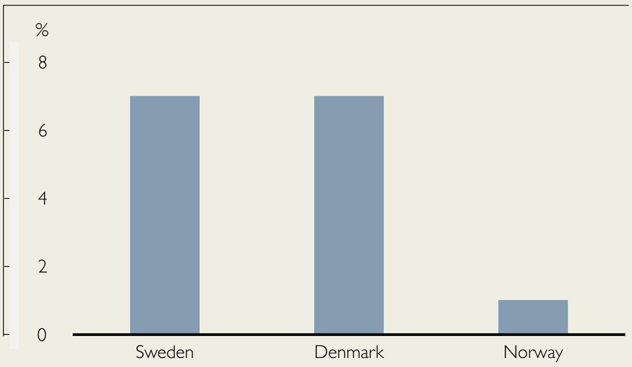
The recycling rate for most operations is 80 percent or more. The reason why Norwegian operations are lagging slightly behind is that the focus was not switched to recycling activities until recent years.

Energy consumption when producing asphalt, 2004



Energy consumption required for the production of one ton of asphalt ranges from 80 to 92 kWh. Variations are due largely to weather conditions.

Recycling of asphalt, 2004



The recycling of removed asphalt has increased steadily in recent years, which reduces the use of resources. The reason for the low level in Norway is the country's limited access to recovered materials.

NCC's STAKEHOLDERS

NCC faces expectations and demands from many different stakeholders. How NCC lives up to these expectations is a decisive factor for the Group's success in its business operations. The matrix below summarizes NCC's aims and objectives, the success factors for achieving these goals, and examples of measures designed for each stakeholder category.

	AIMS AND OBJECTIVES	SUCCESS FACTORS	MEASURES IMPLEMENTED	MEASURES PENDING
CUSTOMERS	Strong, long-standing customer relations. Customer value in all activities. High level of competency. Contribute to sustainable social development. Satisfied customers..	Personal relations. Technical competency. NCC Partnering. Innovation. Training. NCC EkoConcept.	NCC Partnering introduced Group-wide. Training programs in project management Dialog about values. Formulation of Code of Conduct.	Increased scope for NCC Partnering. Broadened lifecycle approach. More in-depth customer surveys.
USERS	Create healthy built environments. No harmful substances. Reduction in climate-changing impact during useful life of buildings. Satisfied users.	Technical expertise. Well-conceived design. Innovation. Energy efficiency. Continuous dialog.	Future-oriented studies of new values. Formulating concepts for computing lifecycle costs (NCC EkoConcept).	Offer environmentally labeled buildings. Offer NCC EkoConcept to customers throughout the Nordic region.
SHAREHOLDERS	Increased value growth. 15% return on shareholders' equity. Positive cash flow. Financial stability. At least half of after-tax profit distributed to shareholders.	Focus on core business. Simple organizational structure and decision-making channels. Customer value in all activities. Purchasing. Industrial construction.	Reorganization. Focus on Nordic region. Intensified product and customer focus. Product concepts. Financially stronger company with reduced risk exposure.	Profitable growth. Improved competitiveness and increased profitability.
EMPLOYEES	Open internal dialog. Low level of sickness absence and zero work-related accidents. Motivation, commitment and innovation. Satisfied employees.	Clear, value-guided and supportive leadership. Influence over own work. Recruit and retain the best employees. Simple and clear-cut internal communication. Safe work environment.	Simpler and clearer organization and responsibilities. Management training. Human Capital Index. Career-development talks. "SeeMee", recruitment system for internal and external recruitment. Formulation of Code of Conduct.	Increased pride in working for NCC. Increased diversity. Company adapted career-development talks.
SUPPLIERS	Strong, long-standing relations with a limited number of suppliers. Reduced costs.	Personal relations. Efficient purchasing process. Technical competence. Knowledgeable product-range teams. Innovation.	E-trading system. Coordinated purchasing across national boundaries. Training in cooperation with suppliers. Increased share of international purchases.	Continued implementation of shared fundamental values and Code of Conduct. Increased scope for NCC Partnering. Intensified cooperation with strategic suppliers.
AUTHORITIES	Provide best possible documentation prior to political decisions.	Understanding for the role of the authorities. Continuous dialog.	Dialog with municipal administrations, government authorities and departments and other decision-makers. Discussions regarding new forms of procurement and construction costs. Establishment of FIA in Sweden, for modernizing the civil engineering industry.	Continued dialog. Reduced construction costs. Broaden scope for NCC Partnering.
INDIRECT STAKEHOLDERS	Be perceived as open and credible. Increased awareness and knowledge of NCC. Improved image.	Participation in public debates. Dialog with nearby residents. Dialog with media.	Involvement in member organizations and industry organizations. Brand campaign.	Long-term, systematic brand-building. Intensified dialog with different interest groups.

EMPLOYEES

GOOD LEADERSHIP AND COMMITTED EMPLOYEES BOOST PROFITABILITY

NCC has made determined efforts during recent years to clarify the Group's leadership concept. The basic elements have included the changed requirements that have been arisen as the Group increases its concentration on project development, Partnering cooperation and more industrialized building operations. It has now also been proved that good leadership and committed employees boost profitability.

All NCC employees participate in an annual Group-wide survey (Human Capital Index, HCI). The survey measures leadership performance, employee opinions of their workplace and their understanding and acceptance of the values that form the foundation of NCC's corporate culture.

The HCI index for leadership standards in 2004 was also compared with profitability. The comparisons were made in NCC Construction Sweden units that operate as profit centers under a business area president. The performance of 80 managers was surveyed in this manner.

The results showed clearly a positive correlation between good leadership and increased profitability.

LEADERSHIP DEVELOPMENT

Strong leadership and good profitability are achieved via leadership style and management by objectives. Leadership style relates to interaction between managers and employees, while management by objectives is a matter of establishing goals and monitoring their achievement. These factors are also measured in the HCI survey. Measurements in 2004 showed significant improvements throughout the entire Group, as shown in the following tables.

Increasingly effective management by objectives

NCC employees who think that … (%)	… we have clear goals					… we monitor their achievement				
	2002		2003		2004	2002		2003		2004
NCC Construction Sweden	56	↗	58	↗	59	39	↗	41	↗	43
NCC Construction Finland	73	↗	75	↗	78	73	↗	76	↗	80
NCC Construction Norway	82	↘	80	↗	84	75	↘	72	↗	78
NCC Construction Denmark	65	↗	68	↗	70	61	↗	63	↗	64
NCC Roads	52	↗	54	↗	58	39	↗	46	↗	47
NCC Property Development	81	↘	63	↗	78	80	↘	67	↗	78

Trend toward increasingly better leadership style

Percentage that believed that …	… my manager is open and honest					… I have great confidence in my manager				
	2002		2003		2004	2002		2003		2004
NCC Construction Sweden	68	→	68	↗	70	63	→	63	↗	66
NCC Construction Finland	69	↗	73	↗	75	73	↗	75	↗	78
NCC Construction Norway	82	↘	80	↗	81	79	↘	78	↗	81
NCC Construction Denmark	72	↗	73	→	73	78	↗	80	→	80
NCC Roads	64	↘	62	↗	63	60	↗	61	↗	63
NCC Property Development	89	↘	73	↗	78	80	→	80	→	80

Relatively large differences remain between different countries and business areas, which offers potential for continued improvement through learning and benchmarking.

NCC's values are the foundation for leadership development. Several activities were conducted in 2004 to further strengthen these values and create more visible leadership. As shown in the table below, improvements were achieved in all areas.

How the values are reflected in reality
(results of HCI surveys in 2003 and 2004)

Percentage that believed that …		Sweden 2003	Sweden 2004	Norway 2003	Norway 2004	Finland 2003	Finland 2004
… the work climate is characterized by	honesty	52	57	79	80	67	76
	trust	48	55	78	81	67	74
	respect	49	54	77	81	56	66
… operations are characterized by	focus	46	53	70	76	67	74
	simplicity	33	38	51	57	60	68
	responsibility	55	61	73	78	70	75

The NCC Group conducts HCI surveys every year to measure how the above values are reflected in operations. Interpretations of results in 2004 indicate that the impact of management by values was greater than in prior years. Employees in Denmark were asked if they were aware of NCC's values and 78 percent replied that they were well aware of them, compared with 76 percent a year earlier.

All other key trends in the HCI survey also pointed upward, with particular emphasis on employee opinions of their own jobs. The most important question for describing this was "pride in working for NCC." The trend in Sweden has been positive since 2000, and the same positive trend is reflected in the rest of the Group.

Positive trend for NCC Construction Sweden since 2000

Percentage that believes that …	1999	2000	2001	2002	2003	2004
… I am proud of working at NCC	60	↘ 52	↗ 56	↗ 57	↗ 61	↗ 65
… I would really like to keep on working at NCC	73	↘ 66	↗ 70	↗ 71	↗ 73	↗ 75

An important part of leadership lies in a developed system for career-development talks, which include discussions and planning for each employee's skills development. Major efforts were focused during the year on increasing the number of talks with employees, particularly with skilled workers. The success of NCC's ambitions is illustrated in the table below.

There are also indications throughout the Group of an increased correlation between career-development talks and opinions that managers judge employees fairly or rather fairly.

Career-development talks and their effects

	NCC Construction								NCC Roads		NCC Property Development	
	Sweden		Norway		Denmark		Finland					
	03	04	03	04	03	04	03	04	03	04	03	04
Percentage that had career-development talks	67	↗ 70	48	↗ 65	–	–	45	↗ 60	45	↗ 48	97	↘ 87
Percentage that believes manager judges me fairly or rather fairly	73	↗ 74	75	↗ 79	58	↗ 59	43	↗ 72	65	↗ 66	87	↘ 77

HEALTH AND SAFETY ARE PRIORITY AREAS

NCC in Sweden works actively to increase worksite safety, strengthen the employees' health awareness and thus to reduce sickness absence. A new industrial health service agreement was signed with Feelgood during the year. This agreement has a stronger focus on preventive and supportive health programs.

A comprehensive effort to develop rehabilitation procedures and tools has been in progress for a year. One objective has been to establish where responsibility for rehabilitation should lie, while another has been to treat all cases equally and professionally.

Health-promoting measures include opportunities for 10-minute warm-up exercise sessions to prevent injuries and physical stress ailments and the hundreds of "wellness inspirers" who plan and conduct activities at the worksites.

Sickness absence and occupational accidents in Sweden

	2004	2003
Total sickness absence, %:	4.5	4.6
– Percentage of total sickness absence accounted for long-term sickness absence	60	58
Sickness absence by gender, %:		
– Men	4.6	4.7
– Women	3.2	3.4
Sickness absence by age, %:		
– 29 years or younger	3.1	3.4
– Between 30 and 49 years	3.3	3.4
– 50 years or older	6.0	6.2
Occupational accidents, per million worked hours		
– Blue-collar workers	12.6	14.7
– White-collar workers	1.3	1.0

Occupational accidents and sickness absence continued to decline during 2004. A total of 8.1 accidents per million working hours were reported. Occupational accidents have been halved in the past ten years.

Amanda Glave, foreman at Turning Torso, Malmö.

During 2004, NCC was awarded a prize by the European Agency for Safety and Health at Work for providing a good practical example of work environment solutions. NCC was awarded this prize because of "The Silent Book" that has been used at worksites since 2001 to prevent risks arising in construction operations. The book has a simple layout with cartoons illustrating the order and safety regulations that apply at construction sites.

In 2004, NCC's operations in Norway joined "Including Working Life", a cooperative program between government authorities, employers and employee organizations designed to reduce sickness absence and increase participation in the Company's preventive activities. Positive results were achieved already in 2004, with a 20-percent reduction in sickness absence in general and a 75-percent decline in long-term sickness absence. Responsibility for monitoring sickness absence has been defined more clearly through training courses for management and other key personnel. Improved cooperation with industrial healthcare services also contributed to the favorable results. As a result of the injury prevention efforts, no injuries were reported during the third quarter of 2004 and fewer injuries in the other quarters.

One objective of work environment efforts in Finland is to reduce the number of work-related accidents by at least 10 percent annually, which was achieved during 2004. Workplace safety involving construction projects is measured, monitored and controlled every week at all worksites. As a result, average safety statistics have improved significantly. The lower number of accidents has also resulted in substantial savings in accident insurance costs.

STRATEGIC TRAINING

NCC conducts wide-ranging strategic training programs, certain of which are directly related to NCC's strategic business priorities. Two of these programs are described here.

Purchasing for line managers

Opportunities to reduce costs through changes in purchasing procedures are considerable. Since purchasing activities must be coordinated with and conducted in close interaction with production, a major objective for implementing the purchasing strategy is to provide training for all line managers and staff-support specialists.

During 2004, NCC developed and started "Purchasing for line managers", a training course that will have a total of 800 participants in Sweden and will be expanded in 2005 to include participation by employees in the other Nordic markets. The main features of this program are more distinct internationalization, increased loyalty to agreements and price comparisons using the price bank that was established in 2004.

Partnering Academy

Partnering is a successful mode of operations and NCC is a pioneer for the concept in the Nordic region. To further strengthen its position and spread knowledge about Partnering in the organization, NCC has established a Partnering Academy in

NCC employee Mikael Antonsson spent most of his working time during 2004 at the Saltsjöqvarn site in Stockholm.

which employees from throughout the Nordic region are participating. The program will develop knowledge about how Partnering can be applied in the different countries, which will be strengthened through networks developed between the participants.

GENERATION SHIFT IN CONSTRUCTION INDUSTRY

The age structure in the construction industry is top-heavy, particularly in Sweden. Estimates indicate that the Swedish construction industry will have a shortage of 50,000–60,000 workers 10 years from now. Even at full capacity, construction-related high school and university programs cover no more than 50 percent of the industry's labor needs. There is an obvious risk that a shortage of skilled labor will arise. NCC has already initiated business-specific and specialized training courses to counteract the trend when it comes to various management positions.

Ultimately, a shortage of skilled labor could be offset through increased utilization of foreign manpower. This would not replace NCC employees, but would provide opportunities to cover temporary work peaks, increase competition for domestic subcontractors and take advantage of skills available in NCC Group companies in different countries. A compromise solution in other countries could be to purchase semi-finished goods that are normally produced at local worksites. NCC will naturally always abide by the laws and collective-bargaining agreements that apply in the respective labor markets.

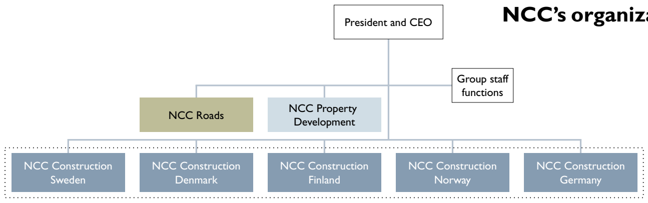
The construction industry has been characterized by gender imbalance for many years, with a very low percentage of women, particularly among blue-collar workers, but also among white-collar employees. NCC believes that potential to fill the gaps created by future retirements could be found in this area.

During 2004, NCC initiated structured efforts in the field of gender equality, based on a new equality policy. Guidelines for equal opportunity efforts have been prepared and local equal opportunity plans have been developed.

GROUP OVERVIEW

OPERATIONS IN 2004

NCC's organization 2005



Danish Crown, slaughterhouse, Horsens.

CONSTRUCTION

NCC's Construction units develop residential projects and build offices, industrial facilities, housing, roads, civil-engineering structures and other types of infrastructure, with a focus on the Nordic region. In several Nordic markets, the Group is currently the leading player in proprietary housing development. NCC's Construction units accounted for approximately 76 percent of the Group's total sales in 2004 and 78 percent of the total number of employees.

Palladium, in the Gyllenstjärna property block, Malmö.

PROPERTY DEVELOPMENT

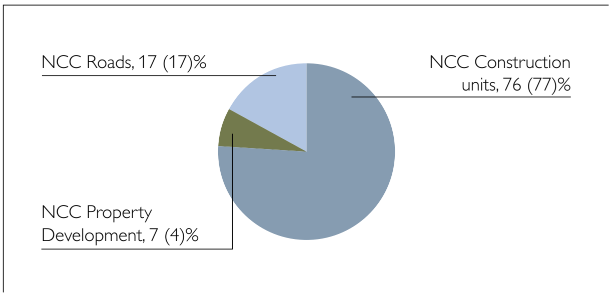
NCC Property Development develops and sells commercial properties in Nordic growth markets. Its target groups are users seeking inspirational environments and investors seeking properties that offer stability and a secure return over time. During 2004, the consolidation of the business area continued and it focused its efforts on the leasing and sale of existing projects. The goal has been to significantly reduce risk exposure.

Stretch of highway outside Gothenburg.

ROADS

NCC Roads' core business is the production of aggregates and asphalt, combined with paving operations and road services. NCC Roads is active mainly in the Nordic region, Poland and the St. Petersburg area of Russia. The fiscal year was characterized by continued concentration on core business and the rationalization of operations. The business area accounted for 17 percent of Group sales in 2004.

Business areas,
share of Group net sales



	Net sales	Operating profit	Cash flow before financing	Capital employed	Average number of employees
NCC CONSTRUCTION[1)] **Share of Group total**	SEK 35,895 M 76%	SEK 900 M 67%	SEK 607 M 14%	SEK 5,428 M 47%	17,433 78%
NCC PROPERTY DEVELOPMENT Share of Group total	SEK 3,465 M 7%	SEK 219 M 16%	SEK 2,771 M 62%	SEK 2,915 M 25%	113 1%
NCC ROADS Share of Group total	SEK 7,899 M 17%	SEK 217 M 16%	SEK 744 M 17%	SEK 3,157 M 27%	4,504 20%
NCC GROUP TOTAL[2)]	**SEK 45,437 M**	**SEK 1,117 M**	**SEK 4,495 M**	**SEK 11,098 M**	**22,214**

1) Including NCC International Projects.
2) Including eliminations.

Knutpunkt Mölndalsbro – a new travel center in an extremely traffic-intensive area. By separating the various layers of traffic, a quiet environment has been created for travelers. NCC constructed the main building, with a waiting room for bus and tram passengers, as well as a station building and waiting room for commuter trains.

Det ljuva livet® (The Good Life) concept offers welcoming, bright and spacious apartments that are simultaneously both space and cost-effective.

NCC CONSTRUCTION SWEDEN

NCC Construction Sweden noted strong growth in residential construction during 2004, but weaker margins for civil engineering construction. The NCC Partnering concept gained greater importance and achieved a breakthrough in the form of a large order from LKAB. Orders received increased by 16 percent to SEK 19.8 billion and operating profit amounted to SEK 409 M (412).

During the latter part of the year, operating profit was charged with losses from non-profitable civil engineering projects and the final settlement of certain disputes, including the Södra Länken project in Stockholm. In order to reduce administrative costs, a review of staff expenses was initiated toward year-end, which led to a merger of Housing and Civil Engineering operations in Stockholm and the coordination of certain staff functions with the Head Office.

The construction market showed overall improvement during 2004. Growth in the residential sector was particularly strong. The industrial and civil engineering market also improved, while both private and public-sector building construction declined sharply. The Stockholm market remained weak, with the exception of sharply increased demand for housing.

STRONG DEMAND AND ATTRACTIVE OBJECTS

Proprietary development of housing projects has become an increasingly important operation for NCC Construction Sweden. During 2004, 1,450 homes were sold, an increase of 394 compared with the preceding year (1,056). The increase was attributable to the attractive objects offered by NCC, greater sales efforts and more stable housing demand. In Frösunda in Solna, for example, NCC has built and sold approximately 1,600 apartments with good profitability since 1996. NCC has also built offices and completed civil engineering projects in this area, thus creating a completely new urban district only a few kilometers from the center of Stockholm.

NCC held more than 10,200 development rights at year-end, including slightly more than 5,000 in the Stockholm area. The number of housing development rights in attractive locations corresponds to the anticipated demand. Decisive success factors include the ability to adjust to current market trends – mainly in terms of products, price, location and an efficient sales organization. For example, NCC conducts in-depth market analyses and arranges risk seminars for each project. Construction is not started until a certain proportion of the projects has been reserved by customers.

NCC also builds residential properties on contract, with municipal and public housing companies as the largest customers. In 2002, NCC's "Det ljuva livet® (The Good Life)" concept won a contest focused on attractively priced housing. The contest was arranged by SABO, the Swedish Association of Municipal Housing Companies. During 2004, residents moved into slightly more than 100 apartments built in accordance with the concept in Upplands-Bro, Upplands Väsby and Södertälje. The units are produced at a plant operated by a business partner. The arrangement provides high quality and favorable conditions to produce housing at lower costs, which in the final analysis means lower rents for residents. At year-end 2004, production or planning was in progress for another 150 apartments.

Other important operations within NCC Construction Sweden are heavy industrial and civil engineering projects. Major civil engineering projects include the City Tunnel in Malmö, a project for which NCC was awarded contracts totaling SEK 1.5 billion. Among industrial projects, LKAB's new pelletizing plant in Malmberget was an important order. Valued at SEK 555 M, this order represents a breakthrough for the NCC Partnering concept in Sweden.

Several large housing projects in Helsingborg, Solna, Linköping, Kristianstad and other communities were conducted as Partnering projects during the year, with partners including HSB, Riksbyggen and municipal housing companies.

DEVELOPMENT WORK CREATES OPPORTUNITIES

To reduce total construction costs, NCC Construction Sweden has worked since 2003 on a development project intended to increase industrialized construction, with particular emphasis on apartment buildings. During 2004, comprehensive test operations focused on further upgrades of technology and design. Selected customers have been informed of the project, in order to increase their understanding that industrial construction also means changes and opportunities for the customers.

Efforts to enhance purchasing efficiency during 2004 included comprehensive programs to secure the support of line managers, site managers and suppliers. A project aimed at improving the logistical flow from manufacturers to utilization sites was also launched.

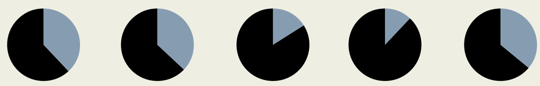
OUTLOOK FOR 2005

Total investments in Swedish construction were virtually unchanged in 2004, compared with 2003. Certain growth is expected in 2005, particularly for residential construction but also, to some extent, in the civil engineering market. Demand for housing is expected to rise in the lower price segment. Demand for office construction is expected to remain weak during 2005.

NCC CONSTRUCTION SWEDEN

Share of Group total

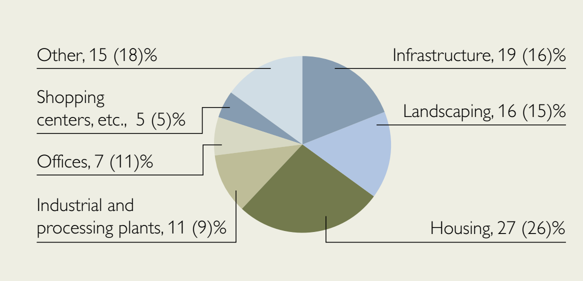
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
38%	37%	16%	12%	36%



SEK M	2004	2003
Orders received	19,833	17,058
– of which, propriety housing projects	2,607	1,724
Order backlog	12,385	9,836
Net sales	17,329	16,899
Operating profit, EBIT	409	412
Capital employed at year-end	1,281	1,911
Cash flow before financing	712	–282
Operating margin, %	2.4	2.4
Return on capital employed, %[1]	37.1	23.6
Investment in fixed assets	142	184
Investment in properties classed as current assets[2]	325	167
Properties classed as current assets	1,190	1,361
Average number of employees	7,907	8,147

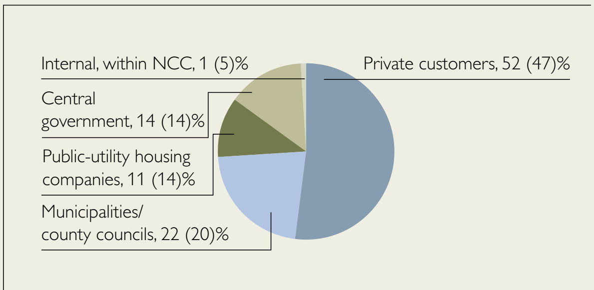
1) Return figures are based on average capital employed.
2) Primarily attributable to propriety housing projects.

Product mix



In 2004, NCC Construction Sweden operated with a broad product base and held strong positions in virtually all market segments. Increased demand for housing led to a higher share of residential construction, while the office market remained weak.

Customer mix



During 2004, private customers accounted for 52 percent of sales. The increase noted for private customers was due to a rise in tenant-owner associations, the customers who order the construction of tenant-owned apartments.

President Olle Ehrlén

NCC CONSTRUCTION DENMARK

The Danish construction and civil engineering market continued to decline during 2004, with the exception of housing construction. Sales invoiced by NCC Construction Denmark during 2004 amounted to SEK 5.2 billion (5.4). Operating profit totaled SEK 150 M (145), yielding one of the highest margins among major Danish construction companies.

The Danish construction market is characterized by a few large companies with market shares of less than 10 percent and a large number of small and mid-size contractors that operate in clearly delineated markets. NCC Construction Denmark, the country's second largest construction company, conducts building operations throughout Denmark, while the Company's proprietary housing projects and civil engineering operations are concentrated in Sjælland.

STRENGTHENED POSITION

Total market growth for private housing construction during 2004 was 13 percent. NCC Construction Denmark sold 629 homes (453) during the year, including 445 single-family and row houses developed and built by Bülow & Nielsen, O.C. Huset and Holmbo Huse. NCC Construction Denmark strengthened its positions in the housing segment. As a result of the acquisition of Holmbo Huse, the business area's operations involving single-family dwellings were expanded to cover the entire country.

MORE PARTNERING PROJECTS

The number of assignments implemented as Partnering projects continued to increase. NCC Construction Denmark is noting a steady increase in interest in this mode of operations among customers and business partners. Partnering contracts at year-end accounted for 25 percent of sales and 35 percent of the order backlog. New Partnering projects include the Psychiatric Hospital in Helsingør, new housing construction at Bispebjerg Bakke in Copenhagen and renovation of the Louisiana art museum in Humlebæk.

Efforts to coordinate purchasing activities have been intensified. In addition to NCC's Group-wide purchasing agreement, NCC Construction Denmark reformulated its purchasing patterns within six selected product groups and initiated similar efforts in three others. The changes result in improved prices, quality or terms of delivery. Other general work areas during the year included efforts to improve earnings, raise quality and increase worksite safety.

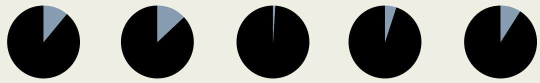
OUTLOOK FOR 2005

Total investments in Danish construction, particularly residential construction, are expected to rise slightly in 2005. The civil engineering market is expected to remain weak during 2005, as is the market for office construction.

NCC CONSTRUCTION DENMARK

Share of Group total

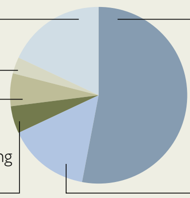
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
11%	13%	1%	5%	9%



SEK M	2004	2003
Orders received	6,174	4,362
– of which, propriety housing projects	1,281	427
Order backlog	4,118	3,092
Net sales	5,194	5,440
Operating profit, EBIT	150	145
Capital employed at year-end	583	421
Cash flow before financing	41	211
Operating margin, %	2.9	2.7
Return on capital employed, %[1]	32.2	40.2
Investment in fixed assets	33	25
Investment in properties classed as current assets[2]	154	228
Properties classed as current assets	214	208
Average number of employees	1,991	2,113

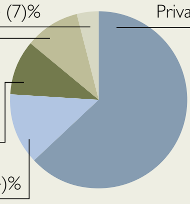
1) Return figures are based on average capital employed.
2) Primarily attributable to propriety housing projects.

Product mix



Residential construction rose sharply during 2004, accounting for more than half of total volume. Office construction continued to decline. The completion of a large shopping center in Jutland was not followed up by additional projects.

Customer mix



Private customers account for the predominant share of sales. The category that grew most during 2004 consisted of public-utility housing companies.

President Søren Ulslev

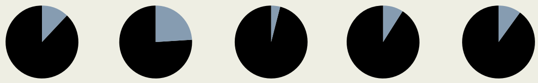
Vignette photo: Penthouse KPMG, Copenhagen.

NCC CONSTRUCTION FINLAND

NCC CONSTRUCTION FINLAND

Share of Group total

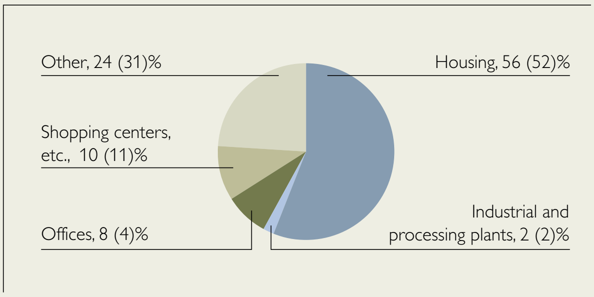
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
12%	24%	4%	9%	10%



SEK M	2004	2003
Orders received	4,853	6,030
– of which, propriety housing projects	1,863	1,636
Order backlog	3,362	3,820
Net sales	5,443	5,055
Operating profit, EBIT	267	197
Capital employed at year-end	980	1,018
Cash flow before financing	196	97
Operating margin, %	4.9	3.9
Return on capital employed, %1)	27.4	16.7
Investment in fixed assets	21	17
Investment in properties classed as current assets2)	1,321	1,225
Properties classed as current assets	1,013	910
Average number of employees	2,321	2,145

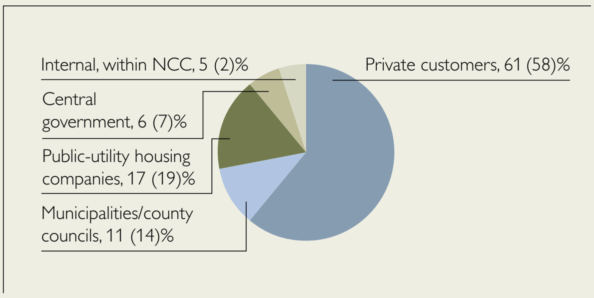
1) Return figures are based on average capital employed.
2) Primarily attributable to propriety housing projects.

Product mix



Continued growth in the residential market enhanced the position of housing as NCC's predominant product in Finland. The increase in office construction resulted from development projects conducted in cooperation with NCC Property Development (Alberga).

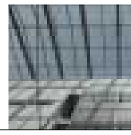
Customer mix



Private customers showed the largest increase in 2004. The Finnish equivalent of Sweden's public-utility housing companies also accounts for a considerable, albeit declining, share of the customer mix.

President Timo U. Korhonen

Vignette photo: Exactum, University of Helsinki.



NCC CONSTRUCTION FINLAND

NCC Construction Finland's main markets are the construction of housing and other buildings. Housing production has comprised a growing portion of operations during recent years and thus accounts for a significant share of earnings. Sales in 2004 amounted to SEK 5.4 billion (5.1), generating earnings of SEK 267 M (197).

Trends in the housing market remained favorable during 2004. NCC completed 2,575 housing units during the year, including about 1,619 conducted on a proprietary basis or as Partnering projects. At year-end, 2,736 housing units were under production, including 1,412 on a proprietary basis.

Housing production is conducted either on a proprietary basis or under contract. Major projects include renovation of the art nouveau buildings in Sibbo, an attractive area characterized by strong demand. A large residential area was completed in Vanda, near the airport. Demand has been favorable and the production of row houses and apartment buildings is continuing in a nearby area. In total, NCC is building more than 1,000 housing units in Vanda.

NCC has also started to build homes on a proprietary basis in the Baltic region.

ATTRACTIVE OFFICE PROJECTS

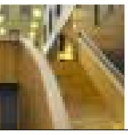
NCC has successfully developed several business parks in Finland. Another office building comprising 6,500 square meters is now under construction at Business Park Airport Plaza, in Vanda, outside Helsinki. The Opus Business Park in Helsinki will also be expanded with a new office building comprising 9,000 square meters.

The year's largest project was continued expansion of the Sello shopping center in Alberga. The project is managed by a consortium in which NCC has a 50-percent share, worth about SEK 700 M. Sello was named "Construction Project of the Year" in 2004. The consortium will also build a hotel adjacent to the shopping center. NCC's share of this contract amounts to SEK 42 M.

NCC Construction Finland has been developing a lifecycle concept – NCC EkoConcept – for the past few years. The concept entails that NCC, in its role as a contractor, is responsible not only for a project's quality but also its total lifecycle costs, and assumes an active role in future maintenance. A practical example of the concept is in Espoo, where NCC has signed a multiyear maintenance contract for the construction of a school and health center.

OUTLOOK FOR 2005

During 2005, the Finnish construction market will remain at approximately the same level as in 2004. Demand for housing is expected to remain high, due mainly to low interest rates. No growth is expected in the market for office construction.



NCC CONSTRUCTION NORWAY

The process of change started at year-end 2002 has generated strong improvements in all key areas of operation. NCC Construction Norway reported the NCC Group's highest return on capital employed in 2004. Sales in 2004 amounted to SEK 3.9 billion (4.4), with operating profit of SEK 91 M (58).

Due to sharply reduced interest rates in Norway, residential construction has gained momentum, particularly in and around major metropolitan areas. Orders received for residential construction were at the highest level noted for many years. Markets for other building construction and civil engineering contracts were also favorable, albeit with certain regional variations.

SELECTIVE PROJECT TENDERING

The process of change has called for a change in focus from volume to profitability and quality, including a more selective project-tendering policy. Combined effects of the measures have led to a significant improvement in the quality of the order backlog.

NCC Construction Norway is contributing to changes in the construction industry through its continued focus on Partnering. In 2004, the company also reported some of the lowest occupational injury statistics and the lowest level of absence due to sickness in the Norwegian construction industry. The number of people on long-term sick leave has also declined, which reduces costs and improves the work environment.

LARGE RESIDENTIAL BUILDER, AND HIGH-PROFILE PROJECTS

NCC Construction Norway was one of the country's largest residential constructers in 2004. The largest housing projects during the year were at Lysaker Brygge, outside Oslo, and at an equally large residential area with 450 apartments in Nydalen, in Oslo.

NCC Construction Norway was the main contractor for several Norwegian civil engineering projects during the year. In Oslo, Stortinget (Parliament building) was refurbished, as was Karl Johans gate, perhaps the best-known workplace in all of Norway. NCC is also the exclusive contractor for construction of Nya Bislet Stadion, which will replace the world-famous skating and athletics arena in Oslo. The new stadium will be inaugurated at the Golden League gala in summer 2005. The business area has also built four tanks for liquid natural gas in Hammerfest, which is part of Statoil's expansion of the Snøhvit gas field. The construction method and implementation of this project have attracted widespread attention throughout the world and led to closer cooperation with Statoil in similar projects.

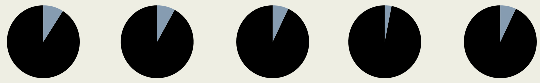
OUTLOOK FOR 2005

During 2005, total investments in Norwegian construction are expected to remain virtually unchanged compared with 2004. Residential construction, which was unusually high in the past year, is expected to remain unchanged in 2005. The civil engineering market is expected to be at the same level as in 2004. Demand for office construction is expected to remain weak.

NCC CONSTRUCTION NORWAY

Share of Group total

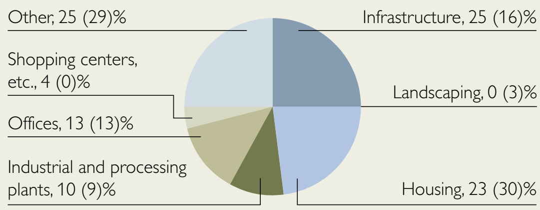
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
9%	8%	7%	3%	7%



SEK M	2004	2003
Orders received	4,342	3,235
– of which, propriety housing projects	162	599
Order backlog	2,911	2,412
Net sales	3,863	4,417
Operating profit, EBIT	91	58
Capital employed at year-end	325	282
Cash flow before financing	301	411
Operating margin, %	2.4	1.3
Return on capital employed, %[1)]	38.2	10.6
Investment in fixed assets	39	22
Investment in properties classed as current assets[2)]	7	4
Properties classed as current assets	246	269
Average number of employees	1,491	1,720

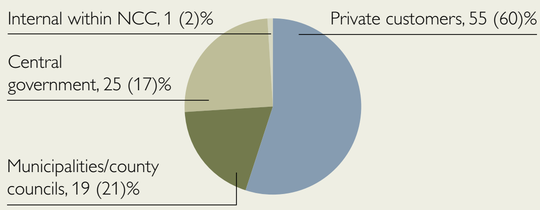
1) Return figures are based on average capital employed.
2) Primarily attributable to propriety housing projects.

Product mix



During 2004, conditions in the civil engineering market improved. As a result of the priority assigned to selling residential units, proprietary production of housing was reduced. The "Other" category mainly includes construction of schools, hospitals and power plants.

Customer mix



The Norwegian government was a major NCC customer in Norway during 2004 and its share of total sales increased, which was due in part to an upswing in civil engineering construction.

President Sven Christian Ulvatne

Vignette photo: Scandic Nedre Elvehavn (Hotel Porten).

NCC CONSTRUCTION GERMANY

NCC Construction Germany's housing production was mainly concentrated in the Berlin area until 2004, when the business area expanded operations into two other regions of Germany. Despite a continued weak market, sales increased to SEK 1.2 billion (1.1) in 2004 and operating profit of SEK 45 M (48) was reported.

Domestic consumption in Germany remains weak, while reforms in the labor and sociopolitical systems are proceeding slowly. This has contributed to a declining construction market and the elimination of several companies from the construction industry.

STRONG IN MARKET FOR SINGLE DWELLINGS

Proprietary construction of primarily row houses, semi-detached houses and detached houses in the lower price segment accounts for two-thirds of the business area's operations. Control of the entire value chain, from the purchase of suitable land to standardized serial production and direct sales to end-customers, enables the offering of housing at attractive prices. For the past ten years, NCC in Germany has worked to optimize the construction process through prefabrication and integration of subcontractors. As a result, the business area is a leading player in the market for single-family dwellings in the Berlin-Brandenburg area. The same mode of operations was established during 2004 in the Rhine-Ruhr region and the Dresden/Leipzig area. In 2004, 417 houses (493) were sold.

Construction under contract accounts for one-third of operations. NCC Construction Germany works actively with customers to develop the best possible solutions, as exemplified by construction of Yachthafenresidenz Hohe Düne in Warnemünde on the Baltic coast. Consisting of a 369-room hotel, conference and physical fitness facilities, the project was started during 2004 and will be completed in 2005.

CAUTIOUS EXPANSION

In 2004, NCC Construction Germany started about 74 new housing projects, with proprietary projects accounting for 82 percent. Construction is conducted in pace with sales. During 2005, operations will also be established in the Hamburg area.

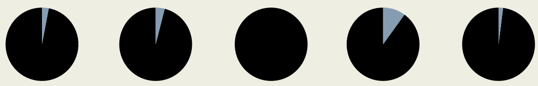
OUTLOOK FOR 2005

The German construction market is expected to remain sluggish in 2005. However, NCC is believed to have good potential to continue to capture market shares in carefully selected locations, thanks to its capacity to offer attractively priced housing for most customers.

NCC CONSTRUCTION GERMANY

Share of Group total

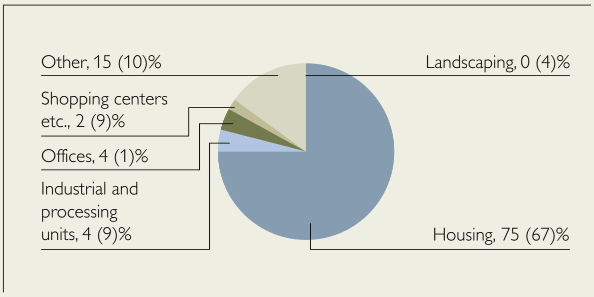
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
3%	4%	0%	10%	2%



SEK M	2004	2003
Orders received	1,292	1,063
– of which, propriety housing projects	661	586
Order backlog	615	560
Net sales	1,233	1,106
Operating profit, EBIT	45	48
Capital employed at year-end[1]	1,090	1,102
Cash flow before financing	0	56
Operating margin, %	3.6	4.3
Return on capital employed, %[2]	3.7	4.9
Investment in fixed assets	9	6
Investment in properties classed as current assets[3]	135	43
Properties classed as current assets	878	810
Average number of employees	510	525

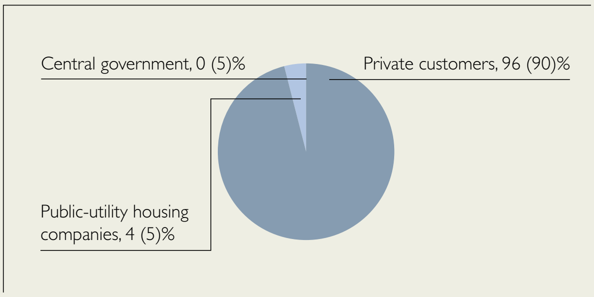
1) Most of the capital employed pertained to the housing district in Berlin-Sonnengarten.
2) Return figures are based on average capital employed.
3) Primarily attributable to propriety housing projects.

Product mix



The strategy of increasing production of residential projects continued during the year. The "Other" category consists mainly of a hotel project by the Baltic coast.

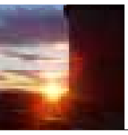
Customer mix



NCC Construction Germany mainly has private customers, consisting primarily of private individuals investing in single-family units.

President Olle Boback

Vignette photo: Bergmannsglück, Rüdersdorf.



NCC INTERNATIONAL PROJECTS

In March 2004, NCC decided to concentrate the operations involving large international civil engineering projects to the Nordic and Baltic region. A gradual discontinuation of operations in Africa, Asia and Central America is now in progress. Most of NCC International Projects' remaining operations have been transferred to NCC Construction Sweden.

The operating result in 2004 amounted to a loss of SEK 62 M (profit: 116). The reported loss was mainly due to weaker earnings from a number of ongoing civil engineering projects in regions now being phased out.

A small planning organization in Sweden is working to complete and discontinue projects outside Europe. Since most employees have been transferred to NCC Construction Sweden, the Group's expertise and experience from international operations has been retained. An order received by NCC in autumn 2004, valued at SEK 1.5 billion for two stages of the City Tunnel in Malmö, is a result of this.

COMPLETED PROJECTS

The fourth and final natural gas tank for Statoil's Snøhvit project in Hammerfest, Norway, was completed during 2004. The project placed meticulous demands on workplace safety, since it involved many employees working in a small area at great heights.

The privately financed A2 Expressway project in Poland was completed in November, more than one month ahead of schedule. The project comprised 150 kilometers of expressway, a large number of bridges and service areas adjacent to the expressway.

The subway project in St. Petersburg was completed in 2004, eliminating the need for more than 500,000 daily commuters to take a bus between two stations that had been closed for nine years.

A water supply project in the Dominican Republic was completed during the year. The project called for construction of about sixty wells and 50 kilometers of water mains, providing approximately 250,000 people in the eastern parts of the capital city of Santo Domingo with access to clean water.

NCC INTERNATIONAL PROJECTS

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
6%	neg	neg	11%	14%

SEK M	2004	2003
Orders received	1,730	1,317
Order backlog	2,397	3,094
Net sales	2,833	3,869
Operating profit/loss, EBIT	–62	116
Capital employed at year-end	1,170	802
Cash flow before financing	–643	187
Operating margin, %	–2.2	3.0
Return on capital employed, %[1]	neg	11.7
Investment in fixed assets	82	90
Average number of employees	3,213	3,462

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

President Per Nielsen

Vignette photo: Snøhvit, Hammerfest, Norway.

Drilling and excavation on the Trollhättan Tunnel was completed during the autumn. The project is included in the expansion of the Norway-Vänern Line, for which NCC was contracted to build a 3.5-kilometer, double-track railroad tunnel between Trollhättan and Öxnered.

Construction of the southwestern sewage treatment plant in St. Petersburg is proceeding according to plan. When the plant is completed, which is expected to be in 2005, it will purify sewage emissions from nearly 800,000 residents and contribute to substantial environmental improvements for the city. The project is Russia's first privately financed infrastructure project and is the result of cooperation between NCC, Skanska and the Finnish construction company YIT.

Penthouse KPMG, Copenhagen.

Byasen skole, Trondheim.

Turning Torso, Malmö.
Right next to the sea at Västra Hamnen in Malmö, NCC is constructing the Turning Torso residential and office building for HSB. This spectacular structure will be 190 meters high and have a total of 54 stories. The building turns 90 degrees on its ascent and contains 150 tenant-owned apartments and 4,200 square meters of office space.

Lysaker, Oslo.
NCC has developed a new state-of-the-art head office for the property and casualty insurance company, If.

Kista Science Tower, Kista.
A well-known landmark in Kista and a modern office building that encourages meetings between people and companies.

NCC PROPERTY DEVELOPMENT

Consolidation continued in 2004, in the form of the rental and sale of existing projects. One objective was to achieve a significant reduction in risk exposure. Only a few new projects were started, but the portfolio contains a number of project opportunities awaiting an increase in demand. Operating profit in 2004 amounted to SEK 219 M (loss: 780).

NCC Property Development develops and sells commercial properties in Nordic growth markets. Target groups consist of users seeking inspirational environments, as well as investors seeking properties that will generate stable and secure returns over time.

A MARKET UNDER CHANGE

The market for fully developed properties has changed rapidly during recent years. Major investors no longer consist exclusively of "industrial" buyers that own and manage properties for a long time, but instead of different types of financial players: property funds, venture-capital companies, opportunity funds and other institutional investors seeking a favorable return.

Property trading has developed quickly from what was primarily a domestic industry into a global business.

The new players have also changed the price structure for different types of properties. Newly produced objects with long-term contracts and high-quality tenants have attracted strong demand, while older properties, properties requiring renovation, or with short-term leases or vacancies are now exposed to price pressure.

Another trend in the property market is a sharp reduction in the number of projects started without previously having a high percentage of leased space. One reason is greater caution exercised by creditors. Demands for higher shares of equity have also made business activities more difficult for smaller companies engaged in property development. Another trend shows that planning times for property projects are becoming more protracted due to political positioning, opportunities to file complaints by increasing numbers of stakeholders and the increased size and complexity of the actual projects. This trend benefits NCC, which has extensive experience of working with long and complicated projects.

BUSINESS CONCEPT FOR PROPERTY DEVELOPMENT

NCC's property development often starts with a concept about the user: who has the best qualifications to capitalize on the opportunities offered by a certain project? It might be a

Ongoing and completed projects, December 31, 2004, SEK M

Country (number)	Project cost	Rate of completion, %	Rentable floor space, m²	Leasing rate, %	Yield, %	Operating net[1)]
Sweden (4)	224	76	13,000	95	9.3	21
Denmark (3)	139	92	9,000	58	8.0	11
Germany (3)	484	94	29,000	84	8.2	40
Total	**847**	**89**	**51,000**	**84**	**8.5**	**72**

1) Forecast net operating income during the year after completion, based on full leasing and excluding initial rent discounts.

future office building, a retail center or other commercial premises. By starting with the user, NCC is able to offer properties representing optimal value.

The value of a project grows in stages. Key steps normally include approval of a detailed development plan and leasing activities. NCC can limit the risks associated with a project by making property acquisition contingent upon the approval of a new detailed development plan. Planning work for the actual structure is managed in close cooperation with NCC Construction, which also serves as the contractor. NCC Property Development's work on a project is finished when the property is sold.

SALES OF PROPERTY PROJECTS

During 2004, property projects were sold for SEK 3,228 M.

Despite considerable sales of finished projects during recent years, risks in the form rental guarantees granted have declined sharply. At year-end, the maximum net risk exposure, meaning the maximum risk less the provisions posted, was SEK 56 M, compared with SEK 157 M at the beginning of the year and SEK 300 M two years ago.

COMPLETED AND ONGOING PROPERTY PROJECTS

At the end of 2004, project costs for completed and ongoing property projects totaled SEK 0.9 billion (2.9). Costs incurred in all projects amounted to SEK 0.7 billion (2.7), corresponding to 89 percent (94) of total project costs. The leasing rate was 84 percent (50), measured in terms of contracted rental revenues as a percentage of estimated rental revenues when the properties are fully leased (financial leasing rate). Total rentable floor space was 51,130 square meters, of which 41,556 square meters, or 81 percent, was leased.

PROPERTIES HELD FOR FUTURE DEVELOPMENT

NCC owns land/development rights and project properties for further development and sale, as well as land intended for sale in its present condition, in certain cases after additional planning work. Project development work will be performed at a pace permitted by local market conditions.

Land/development rights and project properties for development and sale correspond to a gross area of 725,000 square meters excluding garage space, of which office space accounts for 59 percent and retail space 11 percent.

MANAGED PROPERTIES

Most of the Group's managed properties were sold during 2004. The book value of managed properties at year-end was SEK 41 M (820). The sales yielded capital gains of SEK 59 M (loss: 29). In the future, the Group does not intend to own any managed properties. In other words, all property projects are developed for sale.

OUTLOOK FOR 2005

Since office markets in the Nordic region, particularly Stockholm and Oslo, are expected to remain weak in 2005, NCC will adopt a highly restrictive approach to the start-up of new projects.

Sales of properties during 2004, SEK M

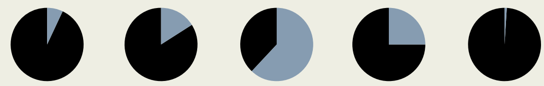
Property	Sales price	Gain
Dynamo in Tampere, Pilot 1 in Oulu and Opus 3 and Plaza Alto in Helsinki	648	
Frösunda Front (Hilton 3), Solna	640	
Eurobalken, Brussels	450	
Centralhuset Hotel, Gothenburg	244	
Vimmelskaftet, Copenhagen	217	
Porttipuisto Retail Park Helsinki and Spar Ankkuri, Lahti	154	
Gyllenstjärna 27 Building 1 (Åhléns House), Malmö	130	
Company Park Ørestad, Copenhagen	128	
Fyns Stiftstidende, Odense	121	
Opus 2, Helsinki	105	
Other	391	
Subtotal	**3,228**	
Kista Science Tower (50 %)	604	
Total property projects	**3,832**	**364**
Total managed properties[1]	**967**	**59**
Grand total	**4,800**	**423**
Sales of properties, gross		
Property projects	3,228	
Managed properties	967	
Total	**4,195**	

1) Including SEK 550 M for Borgarfjord 2:1 and 2:2 in Kista.

NCC PROPERTY DEVELOPMENT

Share of Group total

Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
7%	16%	62%	25%	1%



SEK M	2004	2003
Income statement		
Net sales	3,465	2,052
Gross profit/loss[1]	**202**	**–384**
Administrative costs	–88	–117
Result from participations in associated companies	11	–256
Result from development properties	**125**	**–757**
Result from sales of managed properties	59	–29
Operating net from managed properties	26	48
Depreciation of managed properties	–6	–13
Result from participations in associated companies	15	6
Restructuring costs		–35
Operating profit/loss	**219**	**–780**

1) Result from sales of development properties	364	145
Operating net from development properties	35	70
Revised valuation of development properties	–69	–497
Overhead costs and other items	–128	–102
Gross profit/loss	202	–384

Key figures

	2004	2003
Property investments	417	1,396
Sales of properties	4,195	1,960
Sales of properties including Kista Science Tower	4,800	1,960
Capital employed at year-end	2,915	6,197
Cash flow before financing	2,771	–171
Gross margin (property development), %	5.8	neg
Operating margin (property development), %	3.6	neg
Return on capital employed, %[1]	5.9	neg
Average number of employees	113	152

1) Return figures are based on average capital employed.

President Mats Wäppling

Eriksberg Interchange, Gothenburg.

NCC ROADS

NCC Roads' core operations consist of aggregates and asphalt production, paving and road maintenance. Operations during the year were characterized by continued concentration on core business and improving earnings, despite intense competition and price pressure. Sales amounted to SEK 7.9 billion (7.9), generating an operating profit of SEK 217 M (44).

The remaining units of concrete operations were sold during the year, as were the companies that work with road markings and the slate operations. Efforts to rationalize the operations led to a reduction in the number of asphalt production plants in over-established markets.

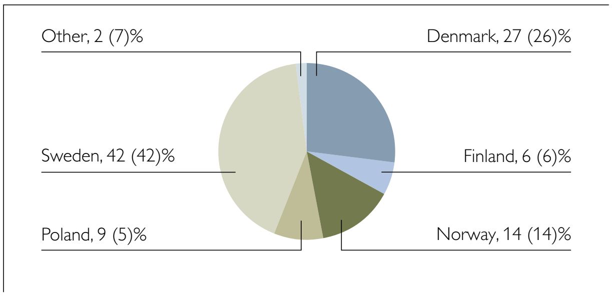
Total capital employed was reduced by approximately SEK 0.5 billion during the year. Other non-core operations will be sold at an appropriate time.

NCC Roads has intensified efforts to develop more effective production processes for aggregates, asphalt production and paving. This work was successful during the past year, resulting in reduced costs. The efficiency enhancements within production are shared with other Group units by means of systematic transfers of expertise. NCC Roads has also developed a number of common key figures for operations that will continue to be monitored, such as energy consumption per ton of asphalt production. Another environmental goal is to increase the amount of recycled asphalt in production. During 2004, the proportion of recycled asphalt in relation to total newly produced hot asphalt was 7 percent.

MARKETS AND CUSTOMERS

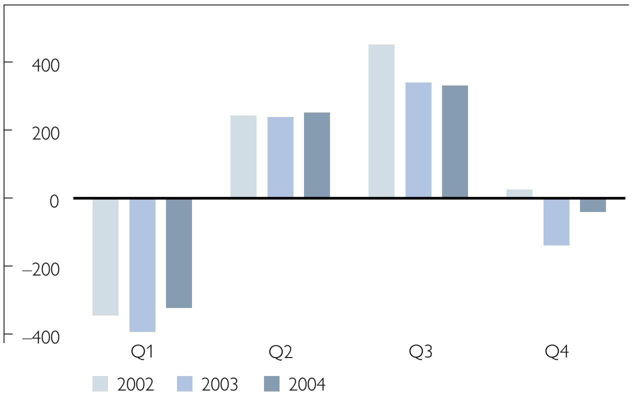
The main markets for NCC Roads are the Nordic countries, Poland and St. Petersburg. Sweden is the largest single market, accounting for 42 percent of sales. The Nordic countries are mature markets, while Poland and St. Petersburg offer significant growth potential.

Geographic markets, sales



The NCC Roads business area is divided into geographical business units. The upswing in Poland was attributable to the A2 project and an increase in market shares.

Operating profit per quarter



NCC Roads' operations are subject to sharp seasonal fluctuations, because paving activities cannot be conducted during the winter half of the year. This results in major losses during the first quarter of the year and favorable earnings during primarily the third quarter.

Operations in the various countries are based firmly on framework agreements with municipal government authorities for various types of paving and road maintenance activities that may be required over the course of a year. The agreements extend over one or several years. In all countries, other public road administrations are also significant customers. The private market is also important; for example, paving contracts for parking lots and factory sites. In conjunction with paving contracts, NCC Roads also tries to cultivate complementary assignments in the nearby area. The profitability of these smaller contracts is favorable, since they allow high fixed costs to be distributed over larger volumes.

NCC Roads has a comprehensive network of proprietary gravel pits and rock quarries. Approximately 80 percent of all aggregates are sold to external customers, with the remainder used in proprietary asphalt production operations.

The other critical input material in asphalt is bitumen, which is a petroleum product. NCC Roads buys bitumen from several international suppliers, which ensures stable and competitive prices. The sharp price increases for crude oil did not have any significant effect on earnings for the year, partly as a result of contractual price agreements. However, the cost of fuel oil used in asphalt production operations increased.

In Sweden, the National Road Administration procured paving services that did not include bitumen, which was supplied instead by the Administration's own sources. The intention, according to the Administration, was to offset competitive differences between small and major companies that bid for contracts. NCC Roads increased its share of procurements from the Administration during the year.

OPPORTUNITIES AND RISKS

A large proportion of operations within NCC Roads cannot be conducted during the winter months, which has an adverse impact on operating profit during that part of the year. See diagram on page 38.

Raw material costs account for about one-third of the price of laid asphalt. Bitumen, an oil-based product, and aggregates are the principal input materials. Long-term paving contracts generally include clauses that regulate changes in the price of bitumen. In most markets, NCC Roads is self-sufficient in terms of aggregates through proprietary crusher plants and pits/quarries.

NCC Roads' operations are also volume-sensitive due to the large proportion of fixed costs. Operations are dependent on general construction trends and government allocations for road construction and maintenance.

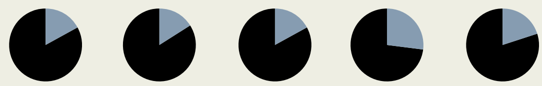
OUTLOOK FOR 2005

Despite certain growth in the overall construction market during 2005, the intense competition and price pressure in NCC Roads' markets is expected to remain unchanged.

NCC ROADS

Share of Group total

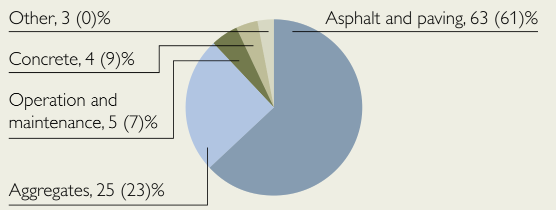
Net sales	Operating profit	Cash flow before financing	Capital employed	Average no. of employees
17%	16%	17%	27%	20%



SEK M	2004	2003
Orders received	8,120	8,090
Order backlog	1,273	1,053
Net sales	7,899	7,919
Operating profit, EBIT	217	44
Capital employed at year-end	3,157	3,716
Cash flow before financing	744	469
Operating margin, %	2.7	0.6
Return on capital employed, %[1]	6.2	1.5
Investment in fixed assets	435	336
Average number of employees	4,504	4,642

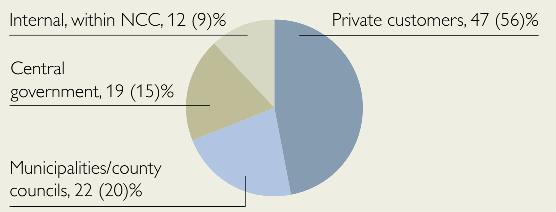
1) Return figures are based on average capital employed.

Product mix



Asphalt, aggregates and paving accounted for 88 percent (84) of NCC Roads' sales in 2004. The business area's concrete operations were sold during the year.

Customer mix



The customer mix varies from product to product and country to country. Central government authorities, municipalities and county councils are major customers for asphalt. In connection with sales to private customers, the end customer is occasionally a government or municipal authority while aggregates are mainly purchased by private customers. The term "internal" pertains to sales to Construction units.

President Göran Svensson

REPORT OF THE BOARD OF DIRECTORS

NCC AB, CORP. REG. NO. 556034-5174, REGISTERED HEAD OFFICE IN SOLNA

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174, hereby submit the annual report and the consolidated financial statements for the 2004 fiscal year.

GROUP RELATIONSHIP

NCC AB is a subsidiary of Nordstjernan AB, corporate registration number 556000-1421 with its registered Head Office in Stockholm.

OPERATIONS

NCC is one of the leading construction and property-developing companies in the Nordic region. NCC is active throughout the value chain in its efforts to create environments for work, living and communications. NCC develops residential and commercial property projects and builds offices, industrial facilities, housing, roads, civil-engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and conducts paving, operation and maintenance operations in the roads sector. The Group's primary geographical focus is on the Nordic region.

BUSINESS TREND DURING THE YEAR

The business trend in 2004 is proof that the transformation of NCC into a financially stronger company with a healthy and less risk-exposed core business has now been completed. All four Nordic Construction units generated a return on capital employed in excess of 27 percent, and the Group's net indebtedness was reduced from SEK 4.9 billion to SEK 0.7 billion during the year.

Stronger market

The Nordic construction market demonstrated stronger-than-expected growth during the fourth quarter of 2004 and NCC believes that the construction market will grow by 1–2 percent in 2005, compared with 2004. It is primarily the housing market and, gradually, the civil engineering market that are developing well. This is reflected in orders received during the fourth quarter, which rose 26 percent to SEK 12.7 billion (10.1).

Changes in Group management

Hans-Olof Karlsson, Senior Vice President Corporate Communications, retired from NCC and was replaced by Annica Gerentz.

Per Nielsen, who was President of NCC International Projects during 2004, left Group Management due to the fact that the business area ceased to exist on December 31, 2004. Elisabeth Wallin-Mononen, Senior Vice President Human Resources, left NCC and Group Management in January 2005, due to the rationalization of Group staff functions, whose consequences included the concentration of Human Resources staff functions within NCC Construction Sweden, which thus assumed coordination responsibility for other business areas in Sweden.

The NCC Group's financial objectives

The NCC Group's financial objectives have been revised. The previous target of 30 percent for the equity/assets ratio has been replaced by the objective that net indebtedness should not exceed shareholders' equity, which is a more relevant goal for NCC's continuing operations. The target for return on equity has been retained at 15 percent, as has the goal that the Group should generate a positive cash flow. In addition, the dividend policy has been changed from the goal of distributing approximately half of profit after taxes to shareholders to the goal that at least half of profit after taxes be distributed.

ORDERS RECEIVED

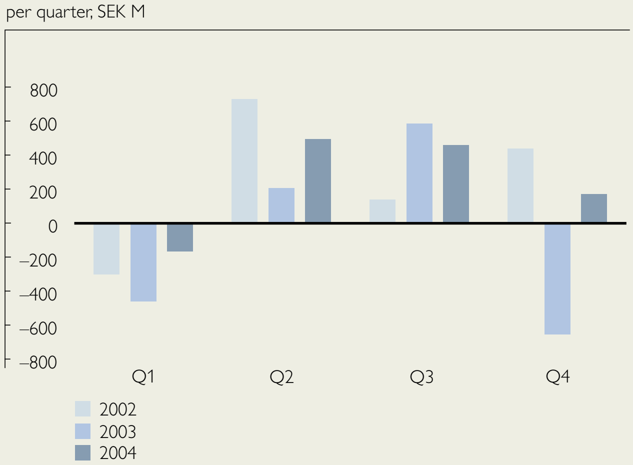
Orders received by the NCC Group during 2004 amounted to SEK 45,362 M (40,941). Proprietary property-development projects accounted for SEK 508 M (263) of total orders received and proprietary housing-development projects for SEK 6,575 M (4,973). Demand for housing was strong throughout the Nordic region, and the increase in orders received consisted of both proprietary housing projects and external housing contracts. During the year, proprietary housing starts totaled 3,158 (2,751) and 3,595 (3,371) proprietary housing projects were sold.

The order backlog on December 31, 2004 was approximately SEK 27 billion (24).

Orders received and order backlog
SEK billion

During 2004, both orders received and the order backlog increased compared with recent years. This was mainly attributable to the increase in proprietary housing-development projects. In addition, a number of major civil engineering projects were received towards the end of 2004.

Profit/loss after financial items (EBT)
per quarter, SEK M



NCC's earnings for different quarters are characterized by considerable seasonal variations, mainly because the proportion of asphalt, aggregates and paving operations is relatively large and the degree of activity in these segments is extremely limited during the winter. Earnings for the fourth quarter of 2003 were affected by write-downs within NCC Property Development and by restructuring costs and write-downs within NCC Roads.

NET SALES AND EARNINGS

Net sales

Consolidated net sales for 2004 totaled SEK 45,437 M (45,252). Excluding sales of real estate projects, sales amounted to SEK 42,209 M (43,462). Sales during 2004 were affected positively by increased housing production and negatively by lower activity within the NCC International Projects business area, which is being phased out in accordance with a decision taken in March 2004.

Operating profit

The Group reported full-year operating profit (EBIT) of SEK 1,117 M (5). The earnings improvement was mainly attributable to robust housing sales and the sale of properties. NCC Construction Sweden's earnings were adversely affected by write-downs of a number of civil engineering projects. NCC International Projects' earnings were also affected by write-downs in the regions being phased out. Earnings in 2003 were charged with fourth-quarter write-downs of SEK 782 M within NCC Property Development and with write-downs and restructuring costs of SEK 195 M in NCC Roads.

Profit after financial items

Profit after financial items (EBT) during 2004 amounted to SEK 955 M (loss: 323). Net financial items during the year amounted to an expense of SEK 162 M (expense: 328). The improved financial net was attributable to a reduction in net indebtedness and lower interest rates compared with the preceding year.

Profit after taxes during 2004 amounted to SEK 856 M (loss: 421). The tax settlement verified in Germany and the tax ruling regarding deficits in Fastighets AB SIAB had a positive impact on NCC's tax situation.

FINANCIAL POSITION

Profitability

The return on capital employed was 9.8 percent (1.3). The return on equity was 13.5 percent (neg). The negative return posted in 2003 was due to the considerable write-downs charged against earnings.

Cash flow

During the year, tangible fixed assets were acquired for SEK 806 M (873), of which NCC Roads accounted for approximately half. Cash flow before financing during 2004 amounted to SEK 4,495 M (762). The improvement in cash flow during 2004 was attributable to sales of properties and development projects and to the payment of proceeds from properties and development projects sold in 2003. Properties were sold for a total of SEK 4.2 billion during the year.

Equity/assets and debt/equity ratios and capital employed

The equity/assets ratio on December 31 was 25 percent (21). Net indebtedness decreased by SEK 4,212 M in 2004 to SEK 679 M. As a result of the decrease in net indebtedness and increase in shareholders' equity, the debt/equity ratio was reduced to 0.1 (0.8).

Compared with 2003, capital employed declined, primarily as an effect of the sale of properties and development projects within NCC Property Development for SEK 4.2 billion. Sales of subsidiaries within NCC Roads reduced capital employed by about SEK 500 M. The value of unsold properties was reduced by about SEK 300 M during 2004, mainly in Sweden, which is also reflected in capital employed.

CHANGED CAPITAL STRUCTURE

The transfer of restricted funds to unrestricted funds resolved by the Annual General Meeting was implemented, by means of a reduction of share capital and legal reserves, and was registered with the Swedish Companies Registration Office in September 2004. The transfer of funds amounted to SEK 3,309 M. As a result of the transfer, the par value of the share was changed from SEK 25 to SEK 8.

SENSITIVITY AND RISK ANALYSES

Construction units are sensitive to changes in margins and volume. The importance of pursuing a selective tendering policy and risk management in early project stages is distinctly noticeable from the major impact on earnings of a one-percentage-point increase in the margin, in relation to a 5-percent increase in volume. (See table below.)

NCC Property Development's earnings are predominantly determined by sales. Sales opportunities are affected by the leases signed with tenants and an increased leasing rate generally results in higher sales. The

Sensitivity and risk analyses

	Change	Effect on profit after net financial items (annual basis), SEK M	Effect on return on equity, percentage points	Effect on return on capital employed, percentage points
NCC Construction				
Volume	+/– 5%	138	1.6	1.1
Operating margin	+/– 1 percentage point	330	3.7	2.5
NCC Property Development				
Sales volume, projects	+/– 10%	38	0.4	0.3
Sales margin, projects	+/– 1 percentage point	32	0.4	0.2
NCC Roads				
Volume	+/– 5%	34	0.4	0.3
Operating margin	+/– 1 percentage point	79	0.9	0.6
Capital rationalization	+/– 10%	18	0.2	0.3
NCC Group				
Interest rate, borrowing	+/– 1 percentage point	14	0.2	
Amortization of debt using liquid assets	10%	9	0.1	0.2
Decrease in net debt	SEK 500 M	24	0.3	0.4

value of a property is also determined by the property's operating economy and rent level, as well as the market's required yield.

NCC Roads' operations are affected by price levels and the volume of produced and paved asphalt. The sensitivity analysis shows how the current situation, whereby several players are seeking to increase their sales by reducing prices, is impacting negatively on profitability. Seasonal variations within NCC Roads mean that an extended season increases volumes and, because the proportion of fixed costs is high, also boosts margins.

On December 31, 2004, the NCC Group's net indebtedness amounted to SEK 679 M. Interest-rate changes or amortization of the remaining debt would have only a minor impact. A continued reduction in net indebtedness from the current level would have a continued favorable impact on profitability, while increased borrowing and a lower equity/assets ratio would have an adverse impact on earnings.

Seasonal effects

NCC Roads' seasonal characteristic is that the procurement of paving contracts is largely conducted during the spring, while asphalt production and paving are conducted during the summer half of the year. Construction units are also subject to certain seasonal variations.

PURCHASE AND SALE OF SUBSIDIARIES

In April 2004, NCC Construction Denmark acquired Holmbo Huse Orla Christensen A/S, a Danish manufacturer of single-family dwellings. As a result of this acquisition, NCC enhances its position as a residential builder in Denmark. The sale by NCC, Vattenfall, Alstom and Mowlem of all of the shares in A-Train to Macquarie Bank was completed in January 2004. A-Train is the company that owns and operates the Arlanda Express rail service. The loss on this sale was charged against earnings in 2003.

The sale of road-marking operations to Geveko was completed in February 2004. The sales proceeds of approximately SEK 80 M had a marginal impact on NCC's earnings during the first quarter of 2004.

In June, all Swedish ready-mixed concrete stations were sold to AB Färdig Betong and Betongindustri AB for SEK 225 M. The transaction encompassed a total of 26 concrete stations shared by the two purchasers.

In September, the wholly owned Danish concrete company GH Beton A/S was sold for DKK 110 M, corresponding to approximately SEK 132 M, to three Danish companies, Bach Gruppen A/S, Deruda International A/S and Randers Cement A/S. In total, the divestment of Swedish and Danish concrete operations generated a gain of about SEK 80 M.

In December, NCC Roads Holding AB sold its Norwegian slate producer, Skifer og Naturstein AS, to AS Johs.Grønseth & Co. The purchase consideration of slightly more than SEK 82 M generated a capital loss of SEK 11 M.

OWNERSHIP STRUCTURE

The number of NCC shareholders at year-end was 24,103 (22,808), with Nordstjernan AB as the largest individual shareholders with 54.6 percent of the voting rights and 35.3 percent of the share capital. L E Lundbergföretagen was the second largest shareholder, accounting for 18.5 percent of the voting rights and 13.6 percent of the share capital. The ten largest shareholders jointly accounted for 87.6 percent of the voting rights and 66.7 percent of the share capital. Of the Swedish-held shares, institutions accounted for 31.3 percent of the share capital and mutual funds for 16.7 percent. The proportion of foreign shareholders was 6.8 percent of the share capital, with the US and UK accounting for the largest holdings. No major changes in shareholdings occurred during the year. Catella Funds and SHB/SPP Funds are new members of the ten largest shareholders, replacing Ram One Fund and the Baltic Sea Foundation on this list.

FINANCIAL RISK MANAGEMENT

Finance policy

Through its business operations, the Group is exposed to financial risks. These financial risks are currency, interest-rate, credit and liquidity risks. NCC's finance policy for managing financial risks was decided by the Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized in order to monitor the Group's overall financial risk positions, to achieve cost efficiency and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's exchange and interest rates, credit and liquidity are managed centrally.

Currency risks

The currency risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement. At the end of 2004, NCC's operational net transaction exposure was not significant. In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known, mainly by using currency forward contracts. Currency hedging of net investments in foreign subsidiaries is conducted via loans or currency forward contracts. Exposure affecting financial flows, such as loans and investments, is mainly hedged by means of currency swaps.

Interest-rate risks

The interest-rate risk is the risk that changes in interest rates will adversely affect NCC's net interest items and/or cash flow. NCC's main financing sources are shareholders' equity, cash flow from business operations and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy stipulates guidelines governing the average maturity of borrowing. NCC aims for a good balance between long and short periods of fixed interest. If the interest terms of available borrowing vehicles are not compatible with the desired structure for NCC's loan portfolio, interest swaps are the main instruments used to adapt the structure.

At the end of 2004, NCC's interest-bearing liabilities amounted to SEK 4,286 M (8,412) and the average maturity was 1.3 years (0.9).

Credit risks

NCC's investment regulations are reviewed continuously and characterized by caution. The policy is that no credit losses be incurred within operations. This policy also applies to accounts receivable. An assessment of credit ratings is made for each customer. There are established rules for making decisions about the collateral required when signing contracts, and customers must provide collateral for their obligations.

Liquidity risks

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the volume of unutilized committed lines of credit amounted to SEK 3.3 billion. Available liquid assets are invested in banks or interest-bearing instruments with good credit ratings and liquid secondary markets. At year-end, the Group's liquid assets amounted to SEK 2.6 billion. Access to funds on December 31 corresponded to 13 percent of sales.

Also refer to Note 1 of the accounting principles and Note 33, Financial instruments.

BUSINESS AREAS

NCC Construction Sweden

Orders received by NCC Construction Sweden during 2004 rose 16 percent to SEK 19,833 M (17,058). The increase was mainly attributable to an upswing in residential construction, for both external customers (municipal and private sector) and propriety projects. Increased orders were also noted within civil engineering, industrial and retail projects, while the market for office projects remained soft. Orders received during the fourth quarter rose by SEK 2.7 billion, mainly resulting from the receipt of several major projects. For example, NCC secured orders for two subprojects for the construction of the City Tunnel in Malmö, worth a combined total of SEK 1.5 billion, and received a breakthrough order for NCC Partnering in Sweden, in the form of construction of a pelletizing plant worth SEK 555 M for LKAB.

Operating profit (EBIT) amounted to SEK 409 M (412). Earnings were affected positively by strong sales of housing, with the number of sold units rising to 1,450 (1,056). However, earnings were adversely affected by a weak trend for several civil engineering projects, including a settlement regarding the Södra Länken project, the cost of which was charged against third-quarter earnings. Write-downs of a number of ongoing civil engineering projects were charged against fourth-quarter earnings.

NCC Construction Denmark

Orders received by NCC Construction Denmark rose to SEK 6,174 M (4,362). The increase was mainly due to continued strong demand for housing, which resulted in the start-up of proprietary projects, and increased orders for external housing contracts.

Full-year operating profit (EBIT) amounted to SEK 150 M (145).

NCC Construction Finland

Orders received by NCC Construction Finland amounted to SEK 4,853 M (6,030). Orders received in the preceding year included two large orders for shopping malls in Helsinki and Tallinn. Demand for housing in Finland was high for most of 2004. Operating profit (EBIT) rose to SEK 267 M (197). The earnings improvement was due to strong housing sales, a favorable trend for housing construction and the first-quarter sale of land held for future development, which generated a gain of SEK 38 M.

NCC Construction Norway

Orders received by NCC Construction Norway in 2004 totaled SEK 4,342 M (3,235). The increase was due to a favorable level of orders received for civil engineering and housing projects. Operating profit (EBIT) improved to SEK 91 M (58), mainly as a consequence of improved earnings from civil engineering operations and profit recognition of major projects, including the Snøhvit project in northern Norway.

NCC Construction Germany

Orders received by NCC Construction Germany totaled SEK 1,292 M (1,063). Operating profit (EBIT) amounted to SEK 45 M (48).

NCC International Projects

NCC International Projects reported an operating loss (EBIT) of SEK 62 M (profit: 116) for 2004. The loss was due to write-downs of projects in regions being phased out. Earnings for the preceding year were characterized by a high work-up rate for the A2 highway project in Poland. In accordance with a decision taken in March 2004, the business area was phased out.

NCC Property Development

NCC Property Development develops and sells commercial real estate projects. The gradual divestment of managed properties has been under way for a couple of years. The business area's sales totaled SEK 3,465 M (2,052) and its operating profit amounted to SEK 219 M (loss: 780). Operating results in 2003 were charged with write-downs totaling SEK 782 M.

Property development

The sales volume in 2004 was SEK 3,228 M (1,789).

Operating profit (EBIT) amounted to SEK 125 M (loss: 757). Several sales completed in Denmark, Sweden and Finland in November and December generated healthy capital gains.

Project costs for construction-initiated projects totaled SEK 0.9 billion (2.9) on December 31, 2004. Costs incurred in all initiated projects amounted to SEK 0.7 billion (2.7), corresponding to 89 percent (94) of total project costs. The leasing rate on December 31, 2004 was 84 percent (50). In view of the continued weak office market in the Nordic region, NCC is adopting a highly restrictive approach to initiating construction on new projects.

Managed properties

During 2004, sales of managed properties totaled SEK 967 M (170), resulting in combined capital gains of SEK 59 M (loss: 29). The Borgarfjord property in Kista was sold in December, which yielded sales

Net sales and profit by business area

SEK M	Net sales 2004	Net sales 2003	Operating profit/loss (EBIT) 2004	Operating profit/loss (EBIT) 2003
NCC Construction Sweden	17,329	16,899	409	412
NCC Construction Denmark	5,194	5,440	150	145
NCC Construction Finland	5,443	5,055	267	197
NCC Construction Norway	3,863	4,417	91	58
NCC Construction Germany	1,233	1,106	45	48
NCC International Projects	2,833	3,869	–62	116
NCC Property Development	3,465	2,052	219	–780
NCC Roads	7,899	7,919	217	44
Altima[1]		1,268		59
Total	**47,260**	**48,025**	**1,335**	**299**
Other items and eliminations	–1,824	–2,773	–218	–294
Group	**45,437**	**45,252**	**1,117**	**5**

[1] Altima shares were distributed to NCC shareholders in 2003.

revenue of SEK 550 M. Accordingly, virtually the entire holding of wholly owned managed properties has now been sold.

Rental revenues from managed properties amounted to SEK 81 M (164) during the year. The operating net was SEK 26 M (47).

The book value of the remaining portfolio of managed properties was SEK 41 M, which is the same as the fair value.

NCC Roads

NCC Roads' net sales in 2004 amounted to SEK 7,899 M (7,919). As a result of mild weather at the end of the year, paving work could be conducted right into the month of December, which benefited Danish operations in particular. Volumes were high during the year, particularly in Denmark, at the same time as several asphalt markets experienced severe price pressure.

Operating profit (EBIT) for 2004 amounted to SEK 217 M (44). Earnings in 2003 were charged SEK 195 M for write-downs of goodwill and other assets, as well as restructuring costs. Rationalization measures and productivity improvements initiated in Norway and Denmark in 2003, as well as volume increases, had a favorable effect on full-year earnings.

The subsidiary Skifer og Naturstein AS was sold in December. The purchase consideration of slightly more than SEK 82 M gave rise to a capital loss of SEK 11 M.

PERSONNEL

Number of employees

The average number of employees in the NCC Group was 22,214 (24,076). The decrease was due mainly to continued downsizing following rationalization measures and sales and spin-offs of subsidiaries.

Pension foundation

The NCC Group's pension foundation was registered in April 2003. The purpose of the foundation is to secure pension commitments covered by the national pension plan, as well as other pension commitments that NCC AB and other companies in the NCC Group's Swedish operations have made or will make in the future to employees and surviving relatives of employees. Also refer to Note 30, Employee Benefits.

SIGNIFICANT DISPUTES

Ongoing cartel processes

In March 2003, the Swedish Competition Authority completed the investigation that was started in 2001 into alleged contract-tendering collusion and the illegal dividing-up of markets within asphalt operations. In its writ, the Competition Authority demanded a penalty fee totaling SEK 1.6 billion for anti-competition activities, of which NCC, after a 30-percent reduction for its cooperation in the investigations, accounted for SEK 472 M. NCC believes that it has favorable prospects of bringing about a reduction in the penalty fee during the forthcoming main hearing, which is expected to take place during spring 2006.

Nine municipal authorities have sued companies, including NCC, for damages due to cartel collusion. The combined claim for damages from all of the companies involved totals nearly SEK 50 M. In September 2004, the question of whether persons other than contractual parties with municipalities could be sued was addressed by Stockholm City Court. In November 2004, the Court ruled in favor of this possibility. This ruling has been appealed.

During 2004, the Competition Authority in Finland sued asphalt companies, including NCC subsidiaries, for cartel collusion. The claim against the subsidiaries totals approximately SEK 100 M. NCC contests the charges of cartel collusion.

In February 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to the Norwegian economic crimes agency for alleged breach of competition legislation. NCC's own investigations cannot exclude the possibility that a ten-year old invoice was intended as so-called "loser fees", a finding that NCC made public. Subsequently, the police inquiry continued and up to February 2005 nothing new had been forwarded to NCC.

The competition-impairing fees claimed by the Competition Authorities in Sweden and Finland have been reported as contingent liabilities, as have the damages claimed in Sweden. Any provision that has an impact on NCC's earnings will be posted when it becomes possible to reliably estimate the size of the penalty.

Tax processes

NCC Property Development and the German tax authorities have reached an agreement that will exempt NCC from exposure to a tax risk of SEK 510 M. Also refer to page 49, Comments on the balance sheet.

The dispute traces its roots to properties in Germany that were owned through Dutch subsidiaries of NCC Property Development during the early 1990s and which subsequently became subject to a tax audit.

RESEARCH AND DEVELOPMENT

As part of the business conducted by the NCC Group, resources are continuously invested in research and development conducted in-house or in cooperation with customers and also suppliers. The main R&D areas concerned are related to NCC's core building and civil engineering operations, as well as a general orientation that includes industrialized and sustainable construction. A large amount of development work is conducted as part of ongoing business projects.

BRANCHES OUTSIDE SWEDEN

The NCC Construction Sweden business area conducts certain operations via a branch in Norway. NCC International Projects also has branches in Singapore, Russia, Norway and Zambia.

REPURCHASE OF OWN SHARES

The Annual General Meeting on April 7, 2004 renewed the Board's authorization to repurchase a maximum of 10 percent of the total number of NCC shares. No shares were repurchased in 2004. Since the original repurchase authorization was granted at the 2000 Annual General Meeting, NCC has repurchased 6,035,392 Series B shares at an average price of SEK 73.35, corresponding to 5.6 percent of the total number of shares. Excluding the repurchased shares, the number of shares outstanding is 102,400,430. The Board proposes that it be authorized by the Annual General Meeting to repurchase Series A or B NCC shares up to the next Annual General Meeting in such a number that the Company's holding of its own shares does not exceed 10 percent of the total number of NCC shares at any point in time. Share purchases must be effected via Stockholm Stock Exchange at a price per share that is within the band of share prices registered at each particular time. The reason for repurchasing shares is to adjust NCC's capital structure. Including the proposed authorization, NCC will be entitled to repurchase an additional 4.4 percent of the shares outstanding.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit and reporting obligations in accordance with the Environmental Code. This applies to the Swedish Parent Company and Swedish subsidiaries. Permit and reporting assessments are conducted on a continuous basis by municipalities and county councils. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt, concrete and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact of these operations mainly comprises emissions to air and noise.

WORK CONDUCTED BY THE BOARD OF DIRECTORS

During 2004, NCC's Board consisted of seven members elected by the Annual General Meeting: Tomas Billing (Chairman), Fredrik Lundberg (Deputy Chairman), Antonia Ax:son Johnson, Marcus Storch, Anders Rydin, Ulf Holmlund and Alf Göransson (NCC's President and CEO). The Board also had three members, with deputies, representing the employees. At the 2005 Annual General Meeting, it will be proposed that the Board be re-elected. Other senior executives within NCC attended Board meetings to present various issues and to serve as Board secretary. There were eight Board Meetings in 2004 at which minutes were recorded, which complied with the established schedule. The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with the NCC's decision-making procedures, have to be addressed by the Board. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board.

Committees

The Annual General Meeting appoints a Nomination Committee, whose role is to nominate Board members, to propose the fees to be paid to them and to nominate auditors. The Annual General Meeting held on April 7, 2004 appointed the following members of the Nomination Committee: Viveca Ax:son Johnson, Erik Åsbrink , Ulf Lundahl and Johan Björkman, with Johan Björkman as chairman. Tomas Billing, Chairman of the NCC Board, is a co-opted member of the Committee, but has no voting right. The Nomination Committee held two meetings in 2004.

REPORTING IN ACCORDANCE WITH IFRS

During 2004, NCC planned the transition to IFRS 2005. In the year-end report published on February 8, 2005, the effects that IFRS will have were reported in accordance with the recommendation from Stockholm Stock Exchange. These are also reported in Note 41, Financial Reporting, IFRS.

If these principles had been applied to NCC's financial statements at December 31, 2004, the value of total assets would have increased by SEK 1,652 M and shareholders' equity would have decreased by SEK 13 M. Net indebtedness would have increased by SEK 471 M. Profit (excluding minority interests) for 2004 would have increased by SEK 16 M.

PARENT COMPANY

Parent Company sales during the year totaled SEK 17,055 M (16,547). Profit of SEK 888 M (loss: 108) was reported after financial items. The improved earnings were due to the fact that shares in subsidiaries were written down in 2003. The average number of employees was 7,271 (7,382).

Commission agreement

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

SIGNIFICANT EVENTS AFTER YEAR-END

EUR 200 M credit facility

On January 25, NCC and a group of banks signed a credit facility in an amount of EUR 200 M, corresponding to approximately SEK 1.8 billion. The credit facility will be used primarily as collateral for NCC's short-term commercial papers borrowing and for financing operations. The facility, which will have a duration of five years, is NCC's first syndicated credit facility since 1997.

OUTLOOK

The Nordic construction market demonstrated stronger-than-expected growth during the fourth quarter of 2004 and NCC believes that the construction market will grow by 1–2 percent in 2005, compared with 2004. It is primarily the housing market and, gradually, the civil engineering market that are developing well.

PROPOSED DIVIDEND

In view of the strengthened financial position, the Board proposes an ordinary dividend of SEK 4.50 (2.75) per share, plus an extraordinary dividend of SEK 10.00 per share, making a total of SEK 14.50 per share. The proposed record date for dividends is April 7, 2005. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments, via VPC, will commence on April 12, 2005.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

The unrestricted equity in the Group amounts to SEK 4,280 M. No transfer to restricted equity is required. The Board also proposes that it be authorized by the Annual General Meeting to make decisions regarding the repurchase of Series A or B NCC shares up to the next Annual General Meeting in such a number that the Company's holding of its own shares does not exceed 10 percent of the total number of NCC shares at any point in time. The exercise of any options from the options program for senior executives could affect the number of shares that qualify for dividends[1]. In view of this, the Board may supplement its proposal for the distribution of unappropriated earnings by the time of the Annual General Meeting.

Earnings in the Parent Company available for distribution:	4,512,018,672
To be disposed of as follows:	
Ordinary dividend of SEK 4.50 per share to shareholders[2]	460,801,935
Extraordinary dividend of SEK 10.00 per share to shareholders[2]	1,024,004,300
To be carried forward	3,027,212,437
	SEK 4,512,018,672

1) As at February 18, 2005, 3,526,606 options had been exercised.
2) Calculated on the basis of 102,400,430 shares.

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.

INCOME STATEMENT

WITH COMMENTS

SEK M	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
	1				
Net sales	35	45,437	45,252	17,055	16,547
Production costs	10, 11, 30, 37	–41,809	–41,739	–15,930	–15,419
Gross profit		**3,628**	**3,513**	**1,125**	**1,128**
Sales and administration costs	10, 11, 12, 30, 37	–2,523	–2,717	–1,082	–1,079
Result from property management	5	29	50		
Result from sales of managed properties	6	51	–26		3
Result from sales of business properties	6	6	16	6	
Write-downs	7	–138	–64	–44	–4
Write-downs within NCC Property Development		–69	–782		
Result from participations in Group companies	8	73	4		
Result from participations in associated companies	9	60	11		
Operating profit		**1,117**	**5**	**5**	**48**
Result from financial investments					
Result from participations in Group companies	13			844	–154
Result from participations in associated companies	14			1	–70
Result from other financial fixed assets	15	45	51	2	–2
Result from financial current assets	16	103	168	108	144
Interest expense and similar items	17, 37	–310	–547	–72	–74
Profit/loss after financial items		**955**	**–323**	**888**	**–108**
Appropriations	19			66	74
Tax on net profit for the year	31	–96	–77	–236	–63
Minority interests		–3	–21		
NET PROFIT/LOSS FOR THE YEAR	2, 3, 4, 18, 38	**856**	**–421**	**718**	**–97**
Profit/loss per share					
Before dilution					
Profit/loss after tax, SEK		8.35	–4.10		
After full dilution					
Profit/loss after tax, SEK		7.90	–4.10[1]		
Dividend					
Ordinary dividend		4.50[2]	2.75		
Extraordinary dividend		10.00[2]			
Number of shares, millions					
Total number of issued shares	29	108.4	108.4		
Average number of shares outstanding		102.4	102.4		
Average number of shares following dilution		108.4	108.4		
Number of shares at year-end		102.4	102.4		
Repurchased shares at year-end		6.0	6.0		
Specification of costs					
Depreciation/amortization					
Goodwill	20	–174	–215		
Other intangible assets	20	–15	–15		–1
Business properties	21	–57	–79	–3	–4
Managed properties	21	–6	–14		
Machinery and equipment	21	–558	–779	–45	–42
Total depreciation/amortization		–810	–1,103	–48	–47
Personnel costs	11	–9,650	–9,905	–3,803	–3,768

1) Since the loss per share for 2003 would decrease if dilution were to be taken into account, due to the options outstanding, profit/loss per share has only been calculated without taking dilution into account.
2) Proposal to 2005 Annual General Meeting.

Net sales

Consolidated net sales for 2004 totaled SEK 45,437 M (45,252). Excluding sales of proprietary projects, sales amounted to SEK 42,209 M (43,462). Sales were affected favorably by increased housing production and negatively by lower activity within the NCC International Projects business area, which is being phased out in accordance with a decision taken in March 2004. Sales in 2003 also included revenues of SEK 1,268 M from the former subsidiary Altima, which was spun off in 2003. Also see Note 4, Discontinuing Operations.

Result from property management

Property management is normally conducted within NCC Property Development. The operating net within NCC Property Development was SEK 26 M (47).

Result from sales of managed properties

Sales of managed properties and business properties are reported under the heading Result from sales of managed properties. NCC Property Development sold properties that generated gains of SEK 59 M (loss: 29).

Write-downs

During the year, NCC Property Development posted write-downs in an amount of SEK 69 M (782) and other write-downs, mainly pertaining to residential development projects, amounted to SEK 51 M (9).

Write-downs of goodwill

NCC conducts impairment tests of the value of goodwill annually or more frequently when the need arises. Write-downs of SEK 87 M (55) were charged against net profit for the year. The goodwill write-down pertained mainly to NCC Roads.

Operating profit

The Group reported full-year operating profit (EBIT) of SEK 1,117 M (5). The earnings improvement was mainly attributable to robust housing sales and the sale of properties. NCC Construction Sweden's earnings were adversely affected by write-downs of a number of civil engineering projects, as were NCC International Projects' earnings in the regions being phased out. Earnings in 2003 were charged with write-downs of SEK 782 M within NCC Property Development and with write-downs and restructuring costs of SEK 195 M in NCC Roads.

Profit after financial items and before taxes

Profit after financial items (EBT) totaled SEK 955 M (loss: 323) during 2004. Net financial items amounted to an expense of SEK 162 M (expense: 328). The improved financial net was attributable to a reduction in net indebtedness and lower interest rates compared with the preceding year.

Taxation

The tax settlement in Germany that was verified in December 2004 and the tax ruling regarding deficits in Property AB SIAB had a positive impact on NCC's tax situation. Ongoing tax audits have been taken into account when calculating tax costs for the year.

Net profit for the year

Profit after taxes during 2004 amounted to SEK 856 M (loss: 421).

Parent Company

Parent Company sales during the year totaled SEK 17,055 M (16,547). Profit of SEK 888 M (loss: 108) was reported after financial items. The improved earnings were due to the fact that shares in subsidiaries were written down in 2003.

BALANCE SHEET

WITH COMMENTS

ASSETS

SEK M	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
	1				
Intangible fixed assets	20				
Goodwill		1,597	2,045		
Other intangible assets		31	82	2	
Total intangible assets		**1,628**	**2,127**	**2**	
Tangible fixed assets	21, 37				
Business properties and construction in progress		821	868	38	41
Managed properties		41	897		
Machinery and equipment		1,803	1,926	119	114
Total tangible fixed assets		**2,665**	**3,691**	**157**	**155**
Financial fixed assets	22				
Participations in Group companies	23			7,084	8,151
Receivables from Group companies				189	167
Participations in associated companies	24	609	694	166	160
Receivables from associated companies		66	73	42	24
Other long-term holdings of securities		114	167	7	116
Deferred tax assets	31	607	429	294	230
Other long-term receivables		916	715	115	96
Total financial fixed assets		**2,312**	**2,078**	**7,897**	**8,944**
Total fixed assets	4	**6,605**	**7,896**	**8,056**	**9,099**
Properties classed as current assets	25				
Property development projects		2,002	3,755		
Housing development projects		3,495	3,510	823	1,200
Participations in associated companies	24	53	116		
Total properties classed as current assets		**5,550**	**7,381**	**823**	**1,200**
Inventories, etc.					
Materials and inventories	26	604	575	1	
Advances to suppliers		11	15		
Total inventories, etc.		**615**	**590**	**1**	
Current receivables					
Accounts receivable		6,172	6,145	2,365	2,264
Receivables from Group companies				753	613
Receivables from associated companies		156	115	23	16
Worked-up, non-invoiced revenues	27	2,696	2,421		
Other current receivables		1,620	2,071	244	352
Tax receivables		138	221		146
Prepaid expenses and accrued income		581	692	226	202
Total current receivables		**11,363**	**11,665**	**3,611**	**3,593**
Short-term investments		**1,216**	**1,174**	**2,735**	**2,061**
Cash and bank balances		**1,389**	**1,291**	**843**	**368**
Total current assets	4	**20,133**	**22,101**	**8,013**	**7,222**
TOTAL ASSETS	3, 28, 38	**26,738**	**29,997**	**16,069**	**16,321**

Intangible fixed assets
Goodwill decreased as a result of planned amortization and sales of subsidiaries, particularly within NCC Roads. In addition, goodwill was written down by a total of SEK 87 M, pertaining to subsidiaries within NCC Roads and NCC Construction Finland.

Tangible fixed assets
The value of managed properties declined sharply during 2004, due to sales of properties, including the Borgarfjord property in Kista for SEK 550 M. The value of machinery and equipment decreased compared with the preceding year, mainly as a result of the divestment of a number of subsidiaries.

Financial fixed assets
Interest-free financial fixed assets rose, mainly as a result of the reporting of pensions in accordance with RR 29/IAS 19, which started on January 1, 2004.

Properties classed as current assets
Property development projects have decreased as a result of divestments. During 2004, NCC Property Development sold property development projects worth approximately SEK 3.2 billion.

Shareholders' equity
The change in shareholders' equity consists of net profit for the year, dividends to shareholders and the nonrecurring effect of the adaptation to RR 29/IAS19.

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
	1				
Shareholders' equity					
Restricted shareholders' equity					
Share capital	29	867	2,711	867	2,711
Restricted reserves		1,581	3,081	174	1,639
Total restricted shareholders' equity		**2,448**	**5,792**	**1,041**	**4,350**
Unrestricted shareholders' equity					
Unrestricted reserves		3,424	817	3,794	1,175
Net profit/loss for the year		856	–421	718	–97
Total unrestricted shareholders' equity		**4,280**	**396**	**4,512**	**1,078**
Total shareholders' equity		**6,728**	**6,188**	**5,553**	**5,428**
Minority interests		**84**	**78**		
Untaxed reserves	19			**852**	**918**
Provisions	28, 32				
Provisions for pensions and similar obligations	30	180	20	18	18
Provisions for taxes	31	502	659		
Other provisions		1,641	1,471	407	382
Total provisions		**2,323**	**2,150**	**425**	**400**
Long-term liabilities	4, 28, 33, 37, 38				
Liabilities to credit institutions		3,068	4,198	831	978
Liabilities to Group companies				2,379	2,208
Liabilities to associated companies		1	6		6
Other liabilities		113	101		5
Total long-term liabilities		**3,182**	**4,305**	**3,210**	**3,197**
Current liabilities	4, 28, 33, 37, 38				
Liabilities to credit institutions		1,046	3,520	5	45
Advances from customers		268	352	97	96
Project invoicing not yet worked up	34	3,563	3,521		
Work in progress on another party's account	35			1,930	2,083
Accounts payable		3,889	3,849	1,424	1,346
Liabilities to Group companies				781	1,216
Liabilities to associated companies		64	248	2	8
Tax liabilities	31	261	117	64	
Other liabilities		2,099	2,508	669	473
Accrued expenses and prepaid revenues	36	3,231	3,161	1,057	1,111
Total current liabilities		**14,421**	**17,276**	**6,029**	**6,378**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**26,738**	**29,997**	**16,069**	**16,321**
Assets pledged	39	**359**	**1,476**	**12**	**41**
Contingent liabilities	39	**6,041**	**7,601**	**18,961**	**21,193**

Other changes in shareholders' equity include translation differences and a revaluation of the effects of the personnel option program (hedging, etc.).

Provisions
Provisions rose, partly as a result of increased provisions for rental guarantees, in conjunction with sales of property development projects. New rules for reporting pensions, compared with the preceding year, increased provisions by SEK 207 M.

Long-term and current liabilities
Long-term and current liabilities declined because proceeds received for sales of managed properties and property-development projects, among other items, were used to amortize debt.

Assets pledged
Pledged assets declined in conjunction with the decrease in NCC's borrowing.

Contingent liabilities
The sale of Kista Science Tower KB and the tax settlement in Germany reduced the level of contingent liabilities . The German tax authorities directed tax claims of SEK 431 M against the Swedish company – NCC Property Development AB – and of SEK 129 M against foreign subsidiaries, making a total of SEK 560 M. NCC decided to appeal against the claims and simultaneously posted SEK 510 M as a contingent liability in 2003.

Parent Company
Write-downs of participations in Group companies have been posted where considered necessary.

CHANGES IN SHAREHOLDERS' EQUITY

WITH COMMENTS

GROUP

SEK M	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Restricted reserves	Unrestricted shareholders' equity: Unrestricted reserves	Unrestricted shareholders' equity: Net result for the year	Total equity
Opening balance, January 1, 2003	**2,711**	**3,386**	**679**	**821**	**7,597**
Translation difference		–131	–38		–169
Hedging of equity in foreign subsidiaries		1	95		96
Translation difference in sold companies			2		2
Total changes in shareholders' equity not reported in the income statement		**–130**	**59**		**–71**
Transfer between restricted and unrestricted equity		–175	175		
Other profit allocations			821	–821	
Effects of personnel options program (hedging, etc.)			5		5
Dividend			–808		–808
Write-down of goodwill, Altima			–114		–114
Net loss for the year				–421	–421
Shareholders' equity on December 31, 2003	**2,711**	**3,081**	**817**	**–421**	**6,188**
Effect of changed accounting principle			–86		–86
Adjusted opening balance, January 1, 2004	**2,711**	**3,081**	**731**	**–421**	**6,102**
Translation difference		72	–90		–18
Hedging of equity in foreign subsidiaries			27		27
Total changes in shareholders' equity not reported in the income statement		**72**	**–63**		**9**
Reduction of share capital and legal reserves	–1,844	–1,465	3,309		
Transfer between restricted and unrestricted equity		–107	107		
Other profit allocations			–421	421	
Effects of personnel options program (hedging, etc.)			43		43
Dividend			–282		–282
Net profit for the year				856	856
Shareholders' equity on December 31, 2004	**867**	**1,581**	**3,424**	**856**	**6,728**

PARENT COMPANY

SEK M	Restricted shareholders' equity: Share capital	Restricted shareholders' equity: Restricted reserves	Unrestricted shareholders' equity: Unrestricted reserves	Unrestricted shareholders' equity: Net result for the year	Total equity
Opening balance, January 1, 2003	**2,711**	**1,639**	**635**	**1,750**	**6,735**
Other profit allocations			1,750	–1,750	
Effects of personnel options program (hedging, etc.)			5		5
Dividend			–766		–766
Group contributions[1)]			–449		–449
Net loss for the year				–97	–97
Shareholders' equity on December 31, 2003	**2,711**	**1,639**	**1,175**	**–97**	**5,428**
Reduction of share capital and legal reserves	–1,844	–1,465	3,309		
Other profit allocations			–97	97	
Effects of personnel options program (hedging, etc.)			43		43
Dividend			–282		–282
Group contributions[1)]			–354		–354
Net profit for the year				718	718
Shareholders' equity on December 31, 2004	**867**	**174**	**3,794**	**718**	**5,553**

1) In accordance with URA 7, a statement from the Financial Accounting Standards Council's Emerging Issues Task Force. See the Reporting of Group and Shareholder Contributions section of the accounting principles, page 61.

Change in shareholders' equity

The change in shareholders' equity consists of net profit for the year, dividends to shareholders and the nonrecurring effect of the adaptation to RR 29/IAS 19. Other changes in shareholders' equity are translation differences and the effects of personnel options program (hedging, etc.).

Events and transactions

Transfer between restricted and unrestricted equity

The transfer of restricted funds to unrestricted funds resolved by the Annual General Meeting was implemented by means of a reduction of share capital and legal reserves and was registered with the Swedish Companies Registration Office in September 2004. The transfer of funds amounted to SEK 3,309 M. As a result of the change, the par value of the share was changed from SEK 25 to SEK 8.

Changed accounting principle

As of January 1, 2004, the financial statements have been adapted to RR 29, Employee Benefits. As previously announced in NCC's interim reports during 2004, the accumulated net effect after taxes of the changed principle has reduced opening shareholders' equity by SEK 59 M. During the fourth quarter of 2004, it was established that certain pension plans that were previously adjudged to be defined contribution obligations are now considered defined benefit plans. The final effect on opening shareholders' equity is now SEK 86 M. In accordance with the transitional rules contained in RR 29, comparative figures have not been adjusted.

Specification of accumulated translation differences in shareholders' equity

	2004	2003
Accumulated translation differences, January 1	44	115
Translation differences during the year in foreign subsidiaries	–18	–169
Effect during the year of hedging of net investments in foreign subsidiaries	27	96
Accumulated exchange-rate differences realized during the year through divestment of foreign operations		2
Total translation differences during the year	**9**	**–71**
Accumulated translation differences, December 31	**53**	**44**

CASH FLOW STATEMENT

WITH COMMENTS

SEK M	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
CONTINUING OPERATIONS					
Profit/loss after financial items		955	–323	888	–108
Adjustments for items not included in cash flow, etc.					
– Depreciation		809	1,103	48	47
– Write-downs		207	897	1,260	1,436
– Translation difference		–53	572	–8	
– Result from sales of fixed assets		–205	–48	–30	14
– Result after financial items, associated companies		–10	–50		
– Changes in provisions		149	–13	25	–181
– Anticipated dividend				–1,988	
– Other		–29	139	1	
Total items not included in cash flow		869	2,601	–692	1,316
Taxes paid		–166	–503	–90	–384
Cash flow from continuing operations before changes in working capital		**1,659**	**1,775**	**106**	**824**
Cash flow from changes in working capital					
Increase (–)/Decrease (+) in inventories		–30	142	–1	
Increase (–)/Decrease (+) in receivables		222	20	126	355
Increase (+)/Decrease (–) in liabilities		–201	–720	291	–761
Change in net work in progress				–153	84
Change in properties reported as current assets, net	40	1,749	–259	316	–145
Cash flow from changes in working capital		**1,740**	**–817**	**579**	**–467**
CASH FLOW FROM CONTINUING OPERATIONS		**3,399**	**958**	**685**	**357**
INVESTING ACTIVITIES					
Acquisition of subsidiaries	40	–4	–49	–146	–612
Sale of subsidiaries	40	450	136	17	252
Acquisition of buildings and land	40	–268	–178		
Sale of buildings and land		1,149	254	6	55
Acquisition of other financial fixed assets		–33	–80	–23	–132
Sale of other financial fixed assets		191	167	117	48
Acquisition of other fixed assets	40	–546	–708	–56	–84
Sale of other fixed assets		157	262	4	2
Cash flow from investing activities		**1,096**	**–196**	**–81**	**–471**
CASH FLOW BEFORE FINANCING		**4,495**	**762**	**604**	**–114**
FINANCING ACTIVITIES					
Dividend paid		–282	–282	–282	–282
Spinoff of Altima, liquid assets	40		–112		
Group contributions				–354	–444
Loans raised		280	812	1,610	
Amortization of loans		–4,423	–2,850	–118	–422
Increase (–)/Decrease (+) in long-term interest-bearing receivables		8	41	–46	–27
Increase (–)/Decrease (+) in current interest-bearing receivables		42	448	–265	471
Increase (+)/Decrease (–) in minority interests, etc.		–5	–18		
Cash flow from financing activities		**–4,380**	**–1,961**	**545**	**–704**
CASH FLOW DURING THE YEAR		**115**	**–1,199**	**1,149**	**–818**
Liquid assets on January 1	40	**2,465**	**3,717**	**2,429**	**3,247**
Translation difference in liquid assets	40	**25**	**–53**		
Liquid assets on December 31	40	**2,605**	**2,465**	**3,578**	**2,429**

Cash flow from continuing operations before changes in working capital

Cash flow was slightly lower than in the preceding year. Adjusted for the effects of the spin-off of the subsidiary Altima, however, cash flow is higher. Cash flow increased primarily in NCC Construction Sweden, NCC Construction Finland and NCC Property Development.

Cash flow from changes in working capital

NCC Property Development sold property-development projects (current assets) for approximately SEK 3.2 billion and received payments for properties sold in 2003. Working capital in Construction operations also improved.

Cash flow from investing activities

The improved cash flow from investing activities compared with the preceding year was due to the sale of a number of managed properties in 2004, the receipt of payments for a number of managed properties sold in 2003 and the fact that NCC Roads sold a number of companies and operations during 2004.

Cash flow from financing activities

As a result of property sales and sales of properties classed as current assets, it was possible to amortize large amounts of loans.

Parent Company

The Parent Company's cash flow from continuing operations was affected by dividends that have yet to be paid and write-downs of shares in Group companies.

Liquid assets

	Group		Parent Company	
	2004	2003	2004	2003
Cash and bank balances	1,389	1,291	843	368
Short-term investments	1,216	1,174	2,735	2,061
Amount at year-end	**2,605**	**2,465**	**3,578**	**2,429**

Short-term investments at year-end amounted to SEK 1,216 M (1,174) M, of which SEK 1,103 M (1,061) consisted of financial instruments with maturities of up to three months. The Group's unutilized credits amounted to SEK 4.1 billion (3.8) at year-end.

Information about transactions that did not give rise to cash flow

GROUP	2004	2003
Cash flow was affected by exchange-rate differences in liquid assets estimated at:		
Exchange-rate differences in liquid assets	25	–53
Exchange-rate differences in liquid assets are attributable to:		
Liquid assets at the beginning of the year	10	–25
Cash flow during the year	15	–28

Net indebtedness

Net indebtedness (interest-bearing liabilities – liquid assets – interest-bearing receivables) decreased significantly compared with the preceding year. This was due primarily to sales of properties and development projects during the fourth quarter of 2003 and during 2004. Sales of housing projects are reported among "other changes in working capital."

Net indebtedness trend

SEK billion	Cash flow	Net indebtedness
Net indebtedness, January 1, 2004		**–4.9**
From operations	1.7	
Receipts from sales of property-development projects	2.2	
Gross investments in property-development projects	–0.4	
Gross investments in housing-development projects	–1.9	
Other changes in working capital	1.9	
Other investment activities	1.0	4.5
Dividend		–0.3
Net indebtedness, December 31, 2004		**–0.7**

NOTES

AMOUNTS IN SEK M, UNLESS OTHERWISE SPECIFIED

NOTE 1 ACCOUNTING PRINCIPLES

The NCC Group complies with the Annual Accounts Act, recommendations issued by the Swedish Financial Accounting Standards Council, statements issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, recommendations issued by the Industry and Commerce Stock Exchange Committee and sector-specific comments from the Swedish Construction Federation.

CHANGE IN ACCOUNTING PRINCIPLES

Effective January 1, 2004, the Swedish Financial Accounting Standards Council's recommendation RR 29, Employee Benefits, is applied in the consolidated financial statements for all pension plans.

Obligations for disability pension and family pension plans for office workers in Sweden are secured by NCC through an insurance policy with Alecta. In accordance with a statement by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, URA 42, this is a defined benefit plan that covers several employers. For fiscal year 2004, NCC did not have access to information that would enable it to report these plans as defined benefit obligations. Accordingly, the ITP pension plans that are secured through insurance with Alecta are reported as a defined contribution plan. Expenses during the year for pension insurance covered by Alecta amounted to SEK 66 M (64). Alecta's surplus can be distributed to policyholders and/or the insured. At year-end 2004, Alecta's surplus in the form of the collective solvency rate amounted to 128.0 percent (119.9). The collective solvency rate consists of the market value of Alecta's assets, expressed as a percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions, which does not comply with RR 29. Accordingly, the application of the new recommendation concerning insurance coverage in Alecta has no effect on NCC's income statement or balance sheet.

Pensions and other benefits were previously reported in accordance with generally accepted practices in each respective country. The application of the new recommendation has impacted the consolidated income statement and balance sheet, and is presented in the change in shareholders' equity and Note 30, Employee Benefits. The provisions for pensions increased by a net amount of SEK 109 M. Shareholders' equity is also impacted by the effect of special payroll tax, SEK 6 M, and deferred tax totaling a net expense of SEK 29 M. In accordance with the transitional regulations in RR 29, no adjustments have been made in the comparative figures.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED ACCOUNTS

The Parent Company accounting principles presented below differ from those used in the consolidated accounts, since recommendations by the Financial Accounting Standards Council provide scope for such differences in legal entities:

- Leasing
- Construction contracts and similar contracts
- Pensions

The differences are presented under the respective headings below.

CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with the Financial Accounting Standards Council's recommendation RR 1:00, Consolidated Accounts. The consolidated accounts include the Parent Company and all companies in which the Parent Company, directly or indirectly, has a controlling interest as well as joint ventures and associated companies.

Purchase method

A characteristic of the purchase method is that assets and liabilities are entered at market value, after due consideration for deferred tax on the acquisition date. If the acquisition value of a subsidiary exceeds the computed market value of the subsidiary's net assets, the difference is entered as Group goodwill.

Surplus values attributed to specific assets are amortized over the same period during which assets in the acquired legal entity are depreciated. Goodwill arising in this connection is amortized over the estimated useful life of the assets.

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

Subsidiaries

Companies in which the Parent Company, directly or indirectly, owns shares carrying more than 50 percent of the voting rights, or otherwise has a controlling influence, are consolidated in their entirety, less minority interests. For subsidiaries within NCC, see Note 23, Participations in Group companies.

Minority interest

In companies that are not wholly owned subsidiaries, minority interest is reported as the share of equity held by external shareholders. The minority share of profit after tax is reported in the income statement.

Elimination of transactions between Group companies
Profits and losses that arise when a Group company sells goods or services to another Group company are eliminated in their entirety, provided there are no write-down requirements.

Internal pricing
Market prices are applied for deliveries between Group companies.

Foreign subsidiaries
Since foreign subsidiaries are classified as independent operations, current accounting is applied. All assets and liabilities in the balance sheets of subsidiaries are translated at year-end exchange rates, and all income statement items are translated at average exchange rates for the year. The translation difference arising in this connection is transferred to shareholders' equity. For divested subsidiaries, the accumulated translation difference is reported under consolidated profit/loss.

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 participations in associated companies, see Note 24.

Participations in associated companies are consolidated in accordance with the equity method, in compliance with the Financial Accounting Standards Council's recommendation RR 13, Associated Companies.

In the equity method, the book value of shares in associated companies is adjusted by the Group's shares in the profit of associated companies, less dividends received. As in the case of full consolidation, an acquisition analysis is made. The resulting surplus value is amortized over its estimated useful life; the amortization also affects the book value of the shares. NCC's share in the results of associated companies is reported in the income statement as "Result from participation in associated companies," which is part of operating profit. Any tax on the profit is reported under taxes. Result from participations in associated companies is shown in Note 9, Result from participation in associated companies.

Joint venture
Joint ventures are reported in compliance with the Financial Accounting Standards Council's recommendation RR 14, Joint Ventures, which are projects conducted in forms similar to those of a consortium, that is with joint ownership and control of an activity conducted for a limited period of time. NCC generally consolidates joint ventures in accordance with the equity method.

REVENUES
With the exception of contracting assignments, the Group applies the Financial Accounting Standards Council's recommendation RR 11, Revenues.

Properties in the income statement
NCC's sales include revenues from sales of properties reported as current assets. Sales also include rental revenues from properties reported as current assets.

Within NCC Property Development, income recognition of property projects occurs when the significant risks and benefits related to ownership of the property or when the company that owns the property is transferred. As a result, a property project might be sold at an early stage of development, which is defined as before construction is completed (or, in some cases, before construction has even started). For NCC's purposes, such sales are divided into two transactions. The first transaction – sale of a property project – comprises the realization of a property value that has been accumulated at several levels, such as site acquisition, formulation of a detailed development plan, design of a property project, receipt of a building permit and leasing to tenants. The second transaction is the contracting assignment, whereby income recognition within NCC is undertaken in accordance with the percentage of completion method.

Insofar as the signed leases on the sales date do not provide the buyer with an adequate return (in accordance with the initial return requirement), the difference is normally covered by a rental guarantee provided by the seller. When calculating the capital gain, sufficient provision must be posted for such rental guarantees. Rental guarantees normally account for a minor portion of the sale. One of the prerequisites for being able to recognize profit from a property project is that the project's leasing rate is sufficiently high. Based on a calculation of the maximum risk for the rental guarantees, an assessment is made of the probable outcome. The probable outcome is assessed on the basis of the rental and market situation for each individual project, in accordance with the prudence principle. If the leasing rate is less than 67 percent, a gain for the property project may only be recognized if the maximum risk is less than the calculated gain (before the provision for rental guarantees).

Result from property management
Results from property-management operations consist of the operating net less depreciation according to plan. This item also includes shares in the results of associated companies

with operations consisting of property management. Rental revenues are distributed evenly over the leasing period. Also see Note 5, Result from property management.

Result from property sales

This item includes revenues from sales of managed and business properties. Sales and administrative costs include costs for the company's own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See Income Statement and Note 6, Result of property sales.

DEPRECIATION

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

Goodwill	5–20 percent
Right of use	in line with confirmed depletion of net asset value
Software	20–33 percent
Buildings	1.4–5 percent
Land improvements	3.7–5 percent
Pits and quarries	in line with confirmed depletion of net asset value
Fittings in leased premises	20 percent
Managed properties	1 percent
Properties classed as current assets	Not depreciated; also see Properties classed as current assets
Machinery and equipment	7.5–33 percent

The distribution of depreciation/amortization in the income statement and balance sheet is presented in comments concerning the income statement and Note 20, Intangible fixed assets and Note 21, Tangible fixed assets.

IMPAIRMENT

Assessments to determine write-down requirements are made in accordance with the Financial Accounting Standards Council's recommendation RR 17, Write-downs. The write-down requirement is determined by the higher of an asset's net sales value and estimated useful value, or recovery value. For write-downs in 2004, see Note 7, Write-downs.

NCC conducts annual impairment tests of reported asset values, for indications of whether values have declined. In the event that the recovery value is lower than the book value, a write-down is posted. If the basis for write-downs has been removed, write-downs posted earlier must be reversed. Write-downs are reported in the income statement.

The term write-down is also used in connection with revaluations of properties classed as current assets. Valuations of these properties, however, are based on the lowest value principle and comply with the Financial Accounting Standards Council's recommendation RR 2:02, Inventories.

INCOME TAXES

The Group applies the Financial Accounting Standards Council's recommendation RR 9, Income Taxes. Reported tax consists of current tax and deferred tax. Taxes are reported in the income statement, with the exception of cases in which underlying transactions are reported directly under shareholders' equity. Current tax is tax due for payment or receipt during the current fiscal year, which also includes adjusted tax attributable to previous periods.

The deferred tax liability is calculated on the basis of anticipated tax rates for the following year in the countries concerned. Deferred tax is reported as temporary differences between reported and taxable values of assets and liabilities. Deferred tax receivables represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carryforwards and other tax deductibles. When changes occur in tax rates, the change is reported in the consolidated income statement. Tax loss carryforwards are reported to the extent that it is considered likely they will result in lower tax payments in the future. For tax on profit for the year and deferred tax assets and liabilities, see Note 31.

REPORTING BY SEGMENT

To adapt its financial accounts to the Financial Accounting Standards Council's recommendation RR 25, Reporting by segment, NCC has divided the operations into primary and secondary segments.

The Group's primary segments are business areas and the secondary segments are geographical markets. NCC's business areas are Construction, Property Development and Roads. The geographical markets are Sweden, Denmark, Finland, Norway and other countries. Reporting by segment is presented in Note 2, Business segments, and Note 3, Geographical markets.

EARNINGS PER SHARE

Earnings per share are reported in accordance with the Financial Accounting Standards Council's recommendation RR 18, Earnings per share. The item is reported in direct connection to the consolidated income statement. The calculation of earnings per share is not impacted by preferred shares or convertible debentures, since there are none. However, there are options programs that may create a dilution effect. For additional information about the options programs, see Note 11, Personnel expenses. A dilution effect arises only if the present value of the subscription price is lower than the share's market price at year-end.

If the number of shares changes during the year, a weighted average is computed for the period's outstanding shares.

INTANGIBLE ASSETS

NCC applies the Financial Accounting Standards Council's recommendation RR 15, Intangible Assets. Intangible assets are reported at acquisition cost less accumulated depreciation.

Goodwill arising from acquisitions of companies is valued in accordance with the regulations specified in the Financial Accounting Standards Council's recommendation RR 1:00, Consolidated Accounting. Goodwill in foreign operations is valued in local currency.

Usufructs consist of stone and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value; in this case, volumes of extracted stone and gravel.

For distribution of value, also see Note 20, Intangible fixed assets.

TANGIBLE FIXED ASSETS

Properties

In the balance sheet, properties classified as fixed assets are included in buildings and land, while properties classified as current assets are included in properties classified as current assets.

Buildings and land

Buildings and land are divided into the following categories:

- Managed properties and
- Business properties.

Managed properties comprise the existing holding of completed property projects available for leasing at December 31, 2001, less property sales completed through year-end 2004. Although NCC does not intend to retain these properties long term, but rather to sell them when business or market conditions are appropriate, the holding is reported under managed properties.

Valuation of business properties

Business properties are reported in accordance with the Financial Accounting Standards Council's recommendation RR 12, Tangible fixed assets. Also see Note 21, Tangible fixed assets.

Valuation of managed properties

NCC conducts internal valuations to determine any write-down requirements. In prior years, independent valuations were also made of most property holdings in Sweden. No such valuation was made for 2004.

The market value of managed properties, in accordance with the internal valuation, is calculated in the form of a return value based on the cash flow method. The method defines market value as the present value of cash flow value over a 10-year period and the present value of residual value in year 11. The cash flow consists of the operating net less any investments. The residual value is computed as a perpetual capitalization of the market cash flow after the computation period. The cost of capital is used as the direct yield requirement.

The required yield varies between 7 and 10 percent, depending on the property's location. Each property has been valued in accordance with its own conditions. The deficit values of individual properties have not been offset against surplus values in other properties.

LEASING

NCC complies with the Financial Accounting Standards Council's recommendation RR 6:69, Leasing. In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing. Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet. Corresponding obligations are entered as long-term and current liabilities. Leased assets are depreciated, while leasing payments are reported as interest and debt amortization. The assets are reported in the balance sheet under appropriate asset items. Operational leasing is reported only in the income statement. Leasing fees are distributed on the basis of use, which could differ from the leasing fee paid during the year under review. For information about leasing, see Note 37.

In the legal entity, the Parent Company, all leasing agreements are reported in accordance with the regulations for operational leasing.

FINANCIAL FIXED ASSETS

Financial fixed assets are normally reported at acquisition cost. Write-downs are posted if fair value is less than acquisition cost. For information regarding value and type of asset, see Note 22, Financial assets. For valuations of shares in associated companies and joint ventures, see respective headings above. The Parent Company reports shares in Group companies at acquisition cost, where applicable, less write-downs.

CURRENT ASSETS

Properties reported as current assets

With the exception of managed and business properties, the Group's property holdings are reported as current assets, under the heading property and housing development projects, when the intention is to sell the properties on completion. Property development projects are defined as properties held for development and sale in the Group's property development operations, NCC Property Development. Housing-development projects pertain to unsold residential properties, undeveloped land and properties held for future development in construction operations, NCC Construction. Properties classified as current assets are valued in accordance with the Financial Accounting Standards Council's recommendation RR 2:02, Inventories.

Property development projects

Property development projects within NCC Property Development are divided as follows:

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

The distribution of values is presented in Note 25, Properties reported as current assets.

Properties held for future development

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

Ongoing property projects

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

As of the date of reclassification to ongoing property projects, interest expense is capitalized. The supporting data for capitalization also includes the book value of the property at the reclassification date. Ongoing property projects include properties under construction, extension or refurbishment.

If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Ongoing property projects are reclassified as completed property projects as of the date when the property is ready for occupancy, before adjustments to tenant requirements. The reclassification is effective from the date of approved final inspection.

Completed property projects

Completed property projects cannot be subject to reclassification. A completed property project can only be removed from the balance sheet as a result of a sale.

Housing-development projects

Housing-development projects are divided between:

- Properties held for future development
- Finished, unsold residential properties

For distribution of values, see Note 25, Current assets.

Ongoing housing-development projects are reported as contracts. The reclassification from properties held for future development to contracts occurs when a decision to initiate construction has been taken.

Properties held for future development

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

Completed, unsold residential properties

Project costs for completed unsold residential properties are reclassified from ongoing housing-development projects to properties classed as current assets when they are ready for occupancy, or not later than the date of final inspection.

Valuation of property development projects

The acquisition value of properties includes:

- Acquisition costs
- Planning costs
- Production costs for new buildings, extensions and refurbishment.

Production costs for ongoing property projects include interest expenses. Properties classified as current assets and finished, unsold residential properties are valued at the lower of acquisition value and fair value. Fair value is defined as net sales value less anticipated selling overheads.

Valuations of properties held for future development are based on a value per square meter of development rights, or a value per square meter of land.

The market value of ongoing property projects is calculated in two stages:

– In stage 1, the projects are valued in accordance with the direct yield method, whereby the property's current yield at full occupancy is divided by the project's direct yield requirement. Vacant space beyond the normal vacancy rate is taken into account in the form of a deduction from the value based on assumptions regarding the leasing rate.
– In stage 2, market value is calculated as follows:

$$\frac{\text{Costs incurred}}{\text{Total project costs}} \times \text{Estimated market value in completed condition}$$

A prerequisite for this proportioning is that estimated market value according to Stage 1 exceeds the total project cost. If the market value is less than the total project cost, a write-down to market value is posted. The market value of properties included in the project portfolio and classified as current assets, meaning properties held for future development and sale, is normally calculated in the manner described above for ongoing property projects.

The market value of completed property projects is calculated in accordance with the same method used for ongoing property projects.

Properties classified as current assets transferred from subsidiaries

Due to the commission relationship between NCC AB and NCC Construction Sverige AB, certain properties that are included in housing projects will be reported in NCC AB's accounts, even if the ownership right remains with NCC Construction Sverige AB until the properties are sold to customers. NCC Construction Sverige AB does not pay property tax for these properties.

INVENTORIES

Inventories are valued at the lower of acquisition value and net sales value. The distribution of inventory values is shown in Note 26, Materials and inventories.

CONTRACTING AND SIMILAR ASSIGNMENTS

Income recognition based on percentage of completion method

The Group complies with the Financial Accounting Standards Council's recommendation RR 10, Contracting and similar assignments, for reporting of contracting assignments.

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

- Project revenues – All revenues related to the 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 costs – All costs corresponding to project revenues related to the particular contract.
- Completion rate – Costs incurred in relation to estimated total contract costs.

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

For projects whose revenues and costs cannot be reliably calculated when the final accounts are being prepared, so-called zero recognition is applied. In such cases, the project is reported as revenue corresponding to the worked up costs; that is, zero income is reported until such time as the actual income can be determined. As soon as this is possible, the project switches to the percentage of completion method. For all projects exceeding SEK 100 M, NCC applies zero recognition as long as the work-up rate for the project corresponds to a degree of completion of less than 50 percent.

The following examples illustrate how the percentage of completion method is applied. On January 1 of year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is SEK 100 M and the anticipated profit from the project is SEK 5 M. On December 31 of year 1, NCC's costs for the project amount to SEK 47.5 M, which is in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC books half of the anticipated profit of SEK 5 M, that is SEK 2.5 M, in the accounts for year 1. Income recognition on completion means that profit is not recognized until the end of year 2, or the beginning of year 3, depending on when the final financial settlement with the customer was agreed.

Income	Year 1	Year 2
Income recognition on completion	SEK 0 M	SEK 5 M
According to percentage of completion	SEK 2.5 M	SEK 2.5 M

The compilation of the result of proprietary housing projects is based on the lower of the completion rate and sales rate. Applying this principle means that if the sales rate for a project is less than the completion rate, earnings from the project are calculated on the basis of the sales rate.

Example: Sales rate of 25 percent
Completion rate of 50 percent

In the above example, earnings based on the percentage of completion method during Year 1 would be only SEK 1.25 M, rather than the SEK 2.5 M based on the completion rate. As a consequence of earnings recognition based on the percentage of completion method, the trend of earnings is reflected immediately in the financial accounts. However, percentage of completion gives rise to one disadvantage. Due to unforeseen events, the final profit may 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.

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

Balance-sheet items such as "worked up/non-invoiced" and "invoiced/not worked up" are booked in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are reported as current assets, while projects for which invoiced revenues exceed worked-up revenues are reported as a current interest-free liability. See Note 27, Worked-up/non-invoiced revenues.

Work in progress in Parent Company
Fixed-price contracts not completed at year-end are reported in the Parent Company balance sheet as work in progress. The invoicing amount is equivalent to the amount billed to the customer, including amounts withheld by the customer in accordance with contract terms. Advances not matched by work performed reduce the invoiced amount. Costs incurred by a particular construction worksite include:

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

Work in progress on another party's account comprises the difference between invoicing and costs incurred. Income is recognized when the project is completed. As a result of this accounting method, this entry may include profits not entered as income. When a project is expected to incur a loss, a provision is made for the projected loss. For details, see Note 35, Work in progress on another party's account and net sales.

FINANCIAL INSTRUMENTS
Financial instruments are reported in compliance with the Financial Accounting Standards Council's recommendation RR 27, Financial Instruments: Information and classification.

Financial instruments reported under assets in the balance sheet include liquid assets, accounts receivable, financial investments and derivatives. Accounts payable, loans and derivatives are reported under liabilities.

A financial asset or financial liability is entered in the balance sheet when the company assumes responsibility for the instrument's contractual terms and conditions. Accounts receivable are entered in the balance sheet when invoices are sent. Accounts payable are entered when invoices are received.

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

Liquid assets
Liquid assets consist of cash and short-term investments. Cash held in accounts denominated in currencies other than local currency is valued at the year-end exchange rate.

Financial investments
Financial instruments retained as continuous holdings in the operations are classified as fixed assets. Financial fixed assets comprising shares are reported at the lower of acquisition value and fair value.

Interest-bearing securities acquired with the intention of being retained until redemption are classified as financial fixed assets and valued at accrued acquisition value. Surplus and deficit values are accrued over the instrument's maturity term.

Short-term investments and shares and participations are valued at the lower of acquisition value and market value at year-end. This valuation principle applies to the entire portfolio. This means that unrealized losses are deducted from unrealized gains. Any surplus loss is reported as a financial expense, while corresponding gains are not reported. Market values are based on official, year-end market prices.

Accounts receivable
Accounts receivable are reported in amounts expected to be received, less deductions for uncertain receivables based on individual assessments. The anticipated term of accounts receivable is short and, accordingly, the accounts are reported at nominal value with no discounts. For currency hedging contracts entered to secure flows of goods and services between countries, accounts receivable are valued at forward rates.

Accounts payable
Accounts payable have short maturity terms and are reported at nominal value with no discounts. Liabilities in foreign currency that have been secured through hedging contracts are computed at forward rates.

Loans
Loans are reported at amounts received less transaction costs. After the date of acquisition, the loans are valued at acquisition value.

Derivative instruments
Derivative instruments consist of forward contracts and swaps that are utilized to cover risks for exchange rate fluctuations and exposure to interest risks. The derivative instruments are classified as hedging instruments and are valued at acquisition value.

Hedge accounting
Gains and losses attributable to hedging are reported at the same time as gains and losses on the hedged items.

Receivables and liabilities in foreign currency
Currency swaps are used to hedge assets or liabilities against exchange-rate risks. Reporting complies with the Financial Accounting Standards Council's recommendation RR 8, Reporting of effects of exchange rate fluctuations. The dif-

ference between the forward rate and current exchange rate when the hedging contract was entered is accrued over the term of the currency forward contract.

Exchange-rate differences arising from translations of operational receivables and liabilities are reported in operating profit, while exchange-rate differences arising from translations of financial assets and liabilities are reported under net financial income/expense.

Exchange-rate differences on loans raised to finance foreign contracts are reported in profit when the particular project is income recognized.

Transaction exposure

Currency exposure related to future projected flows is hedged through forward contracts. The hedged currency contract that safeguards the projected flow is not entered in the balance sheet. Projected flows may either be invoiced amounts or projected transactions.

Net investments

In order to hedge a portion of net investments in foreign subsidiaries and in foreign associated companies consolidated in accordance with the equity method, Group companies have assumed positions in corresponding foreign currencies. These hedging positions are entered in the Parent Company and consolidated accounts at values based on year-end exchange rates. In the consolidated accounts, exchange-rate differences on these hedging positions, after taking tax effects into account, are entered directly in shareholders' equity in an amount corresponding to the year's translation differences in shareholders' equity.

			Average exchange rate		Year-end exchange rate	
Country	SEK	Currency	2004	2003	2004	2003
Denmark	100	DKK	122.60	122.90	121.10	121.61
EU	1	EUR	9.12	9.13	9.00	9.06
Norway	100	NOK	109.00	114.66	108.75	107.85
Poland	1	PLN	2.02	2.09	2.21	1.93
United States	1	USD	7.35	8.13	6.62	7.19

Hedging of the Group's interest maturities

Interest swaps are used to hedge interest-rate risk. The net result of interest swaps is reported as interest expense.

SHAREHOLDERS' EQUITY

Reporting of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are reported in accordance with a statement from the Emerging Issues Task Force of the Financial Accounting Standards Council, URA 7, Group and shareholder contributions.

Accordingly, these contributions are booked in accordance with their financial impact, which in the case of NCC is directly under shareholders' equity, following due consideration for tax.

Repurchase of shares

Repurchased NCC shares have been entered directly in unrestricted shareholders' equity, including repurchase costs. For repurchased shares, also see Note 29, Share capital.

PROVISIONS

Provisions are reported in accordance with the Financial Accounting Standards Council's recommendation RR 16, Provisions, contingent liabilities and contingent assets, in addition to provisions related to personnel, for which RR 29, Employee benefits, is applied.

Employee benefits

As of 2004, NCC complies with the Financial Accounting Standards Council's recommendation 29, Employee benefits, whereby pension benefits are computed with due regard for projected salary increases, inflation and other factors. By applying RR 29, defined benefit pension plans for pension and disability benefits are reported in accordance with the same principles in all Group subsidiaries. NCC does not offer any healthcare benefits, however. Such plans were reported previously in accordance with local regulations and directives for each respective country. In accordance with the transitional regulations, no adjustments have been made in comparative figures.

The recommendation 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 fiscal year-end. Other pension plans are defined benefit plans.

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

There are several defined contribution and 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 deposits made by the different 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 at fiscal year-end. The principle is intended to provide linear expensing of pension payments during the term of employment. The calculation is made annually by independent actuaries. The value of the defined benefit liability, accordingly, is the current value of anticipated future disbursements using a discount rate corresponding to the interest rate specified in Note 30, Employee Benefits. The outstanding term of interest corresponds to the pension obligations.

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

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 reported as an expense during the period in which the employees perform the services covered by the fee.

In conjunction with notices of employment termination, a provision is only posted 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 persons and disbursements for every personnel category or position, and a time plan for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after fiscal year-end, such payments are discounted.

Share-related options have been issued in previous years, and for these, employees that were offered an opportunity to acquire these options paid the market value. The options program has not given rise to any expenses, either when they were issued or later, and will not give rise to any liquidity outflow in the future. No options programs were issued during the year or the preceding year.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees.

Guarantee commitments

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

Other provisions

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

BORROWING COSTS

Borrowing costs are reported in accordance with the Financial Accounting Standards Council's recommendation RR 21, Borrowing costs, whereby borrowing costs are capitalized for assets that require substantial periods of time for completion. NCC capitalizes borrowing costs attributable to properties held for development and sale, which are capitalized when activities for completion have been started. Capitalization of borrowing costs is discontinued when the properties are reclassified as completed property projects. In some cases, capitalization is discontinued earlier, for example when the property is sold or occupied. Borrowing costs that arise when active development of the property is suspended for a prolonged period of time are not capitalized.

For capitalized borrowing costs, see Note 21, Tangible fixed assets, and Note 25, Fixed assets. No borrowing costs are capitalized for housing-development projects.

PLEDGED COLLATERAL

NCC reports security pledged for company or Group liabilities and/or obligations as pledged collateral. The liabilities and/or obligations may apply to liabilities or provisions that may or may or not be entered in the balance sheet. The collateral may be related to assets or mortgages entered in the balance sheet. Assets are booked at book value and mortgages at nominal value. Shares in Group companies are booked at their value in the Group. The different types of collateral are presented in Note 39, Pledged collateral, contingent liabilities and contingent assets.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are normally reported in accordance with the Financial Accounting Standards Council's recommendation RR 16, Provisions, contingent liabilities and contingent assets. The distribution and amounts of contingent liabilities are presented in Note 39, Pledged collateral, contingent liabilities and contingent assets.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, in accordance with the Financial Accounting Standards Council's recommendation RR 7, Cash flow statement. The reported cash flow includes only transactions that involve cash payments and disbursements. Cash flow effects from acquired and divested subsidiaries are presented in Note 40, Cash flow.

OPERATIONS UNDER TERMINATION

Operations under termination are reported in accordance with the Financial Accounting Standards Council's recommendation RR 19, Discontinuing Operations.

Operations under termination are defined as any part of a company divested in accordance with a cohesive plan. The operations must comprise a significant organizational unit that can be distinguished for operational or accounting purposes. The Altima spin-off in 2003 was classified as such. Also see Note 4, Discontinuing Operations.

INFORMATION ABOUT RELATED COMPANIES

Transactions and agreements with related companies and physical persons are reported in accordance with the Financial Accounting Standards Council's recommendation RR 23, Information about related companies.

Inter-company transactions in the NCC Group are not covered by the accounting requirement. The recommendation does not require any expansion of the Parent Company's financial statements, since they are prepared at the same as the consolidated accounts. An extended accounting obligation arises for companies that report in accordance with the equity method. The range of these transactions is presented in Note 38, Transactions with related companies.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are reported in accordance with the Financial Accounting Standards Council's recommendation RR 26, Events after the balance sheet date.

NCC reports positive or negative events that confirm a condition that was relevant on the balance sheet date. If events occur after fiscal year-end that are not of such nature that they should be considered when the income statement and balance sheet are finalized, but are so significant that a lack of information about them would affect opportunities for readers to make correct assessments and well-founded decisions, NCC must provide information for every such event.

GOVERNMENT SUPPORT

Government support is reported in accordance with the Financial Accounting Standards Council's recommendation RR 28, Government support.

Government support is an action by the government to provide a financial advantage that is limited to a single company or a category of companies that fulfills certain criteria. Government subsidies are support from governmental authorities in the form of transfers of resources to a company in exchange for the company's fulfillment or future fulfillment of certain conditions regarding its operations. Government is defined as federal governments, public authorities or similar organizational bodies, regardless of whether they are local, national or international.

Subsidies related to profit are reported as a reduction in the expenses for which the subsidy is intended to provide assistance.

SICKNESS ABSENCE AND GENDER DISTRIBUTION

Sickness absence and gender distribution among senior executives is reported in compliance with the Annual Accounts Act in addition to recommendations issued by the Financial Accounting Standards Council. Information is provided about employee absence from work due to sickness during the fiscal year. Information about gender distribution is reported as the distribution between men and women among members of the Board, the President and other persons in NCC senior management positions. The distribution is reported separately and the information pertains to conditions at fiscal year-end.

INCOME STATEMENT

The income statement in the Annual Report is prepared in compliance with the Annual Accounts Act and sector-specific comments issued by the Swedish Construction Federation stating that sales and administration costs must be reported as one item.

NOTE 2 OPERATING SEGMENTS

GROUP, 2004	Sweden	Denmark	Finland	Norway	Germany	International Projects	NCC Property Development	NCC Roads	Other and eliminations[1]	Group
	NCC Construction									
Net sales	17,329	5,194	5,443	3,863	1,233	2,833	3,465[2]	7,899	–1,822	45,437
External net sales	17,081	4,973	5,165	3,848	1,233	2,835	3,398	6,897	7	45,437
Depreciation	–96	–56	–21	–36	–4	–102	–12	–407	–75	–809
Result from associated companies	–1	17					25	25	–6	60
EBIT	409	150	267	91	45	–62	219	217	–219	1,117
Operating capital	–550	–109	272	–595	952	496	480	1,473	–1,583	836
– of which, operating assets	6,266	1,758	1,666	1,369	1,580	1,923	3,458	4,553	–48	22,525
– of which, operating liabilities	6,816	1,867	1,394	1,964	628	1,427	2,978	3,080	1,535	21,689
Capital employed at year-end	1,281	583	980	325	1,090	1,170	2,915	3,157	–403	11,098
Equity participations in associated companies	9	67			–5		1	4	1	77
Gross investments	467	187	1,342	46	144	82	426	435	76	3,205
– of which, fixed assets	142	33	21	39	9	82	10	435	79	850
Average number of employees	7,907	1,991	2,321	1,491	510	3,213	113	4,504	164	22,214

GROUP, 2003	Sweden	Denmark	Finland	Norway	Germany	International Projects	NCC Property Development	NCC Roads	Altima[3]	Other and eliminations[1]	Group
	NCC Construction										
Net sales	16,899	5,440	5,055	4,417	1,106	3,869	2,052[4]	7,919	1,268	–2,773	45,252
External net sales	16,093	5,174	4,946	4,329	1,106	3,869	1,999	7,206	519	11	45,252
Depreciation	–96	–58	–30	–43	–3	–95	–19	–482	–196	–81	–1,103
Result from associated companies	–3	35	4		–7		6	29		–53	11
EBIT	412	145	197	58	48	116	–780	44	59	–294	5
Operating capital	–331	–157	428	–316	1,052	–297	2,806	2,019		36	5,240
– of which, operating assets	6,086	1,601	1,655	1,701	1,466	2,044	6,326	5,112		58	26,049
– of which, operating liabilities	6,417	1,758	1,227	2,017	414	2,341	3,520	3,093		22	20,809
Capital employed at year-end	1,911	421	1,018	282	1,102	802	6,197	3,716		–771	14,678
Equity participations in associated companies	6	50	1		–11		10	31		10	97
Gross investments	352	252	1,242	26	49	90	1,477	336	150	130	4,104
– of which, fixed assets	184	25	17	22	6	90	113	336	150	159	1,102
Average number of employees	8,147	2,113	2,145	1,720	525	3,462	152	4,642	980	190	24,076

1) NCC's Head Office, finance function, other associated companies (including Prinz), eliminations of intercompany transactions, intercompany gains and other corporate adjustments are included under this heading.

2) During 2004, development projects amounting to SEK 3,228 M and managed properties (reported net) amounting to SEK 967 M, making a total of SEK 4,195 M, were sold. Including the sales revenue for Kista Science Tower (which is reported as a participation in associated companies), the total is SEK 4,800 M.

3) Distributed to shareholders in 2003.

4) During 2003, development projects amounting to SEK 1,790 M and managed properties (reported net) amounting to SEK 170 M, making a total of SEK 1,960 M, were sold.

NOTE 3 GEOGRAPHICAL MARKETS

GROUP	Net sales 2004	Net sales 2003	Assets 2004	Assets 2003	Gross investments 2004	Gross investments 2003	of which, in fixed assets 2004	of which, in fixed assets 2003
Sweden	21,490	19,759	12,308	13,891	834	1,330	401	582
Denmark	8,059	7,542	4,451	4,902	597	440	262	153
Finland	6,588	5,464	2,767	2,838	1,455	1,457	37	82
Norway	4,917	6,018	2,556	3,127	115	406	107	77
Other countries	4,383	6,469	3,911	4,570	204	471	43	208
Total	**45,437**	**45,252**	**25,993**	**29,328**	**3,205**	**4,104**	**850**	**1,102**

Net sales from external customers distributed by geographical area.

Book value of assets and investments distributed by geographical area in accordance with the location of the assets. Tax receivables have not been distributed by geographical market.

NOTE 4 DISCONTINUING OPERATIONS

The companies divested by NCC during 2004 appear to fall under RR 19, Discontinuing Operations.

NCC's Annual General Meeting on April 10, 2003 resolved to spin off Altima to NCC's shareholders. The Altima shares were distributed to NCC's shareholders on December 12, 2003. Altima constituted a business area within NCC and was consolidated up to and including December 31, 2003. Altima was reported as a discontinuing operation in 2003. This business segment's sales, earnings and cash flow, adjusted for intra-Group transactions, are reported below.

NOTE 4 Cont. DISCONTINUING OPERATIONS

	Remaining operations 2004	Remaining operations 2003	Discontinuing operations 2004	Discontinuing operations 2003	Group total 2004	Group total 2003
Net sales	45,437	44,733		1,268	45,437	45,252
Operating expenses	–44,320	–44,788		–1,209	–44,320	–45,247
Operating profit/loss	**1,117**	**–55**		**59**	**1,117**	**5**
Net financial items	–162	–296		–32	–162	–328
Profit/loss after financial items	**955**	**–351**		**27**	**955**	**–323**
Tax	–96	–73		–5	–96	–77
Minority interests	–3	–21			–3	–21
Net profit/loss for the year	**856**	**–445**		**22**	**856**	**–421**
Cash flow from:						
continuing operations	3,399	727		231	3,399	958
investing activities	1,096	–195		–1	1,096	–196
financing activities	–4,380	–1,684		–277	–4,380	–1,961
Cash flow during the year	**115**	**–1,152**		**–47**	**115**	**–1,199**
Fixed assets	6,605	7,896			6,605	7,896
Current assets	20,133	22,101			20,133	22,101
Total assets	**26,738**	**29,997**			**26,738**	**29,997**
Total liabilities	**20,010**	**23,809**			**20,010**	**23,809**
Net assets/shareholders' equity	**6,728**	**6,188**		**0**	**6,728**	**6,188**

NOTE 5 RESULT FROM PROPERTY MANAGEMENT

GROUP	2004 NCC Property Development	2004 Other	2004 Total	2003 NCC Property Development	2003 Other	2003 Total
Rental revenues	81	15	96	164	17	181
Other revenues	1		1	1		1
Operation and maintenance costs	–56	–6	–62	–118		–118
Operating net	26	9	35	47	17	64
Depreciation according to plan	–6		–6	–13	–1	–14
Total	**20**	**9**	**29**	**34**	**16**	**50**

NOTE 6 RESULT FROM SALES OF PROPERTIES

GROUP	2004 Managed properties NCC Property Development	2004 Managed properties Other	2004 Business properties	2004 Total	2003 Managed properties NCC Property Development	2003 Managed properties Other	2003 Business properties	2003 Total
Sales value	967	1	224	1,192	170	51	398	619
Sales expenses	–132	–3		–135	–15	–1		–16
Book value	–776	–6	–218	–1,000	–184	–47	–382	–613
Total	**59**	**–8**	**6**	**57**	**–29**	**3**	**16**	**–10**

PARENT COMPANY	2004 Managed properties	2004 Business properties	2004 Total	2003 Managed properties	2003 Business properties	2003 Total
Sales value		12	12	45		45
Book value		–6	–6	–42		–42
Total		**6**	**6**	**3**		**3**

NOTE 7 WRITE-DOWNS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Housing development projects	–44	–9	–44	–4
Goodwill within NCC Roads	–75	–55		
Goodwill within NCC Construction Finland	–12			
Other write-downs	–7			
Total	**–138**	**–64**	**–44**	**–4**

NOTE 8 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

GROUP	2004	2003
Capital gains on sales	73	4

NOTE 9 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2004 NCC Property Development	2004 Other	2004 Total	2003 NCC Property Development	2003 Other	2003 Total
Participation in results of associated companies	–5	28	23	3	40	43
Write-downs	–18	–5	–23		–69	–69
Reversal of write-downs	30		30			
Capital gains on sales	19	11	30	3	34	37
Total	**26**	**34**	**60**	**6**	**5**	**11**

NOTE 10 AVERAGE NUMBER OF EMPLOYEES

	2004		2003	
	No. of employees	of whom, men	No. of employees	of whom, men
Parent company				
Sweden	7,369	6,856	7,382	6,876
Subsidiaries				
Sweden	2,291	2,123	3,204	2,954
Denmark	3,592	3,182	3,917	3,471
Dominican Republic	14	11	366	357
Estonia	4	3	55	53
Finland	2,554	2,203	2,474	2,111
Germany	511	439	527	461
Latvia	24	23	60	56
Lithuania	79	64	99	82
Nicaragua			63	52
Norway	2,290	2,061	2,654	2,389
Poland	1,233	1,024	1,273	1,059
Russia	186	147	276	231
Singapore	408	376	225	209
Swaziland	462	425	321	309
Tanzania	505	440	579	523
Zambia	638	603	562	508
Other countries	54	50	39	23
Total in subsidiaries	**14,845**	**13,174**	**16,694**	**14,848**
Group total	**22,214**	**20,030**	**24,076**	**21,724**

Percentage of women	2004	2003
Distribution of company management by gender		
Group total, including subsidiaries		
– Board of Directors	15.6	4.8
– Other senior executives	9.6	8.0
Parent company		
– Board of Directors	10.0	11.1
– Other senior executives	27.3	16.7

NOTE 11 PERSONNEL EXPENSES

Wages, salaries and other remuneration distributed by board of directors and presidents and other employees

	2004			2003		
	Board of Directors and Presidents	Other employees	Total	Board of Directors and Presidents	Other employees	Total
Parent Company						
Sweden	15	2,566	2,581	14	2,517	2,531
Total in Parent Company	**15**	**2,566**	**2,581**	**14**	**2,517**	**2,531**
(of which bonuses)	(5.7)		(5.7)	(0.4)		(0.4)
Subsidiaries						
Sweden	10	725	735	12	951	963
(of which bonuses)	(1.0)		(1.0)	(1.2)		(1.2)
Denmark	19	1,785	1,804	21	1,855	1,876
(of which bonuses)	(1.9)		(1.9)	(0.6)		(0.6)
Dominican Republic		3	3		21	21
Estonia					5	5
(of which bonuses)				(0.1)		(0.1)
Finland	9	716	725	6	697	703
(of which bonuses)	(1.3)		(1.3)	(0.8)		(0.8)
Germany	3	159	162	3	158	161
Latvia		2	2		5	5
(of which bonuses)	(0.1)		(0.1)	(0.1)		(0.1)
Lithuania		5	5		8	8
Nicaragua					2	2
Norway	14	982	996	6	1,067	1,073
(of which bonuses)	(2.0)		(2.0)			
Poland	3	113	116	4	106	110

NOTE 11 cont. PERSONNEL EXPENSES

Wages, salaries and other remuneration distributed by board of directors and presidents and other employees

	2004			2003		
	Board of Directors and Presidents	Other employees	Total	Board of Directors and Presidents	Other employees	Total
Russia	1	23	24	1	32	33
(of which bonuses)				(0.1)		(0.1)
Singapore		38	38		22	22
Swaziland		25	25		14	14
Tanzania		14	14		15	15
Zambia		26	26		13	13
Other countries		21	21	1	14	15
Total in subsidiaries	**59**	**4,637**	**4,696**	**54**	**4,985**	**5,039**
(of which bonuses)	(6.3)		(6.3)	(2.9)		(2.9)
Group total	**74**	**7,203**	**7,277**	**68**	**7,502**	**7,570**
(of which bonuses)	(12.0)		(12.0)	(3.3)		(3.3)

Wages, salaries, other remuneration and social security costs

	2004			2003		
	Wages, salaries and other remuneration	Social security costs	of which, pensions costs[1]	Wages, salaries and other remuneration	Social security costs	of which, pensions costs[1]
Parent Company	2,528	1,275	328	2,523	1,245	296
Subsidiaries	4,749	1,098	419	5,047	1,090	453
Group total	**7,277**	**2,373**	**747**	**7,570**	**2,335**	**749**

1) Of the Parent Company's pension costs, the Board of Directors and Presidents category accounts for SEK 5 M (8). The Company's outstanding pension commitments to this category amount to SEK 44 M (47). The reported pension costs include contributions to the pension foundation. Of the Group's pension costs, the Board of Directors and Presidents category accounts for SEK 13 M (14). The Group's outstanding pension commitments to this category amount to SEK 50 M (48). The reported pension costs include contributions to the pension foundation.

Sickness absence

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

%	2004	2003
Total sickness absence as a percentage of ordinary working time	4.5	4.6
Percentage of total sickness absence accounted for by uninterrupted sickness absence of 60 days or more	60.1	58.0
Sickness absence by gender:		
Men	4.6	4.7
Women	3.2	3.4
Sickness absence by age category:		
29 years or younger	3.1	3.4
Between 30 and 49 years	3.3	3.4
50 years or older	6.0	6.2

Senior executives' employment conditions and remuneration

Principles

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

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

Remuneration for the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions, etc. The term "other senior executives" pertains to the executives who, together with the CEO, constitute Group Management. During 2004, there were 12 such executives. As of January 1, 2005, they total ten.

Variable compensation

The maximum variable compensation payable to the CEO in 2004 amounted to 50 percent of his basic salary. The variable compensation was based on financial targets established by the Board. The provision posted for the 2004 fiscal year amounted to 47.3 percent of the fixed salary, meaning SEK 2,270,400 (0).

NOTE 11 cont. PERSONNEL COSTS

The principle for other senior executives for 2004 was that variable compensation based on financial goals would not exceed 15 to 50 percent of basic salary and compensation based on individual goals would not exceed 5 to 10 percent, making a maximum variable compensation of 25 to 50 percent. The provision posted for variable compensation payments to other senior executives during 2004 corresponded to 25 to 50 percent (0–50) of basic salary.

Remuneration and other benefits during 2004

GROUP SEK thousands	Total salary, remuneration and benefits	of which, benefits	of which, variable payments	Pension costs
Chairman of the Board	400			
Other Board members	1,300			
CEO	7,285	58	2,270	1,224
Other senior executives	31,621	572	7,532	9,129
Total	**40,606**	**630**	**9,802**	**10,353**

Remuneration and benefits pertain to vacation compensation, reductions in working time, company car, etc. Variable payments pertain to expensed variable compensation for the 2004 fiscal year. The sum total for the particular year included severance payments of SEK 3,054,000. Pension costs in the table above are stated in accordance with the Pension Security Act.

Remuneration and other benefits during 2003

GROUP SEK thousands	Total salary, remuneration and benefits	of which, benefits	of which, variable payments	Pension costs
Chairman of the Board	400			
Other Board members	1,050			
CEO	5,232	58		1,263
Other senior executives	34,899	405	3,460	6,484
Total	**41,581**	**463**	**3,460**	**7,747**

The sum total for 2003 included severance payments of SEK 10,882,000. Pension costs in the table above are stated in accordance with the Pension Security Act.

Pensions

President and Chief Executive Officer Alf Göransson's retirement age is 60 years, with annual pension premiums in 2004 corresponding to 25 percent of the fixed annual salary. As of January 1, 2005, the annual premium is 30 percent of the fixed salary. This is a defined contribution pension commitment.

Other senior executives may retire at the age of 60 to 62. In Sweden, a pension corresponding to the ITP plan is generally payable as of age 65, plus a supplementary pension based on straight-line earnings. The temporary pension payable at age 60 and the supplementary pension payable at age 65 are defined contribution commitments. The temporary pension payable at age 60 includes survivor's cover. A three-year average of paid-out variable compensation also forms the basis for pensions under the ITP plan. One senior executive has a pension with an annual premium corresponding to 35 percent of his fixed salary and for which the pension obligation is contribution defined. Pensions payable to other senior executives in other countries are subject to similar terms and conditions.

Severance pay

The CEO Alf Göransson is subject to a 12-month period of notice and is entitled to receive 12 months of severance pay, if his employment is terminated by the employer. Such payment is adjustable against remuneration from other employment or assignments.

Other senior executives are subject to six to 12 months' notice and are entitled to up to 18 months of severance payment, if their employment is terminated by the employer.

Options program

A rolling options program was in effect for senior NCC executives (about 200) during 1999-2001. The options program was discontinued as of 2002. Allotment of options was based on two conditions – the return on equity and the NCC share's performance in relation to a comparative index comprising shares in Nordic construction companies. The intention was to use repurchased shares to cover allotments of options.

Other options

In addition to the options program, call options on NCC shares have been acquired by certain other senior NCC executives and Board Members on normal market terms.

Allotments from options program have been made as follows

	Issued number	Acquisition price, SEK	Shares per option	Exercise price, SEK	Exercise date	Benefit
Option program 1999	1,253,861	18.20	1.23	91.10	2000-05-31 – 2005-02-28	0
Option program 2000	3,135,172	6.90	1.13	78.20	2001-05-31 – 2006-02-28	0
Option program 2001	2,533,500	8.10	1.13	75.50	2002-05-31 – 2007-02-28	0

Distribution of issued total

	Other senior executives	Other employees	Total
Option program 1999	19,615	1,234,246	1,253,861
Option program 2000	126,355	3,008,817	3,135,172
Option program 2001	152,738	2,380,762	2,533,500

In the assessment of the Board of Directors, all of the options were transferred on commercial terms. The Chairman of the Board and Board Members did not participate in the options programs, as these programs were targeted at employees. The CEO was appointed in 2001 and is not covered by the above options program.

NOTE 12 FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Audit firms				
KPMG				
Auditing assignments	12	16	2	3
Other assignments	8	13	2	
Other auditors				
Auditing assignments	2	1		
Other assignments	1	4		
Total fees and remuneration to auditors and audit firms	**23**	**34**	**4**	**3**

Auditing assignments are defined as examinations of the Annual Report and financial accounts, as well as of the administration of the Board of Directors and President, other duties that the Company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

NOTE 13 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	2004	2003
Dividend	2,040	1,210
Capital gain/loss on sales	17	–1
Write-downs	–1,213	–1,383
Reversal of write-downs		20
Total	**844**	**–154**

NOTE 14 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

PARENT COMPANY	2004	2003
Participations in results of associated companies	3	
Write-downs	–5	–69
Capital gain/loss on sales	3	–1
Total	**1**	**–70**

NOTE 15 RESULT FROM OTHER FINANCIAL FIXED ASSETS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Dividends received		1		
Interest income, others	48	55		
Exchange-rate differences		–1		
Capital gain/loss on sales	5	–4	4	–2
Write-downs	–8	–2	–2	
Reversal of write-downs		2		
Total	**45**	**51**	**2**	**–2**

NOTE 16 RESULT FROM FINANCIAL CURRENT ASSETS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Interest income, Group companies			74	101
Interest income, others	94	165	11	18
Exchange-rate differences	9	3	23	25
Total	**103**	**168**	**108**	**144**

NOTE 17 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Interest expense, Group companies			–57	–68
Interest expense, others	–340	–598	–74	–73
Capitalization of interest expense	6	47		
Exchange-rate differences	–25	–19	12	20
Other financial items	49	23	47	47
Total	**–310**	**–547**	**–72**	**–74**

NOTE 18 EFFECTS ON INCOME STATEMENT OF EXCHANGE-RATE CHANGES

GROUP	2004 exchange rates 2003[1]	2004	Exchange-rate effect
Net sales	46,118	45,437	–681
Operating profit	1,130	1,117	–13
Profit after financial items	958	955	–3
Net profit for the year	860	856	–4

[1] Figures for 2004 converted at 2003 exchange rates.

NOTE 19 APPROPRIATIONS AND UNTAXED RESERVES

Parent Company	Appropriations 2004	Appropriations 2003	Untaxed reserves 2004	Untaxed reserves 2003
Accumulated depreciation in excess of plan – buildings		1		
Tax allocation reserves			602	602
Other untaxed reserves	–5	–4		–5
Reserve in work in progress	71	77	250	321
Total	**66**	**74**	**852**	**918**

NOTE 20 INTANGIBLE FIXED ASSETS

2004	Group: Goodwill	Group: Usufructs	Group: Other	Group: Total	Parent Company: Other
Reported acquisition value on January 1	**3,365**	**49**	**100**	**3,514**	**5**
Investments		1	6	7	2
Divestment and scrappage	–385	–10		–395	
Reclassifications	–35	6	–56	–85	
Translation difference during the year	6			6	
Reported acquisition value on December 31	**2,951**	**46**	**50**	**3,047**	**7**
Accumulated amortization on January 1	**–1,057**	**–21**	**–44**	**–1,122**	**–5**
Divestment and scrappage	149	2		151	
Reclassifications	32	–3	18	47	
Translation difference during the year	–2			–2	
Amortization according to plan during the year	–174	–4	–11	–189	
Accumulated amortization according to plan on December 31	**–1,052**	**–26**	**–37**	**–1,115**	**–5**
Accumulated write-downs on January 1	**–263**	**–2**		**–265**	
Divestment and scrappage	72			72	
Reclassifications	–23			–23	
Write-downs during the year	–88			–88	
Accumulated write-downs on December 31	**–302**	**–2**		**–304**	
Closing planned residual value	**1,597**	**18**	**13**	**1,628**	**2**

NOTE 20 cont. INTANGIBLE FIXED ASSETS

2003	Group				Parent Company
	Goodwill	Usufructs	Other	Total	Other
Reported acquisition value on January 1	**3,758**	**55**	**131**	**3,944**	**20**
Investments	19	2	8	29	
Divestment and scrappage	–244	–5	–22	–271	–15
Reclassifications	–8		–15	–23	
Translation difference during the year	–160	–3	–2	–165	
Reported acquisition value on December 31	**3,365**	**49**	**100**	**3,514**	**5**
Accumulated amortization on January 1	**–974**	**–19**	**–37**	**–1,030**	**–4**
Divestment and scrappage	73		1	74	
Reclassifications	8		4	12	
Translation difference during the year	46	1	1	48	
Amortization according to plan during the year	–210	–3	–13	–226	–1
Accumulated amortization according to plan on December 31	**–1,057**	**–21**	**–44**	**–1,122**	**–5**
Accumulated write-downs on January 1	**–246**			**–246**	
Divestment and scrappage	22			22	
Translation difference during the year	16			16	
Write-downs during the year	–55	–2		–57	
Accumulated write-downs on December 31	**–263**	**–2**		**–265**	
Closing planned residual value	**2,045**	**26**	**56**	**2,127**	

NOTE 21 TANGIBLE FIXED ASSETS

2004	Group					Parent Company			
	Managed properties	Business properties	Construction in progress	Machinery and equipment	Total	Managed properties	Business properties	Machinery and equipment	Total
Reported acquisition value on January 1	**1,725**	**1,181**	**3**	**5,923**	**8,832**	**1**	**76**	**356**	**433**
Investments	8	49	36	569	662			54	54
Increase through acquired companies		112		60	172				
Divestment and scrappage	–914	–83		–671	–1,668			–59	–59
Decrease through sales of companies		–76		–166	–242				
Reclassifications	–685	60	–1	–43	–669				
Translation difference during the year	2	10		57	69				
Reported acquisition value on December 31	**136**	**1,253**	**38**	**5,729**	**7,156**	**1**	**76**	**351**	**428**
Accumulated write-downs and depreciation on January 1	**–828**	**–425**		**–4,088**	**–5,341**	**–1**	**–35**	**–242**	**–278**
Increase through acquired companies				–1	–1				
Divestment and scrappage	138	17		543	698			55	55
Decrease through sales of companies		29		110	139				
Reclassifications	601	–19		98	680				
Translation difference during the year		–3		–24	–27				
Write-downs during the year[1]		–12		–6	–18				
Depreciation during the year	–6	–57		–558	–621		–3	–45	–48
Accumulated write-downs and depreciation on December 31[2]	**–95**	**–470**		**–3,926**	**–4,491**	**–1**	**–38**	**–232**	**–271**
Accumulated write-ups on January 1		**109**		**91**	**200**				
Divestment and scrappage		–112		–59	–171				
Reclassifications				–32	–32				
Translation difference during the year		3			3				
Accumulated write-ups on December 31[3]		**0**		**0**	**0**				
Closing planned residual value	**41**[4]	**783**	**38**	**1,803**	**2,665**		**38**	**119**	**157**
Tax assessment value of facilities in Sweden									
– Buildings	28	175			203		10		10
– Land	8	133			141		9		9
Book value of facilities in Sweden assigned tax assessment value	**35**	**204**			**239**		**38**		**38**
Accumulated fair value on December 31	**41**				**41**				

1) Write-downs of business properties are included in the "Write-downs" row in the income statement. Write-downs of machinery and equipment are included in "Production costs".

	Managed properties	Business properties	Construction in progress	Machinery and equipment	Total
2) Accumulated write-downs on December 31	–10	–29		–104	–143

3) Write-ups arose in 2000 through acquired companies.

4) NCC Property Development's share of the residual value at year-end was SEK 41 M (820).

NOTE 21 **cont. TANGIBLE FIXED ASSETS**

2003	Group: Managed properties	Group: Business properties	Group: Construction in progress	Group: Machinery and equipment	Group: Total	Parent Company: Managed properties	Parent Company: Business properties	Parent Company: Machinery and equipment	Parent Company: Total
Reported acquisition value on January 1	**2,230**	**1,524**	**9**	**8,067**	**11,830**	**40**	**76**	**291**	**407**
Investments	96	76	5	792	969			88	88
Increase through acquired companies		5		10	15				
Divestment and scrappage	–406	–52	–5	–462	–925	–39		–23	–62
Decrease through sales of companies		–349		–2,139	–2,488				
Reclassifications	–187	29	–6	–57	–221				
Translation difference during the year	–8	–52		–288	–348				
Reported acquisition value on December 31[1]	**1,725**	**1,181**	**3**	**5,923**	**8,832**	**1**	**76**	**356**	**433**
Accumulated write-downs and depreciation on January 1	**–927**	**–456**		**–5,072**	**–6,455**	**–1**	**–31**	**–222**	**–254**
Increase through acquired companies				–5	–5				
Divestment and scrappage	87	7		285	379			22	22
Decrease through sales of companies	10	98		1,297	1,405				
Reclassifications	14	2		37	53				
Translation difference during the year	2	9		161	172				
Write-downs during the year		–5		–12	–17				
Depreciation during the year	–14	–80		–779	–873		–4	–42	–46
Accumulated write-downs and depreciation on December 31[2]	**–828**	**–425**		**–4,088**	**–5,341**	**–1**	**–35**	**–242**	**–278**
Accumulated write-ups on January 1	**3**	**113**		**60**	**176**	**3**			**3**
Divestment and scrappage	–3			33	30	–3			–3
Translation difference during the year		–4		–2	–6				
Accumulated write-ups on December 31[3]		**109**		**91**	**200**				
Closing planned residual value	**897**[4]	**865**	**3**	**1,926**	**3,691**		**41**	**114**	**155**
Tax assessment value of facilities in Sweden									
– Buildings	683	26			709		10		10
– Land	171	16			187		9		9
Book value of facilities in Sweden assigned tax assessment value	**896**	**866**			**1,762**		**41**		**41**
Accumulated fair value on December 31	**1,003**				**1,003**				

1) The acquisition value includes capitalized interest in an amount of	2				2
2) Accumulated write-downs at year-end	–46	–19			–65

3) The write-ups arose in 2000 through acquired companies.

4) NCC Property Development's share of the residual value at year-end was SEK 820 M (1,109).

NOTE 22 **FINANCIAL FIXED ASSETS**

GROUP, 2004	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**1,212**	**73**	**331**	**1,153**	**2,769**
Assets added	11	11	83	594	699
Assets removed	–100	–15	–128	–220	–463
Translation difference during the year	18			9	27
Reported acquisition value on December 31	**1,141**	**69**	**286**	**1,536**	**3,032**
Accumulated write-downs on January 1	**–518**		**–164**	**–9**	**–691**
Assets removed				–3	–3
Write-downs during the year	–14	–3	–8	–1	–26
Accumulated write-downs on December 31	**–532**	**–3**	**–172**	**–13**	**–720**
Residual value on December 31	**609**	**66**	**114**	**1,523**	**2,312**

GROUP, 2003	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**1,182**	**128**	**366**	**1,125**	**2,801**
Assets added	163	31	18	643	855
Assets removed	–90	–86	–46	–582	–804
Translation difference during the year	–43		–7	–33	–83
Reported acquisition value on December 31	**1,212**	**73**	**331**	**1,153**	**2,769**
Accumulated write-downs on January 1	**–377**		**–165**		**–542**
Assets removed	9				9
Write-downs during the year	–151		–3	–9	–163
Translation difference during the year	1		4		5
Accumulated write-downs on December 31	**–518**		**–164**	**–9**	**–691**
Residual value on December 31	**694**	**73**	**167**	**1,144**	**2,078**

NOTE 22 cont. FINANCIAL FIXED ASSETS

	2004		2003	
	Book value	Market capitalization	Book value	Market capitalization
Other long-term securities include:				
Listed securities:				
Sea Container Ltd			107	109
OM-gruppen			3	2
Unlisted securities:				
Tuborg Nord B	78			
Other unlisted securities	36		57	
Total	**114**		**167**	**111**

PARENT COMPANY, 2004	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**12,895**	**167**	**447**	**24**	**116**	**326**	**13,975**
Assets added	10	46	12	21	2	99	190
Transferred within the Group			6			–15	–9
Reclassifications		–5	–17			3	–19
Assets removed		–19			–111		–130
Reported acquisition value on December 31	**12,905**	**189**	**448**	**45**	**7**	**413**	**14,007**
Accumulated write-ups on January 1	**268**						**268**
Accumulated write-ups on December 31	**268**						**268**
Accumulated write-downs on January 1	**–5,012**		**–287**				**–5,299**
Assets removed	1						1
Reclassifications			10			–4	6
Write-downs during the year	–1,078		–5	–3			–1,086
Accumulated write-downs on December 31	**–6,089**		**–282**	**–3**		**–4**	**–6,378**
Residual value on December 31	**7,084**	**189**	**166**	**42**	**7**	**409**	**7,897**

PARENT COMPANY, 2003	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Reported acquisition value on January 1	**13,029**	**118**	**394**	**73**	**152**	**191**	**13,957**
Assets added	534	117	68	5		139	863
Transferred within the Group	–180						–180
Reclassifications		–13					–13
Assets removed	–488	–52	–15	–54	–36	–4	–649
Translation difference during the year		–3					–3
Reported acquisition value on December 31	**12,895**	**167**	**447**	**24**	**116**	**326**	**13,975**
Accumulated write-ups on January 1	**270**						**270**
Assets removed	–2						–2
Accumulated write-ups on December 31	**268**						**268**
Accumulated write-downs on January 1	**–3,635**		**–218**				**–3,853**
Assets removed	4						4
Reversal of write-downs	20						20
Reclassifications	–18		–69				–87
Write-downs during the year	–1,383						–1,383
Accumulated write-downs on December 31	**–5,012**		**–287**				**–5,299**
Residual value on December 31	**8,151**	**167**	**160**	**24**	**116**	**326**	**8,944**

NOTE 23 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	No. of partici- pations2)	Book value 2004	 2003
Real estate companies:				
NCC Property Development AB, 556080-5631, Solna	100	84	2,862	3,932
Total participations in real estate companies			**2,862**	**3,932**
Other companies:				
Alsike Utvecklings AB, 556245-9542, Uppsala	100	16	2	2
Anjo Bygg AB, ägt av Svelali AB, 556622-7517, Halmstad	100	1	52	52
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1	2	2
Bostads AB Vägkarlen, 556420-5036, Uppsala	100	1		
Dansk Beton Teknik A/S, 62 47 01 19, Denmark	100		3	4
Detend AB, 556453-3072, Eskilstuna	100	50	8	8
Det ljuva livet® in Sweden AB, 556459-6988, Norrköping	100	1		
Däldehög AB, 556268-5700, Gothenburg	100	9	41	41
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4	5
Fogden i Täby AB, 556058-2115, Täby	100			
Fresta Fastighets AB, 556584-6705, Solna	100	1		4
Frösunda Exploaterings AB, 556430-1876, Stockholm	100	1		
Frösunda Exploaterings KB, 916636-6451, Stockholm	98 3)		1	1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	36	36
Göteborgs Monteringsbyggen KB, 957201-2863, Gothenburg	100			
Hercules Grundläggning AB, 556129-9800, Stockholm	100	1	59	59
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
Jordskorpan Väst AB, 556171-7058, Halmstad	100	10	1	1
Kompri HB, 916765-5738, Malmö	100			
Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg	100	1		
Luzern, AB, 556336-4727, Lund	100	1	3	3
Metodbyggen AB, 556085-3243, Stockholm	100	20	3	3
Mälarstadens Exploaterings AB, 556336-2135, Norrköping	100	1		
NCC Bau & Holding GmbH, FB-nr201178a, Austria	100			
NCC Bygg AS, 959 606 803, Norge	100	7		
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	115	115
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	160	160
NCC Construction Sverige AB, 556613-4929, Solna	100	500	50	50
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC GmbH & Co. Deutsche Holding KG, HRA 1435FF, Germany	100		1	1
NCC Immobilien GmbH, HrB 59164, Germany	10 4)		12	12
NCC Industries AB, 556001-8276, Stockholm	100	15	107	107
NCC International AB, 556033-5100, Solna	100	1,000	307	307
NCC Komponent AB, 556627-4360, Stockholm	100	1	6	
NCC Leasing Alfa AB, 556522-7724, Solna	100	1		
NCC Måleri i Uppsala AB, 556174-4078, Uppsala	100	3	4	4
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Polska Sp. Z.o.o., KRS20513, Polen	100	65		
NCC Property Development Holding AB, 556145-1856, Solna	100	1		
NCC Rakennus Oy, 1765514-2, Finland	100	4	391	391
NCC Reinsurance AG, CH-0203003243-9, Switzerland	100	3	77	77
NCC Roads Holding AB, 556144-6732, Solna	100	275	1,633	1,633
NCC Treasury AB, 556030-7091, Solna	100	120	17	17
NCC Tunnelling AB, 556599-3413, Solna	100	10		
Nils P Lundh AB, 556062-7795, Solna	100	1		
Nordisk Ekoteknik AB , 556305-1191, Solna	100	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	1	11	12
Olof Nordlund AB, 556234-6394, Gothenburg	100	1		
Oppunda Bygg AB, 556174-2973, Norrköping	100	6	2	2
Per Jacobsson Fastighets AB, 556380-1231, Tjörn	100	1		
Siab Trading AB, 556104-9932, Stockholm	100	2	1	1
Skene Bygg AB, 556083-0316, Mark	100			
Skurups Fjärrvärme AB, 556578-3312, Solna	100	1		
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	1	1
Svappavaara Åkeri och Byggnads AB, 556111-3712, Kiruna	100	4	2	2
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1		
Söderby Park Fastigheter HB , 916630-4817, Stockholm	100		10	10
Södertäljebyggare Exploaterings KB, 916635-5900, Norrköping	100	1	4	
Total participations in other companies			**4,222**	**4,219**
Total participations in Group companies			**7,084**	**8,151**

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.
3) Remaining 2 percent is owned by Frösunda Exploaterings AB.
4) 90 percent is owned by NCC Property Development BV.

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 180 (198). A complete specification is available from NCC's website www.ncc.info or may be ordered from NCC AB.

NOTE 24 PARTICIPATIONS IN ASSOCIATED COMPANIES

Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	Number of participations2)	Group Book value 2004	Group Book value 2003	Parent Company Book value 2004	Parent Company Book value 2003
Ankaret Invest SA, 526.209, Belgium	50		3	2		
Asfalt & Maskin AS, 960 585 593, Norway	50					
Baltifalt, AS, 10217746, Estonia	35					
Bete Asfalt AS, 970 907 092, Norway	50		2	3		
Betongfabriken i E-tuna KB, 969639-5145, Eskilstuna				1		
Björnö Mark, KB, 916638-1419, Täby	50		2	2	2	2
Boliginterressentskabet Tuborg Nord I/S, 25 62 84 70, Denmark	50		67	56		
Dalkarlen, Byggnads AB, 556329-5251, Norrköping	50					
Ejendomsintressentskabet Hylkedalsvej, I/S, LEV229142, Denmark	50			2		
Ejendomsintressentskabet Tuborg Nord, LEV225802, Denmark				71		
Eskilstuna Betong AB, 556061-9826, Eskilstuna				1		
Fabriksbetong AB, 556065-0599, Norrköping				1		
Fastighets AB Strömstaden, 556051-7202, Norrköping	32	2	2	2	2	2
Gladökrossen HB, 969615-7917, Uppsala	50		4	4		
Glysisvallen AB , 556315-5125, Hudiksvall	50	1	1	1		
Holmenbyggarna Dalkarlen KB, 916693-1783, Norrköping	50		37	35		
Holst Shipping Agency I/S, 14 37 24 07, Denmark	50			1		
NCC Fegda, 1080175, Lithuania	44		39	54		
NCC Kral Sp. Z.o.o., KRS0000135789, Poland	50	4	10	8		
Oraser AB, 556293-2722, Stockholm	50	1			7	
PRInz S.A. Holding, KRS44078, Poland	47	240	107	100		
Projektformidling Nord A/S, 19 17 26, Denmark	46			1		
PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	16	14	8	8
Rydbokrossen HB, 916609-3956, Solna	50		1	1		
Sicione SA, A-48265169, Spain	31		7	7		
Sollentuna Centrum Fastighets AB, 556393-1046, Sollentuna	50		32	28		
Stora Ursvik KB, 969679-3172, Stockholm	50		130	130	130	130
Talter AS, 10.114.029, Estonia				20		
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15	15	15
Valtatie Oy, 323.470, Finland	50		111	118		
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2	2	2
Östhammarkrossen KB , 916673-1365, Uppsala	50		2	2		
Other 47 (43)3)			19	12		1
Total			**609**	**694**	**166**	**160**
Participations in associated companies included in current assets						
Koy Polaris, 1834546-1, Finland	50		20	36		
Koy Signaali 1, 1859547-9, Finland	50			13		
Koy Signaali 2, 1859561-2, Finland	50			11		
Koy Signaali 3, 1859569-8, Finland	50			12		
Koy Signaali 4, under formation, Finland	50			10		
Koy Signaali 5, under formation, Finland	50			9		
Rosersbergs Exploaterings AB, 556663-9836, Solna	50		8			
Västra Hamnporten KB , 969667-0976, Malmö	50		25	25		
Other 5 (1)						
Total			**53**	**116**		
Total participations in associated companies			**662**	**810**	**166**	**160**

The non-distributed accumulated participations in the results of associated companies are posted as a provision in the equity method reserve, which is part of the Group's restricted reserves. The equity reserve for directly owned associated companies amounted to SEK 65 M (77).

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.
3) Including companies consolidated in the balance sheet and income statement in accordance with the proportional method.

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

NOTE 25 PROPERTIES CLASSED AS CURRENT ASSETS

GROUP, 2004	Development properties	Ongoing property projects	Completed property projects	Total property-development projects3)	Development properties	Unsold completed housing	Total housing-development projects4)	Participations in associated companies	Total
Reported acquisition value on January 1	**2,107**	**380**	**1,984**	**4,471**	**2,168**	**1,398**	**3,566**	**269**	**8,306**
Investments	186	169	50	405	1,742	179	1,921	8	2,334
Increase through acquired companies					–9	28	19		19
Divestment and scrappage	–830	–113	–1,626	–2,569	–80	–307	–387	–48	–3,004
Decrease through sale of companies					–1,210		–1,210		–1,210
Reclassifications	–19	–374	384	–9	–92	–153	–245	–5	–259
Translation difference during the year	8		2	10	–17	–1	–18		–8
Reported acquisition value on December 311)	**1 452**	**62**	**794**	**2,308**	**2,502**	**1,144**	**3,646**	**224**	**6,178**
Accumulated write-downs and depreciation on January 1	**–531**	**–64**	**–121**	**–716**	**–56**		**–56**	**–153**	**–925**
Divestment and scrappage	362	21	76	459	9		9		468
Reclassifications	–5	43	–42	–4	–1	–90	–91		–95
Translation difference during the year			4	4	–1		–1		3
Reversal of write-downs					6		6		6
Write-downs during the year5)	–30		–19	–49	–18		–18	–18	–85
Accumulated write-downs and depreciation on December 312)	**–204**		**–102**	**–306**	**–61**	**–90**	**–151**	**–171**	**–628**
Residual value on December 31	**1,248**	**62**	**692**	**2,002**	**2,441**	**1,054**	**3,495**	**53**	**5,550**
Tax assessment value of facilities in Sweden									
– Buildings	46		13	59	227	32	259		318
– Land	50		3	53	360	22	382		435
Book value of facilities in Sweden with tax assessment values	**1,124**		**647**	**1 771**	**2,434**	**804**	**3,238**		**5,009**
1) Acquisition value includes capitalized interest in an amount of			3	3					3
2) Accumulated write-downs at year-end	–159		–102	–261	–59	–90	–149	–171	–581

3) Pertains to properties classed as current assets reported in NCC Property Development.

4) Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.

5) Write-downs of property-development projects are included in the "Write-downs, NCC Property Development" row in the income statement. Write-downs of housing-development projects are included in the "Write-downs" row.

GROUP, 2003	Development properties	Ongoing property projects	Completed property projects	Total property-development projects3)	Development properties	Unsold completed housing	Total housing-development projects4)	Participations in associated companies	Total
Reported acquisition value on January 1	**1,759**	**1,231**	**1,434**	**4,424**	**2,200**	**1,204**	**3,404**	**295**	**8,123**
Investments	240	858	174	1,272	1,497	170	1,667	62	3,001
Divestment and scrappage	–107	–471	–780	–1,358	–1,228	–44	–1,271		–2,629
Decrease through sale of companies					–10		–10		–10
Reclassifications	217	–1,218	1,177	176	–287	94	–144	–88	–56
Translation difference during the year	–2	–20	–21	–43	–54	–26	–80	–1	–124
Reported acquisition value on December 311)	**2,107**	**380**	**1,984**	**4,471**	**2,168**	**1,398**	**3,566**	**268**	**8,305**
Accumulated write-downs and depreciation on January 1	**–209**	**–1**		**–210**	**–46**		**–46**	**–163**	**–419**
Divestment and scrappage	2			2	1		1		3
Decrease through sale of companies					1		1		1
Reclassifications	–32		13	–19	–10		–10	80	51
Translation difference during the year	6			6	2		2		8
Write-downs during the year 5)	–298	–63	–134	–495	–4		–4	–69	–568
Accumulated write-downs and depreciation on December 312)	**–531**	**–64**	**–121**	**–716**	**–56**		**–56**	**–152**	**–924**
Residual value on December 31	**1,576**	**316**	**1,863**	**3,755**	**2,112**	**1,398**	**3,510**	**116**	**7,381**
Tax assessment value of facilities in Sweden									
– Buildings	121	119	115	355	104	66	170		525
– Land	76	34	64	174	352	35	387		561
Book value of facilities in Sweden with tax assessment values	**1,456**	**285**	**1,805**	**3,546**	**2,112**	**205**	**2,317**		**5,863**
1) Acquisition value includes capitalized interest in an amount of	1	22	79	102					102
2) Accumulated write-downs at year-end	–483	–63	–134	–680	–56		–56	–152	–888

3) Pertains to properties classed as current assets reported in NCC Property Development.

4) Pertains to properties classed as current assets reported in NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway and NCC Construction Germany.

5) Write-downs of property-development projects are included in the "Write-downs, NCC Property Development" row in the income statement. Write-downs of housing-development projects are included in the "Write-downs" row.

NOTE 25 cont. PROPERTIES CLASSED AS CURRENT ASSETS

PARENT COMPANY	2004			2003		
	Development properties	Unsold completed housing	Total housing-development projects	Development properties	Unsold completed housing	Total housing-development projects
Reported acquisition value on January 1	**638**	**586**	**1,224**	**651**	**414**	**1,065**
Investments	39	158	197	58	32	90
Divestment and scrappage	–63	–234	–297	–16	–44	–60
Reclassifications	–134	–46	–180	–55	184	129
Reported acquisition value on December 31	**480**	**464**	**944**	**638**	**586**	**1224**
Accumulated write-downs on January 1	**–24**		**–24**	**–21**		**–21**
Divestment and scrappage	10		10	1		1
Reclassifications	1	–89	–88			
Write-downs during the year[1)]	–19		–19	–4		–4
Accumulated write-downs on December 31	**–32**	**–89**	**–121**	**–24**		**–24**
Residual value on December 31	**448**	**375**	**823**	**614**	**586**	**1,200**
Tax assessment value of facilities in Sweden						
– Buildings	75	32	107	99	66	165
– Land	268	22	290	245	35	280
Book value of facilities in Sweden with tax assessment values	**448**	**125**	**573**	**614**	**205**	**819**

1) Included in the "Write-downs" row in the income statement.

NOTE 26 MATERIALS AND INVENTORIES

GROUP	2004	2003
Aggregates	302	377
Building materials	62	54
Other	240	144
Total	**604**	**575**

NOTE 27 WORKED-UP, NON-INVOICED REVENUES

GROUP	2004	2003
Worked-up revenues from non-completed contracts	7,062	7,688
Invoicing for non-completed contracts	–4,366	–5,267
Total	**2,696**	**2,421**

NOTE 28 INTEREST-BEARING / INTEREST-FREE ASSETS, LIABILITIES AND PROVISIONS

	Group						Parent Company					
	2004			2003			2004			2003		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Financial fixed assets	671	1,641	2,312	684	1,394	2,078	154	7,743	7,897	107	8,837	8,944
Current receivables	331	11,032	11,363	372	11,293	11,665	644	2,967	3,611	379	3,214	3,593
Short-term investments in NCC's internal bank							2,735		2,735	2,061		2,061
Short-term investments	1,185	31	1,216	1,172	2	1,174						
Cash and bank balances, NCC's internal bank							823		823	336		336
Cash and bank balances	1,389		1,389	1,291		1,291	20		20	32		32
Other current and fixed assets		10,458	10,458		13,789	13,789		983	983		1,355	1,355
Total assets	**3,576**	**23,162**	**26,738**	**3,519**	**26,478**	**29,997**	**4,376**	**11,693**	**16,069**	**2,915**	**13,406**	**16,321**
Liabilities to credit institutions	4,114		4,114	7,718		7,718	836		836	1,023		1,023
Other liabilities	141	13,348	13,489	674	13,189	13,863	1,299	7,104	8,403	1,814	6,738	8,552
Provisions	31	2,292	2,323	20	2,130	2,150	18	407	425	18	382	400
Total liabilities and provisions	**4,286**	**15,640**	**19,926**	**8,412**	**15,319**	**23,731**	**2,153**	**7,511**	**9,664**	**2,855**	**7,120**	**9,975**

NOTE 29 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
2004	**End of year**	**108,435,822**	**867**

1) Par value from SEK 25.00 to SEK 8.00.

A total of 2,775,289 Series B shares were repurchased during 2000, 699,300 during 2001, 2,560,800 during 2002 and 3 during 2003, making a sum total of 6,035,392 repurchased Series B shares. The share capital is divided into 108,435,822 shares with a par value of SEK 8 each. During 2004, 3,187,942 Series A shares were converted into Series B shares.

The shares are distributed as follows:

	Series A	Series B	Total
Number of shares	54,851,883	53,583,939	108,435,822

Series A shares carry ten voting rights each and series B shares carry one voting right.

NOTE 30 EMPLOYEE BENEFITS

Pension expenses

GROUP	2004
Defined benefit plans	
Cost of pensions earned during the year	106
Interest expense	104
Anticipated return on plan assets	–121
Gains (–) on reductions and payments	–17
Total cost of defined-benefit plans	**72**
Total cost of defined-contribution plans	**579**
Payroll taxes and return tax	**124**
Total cost of remuneration after terminated employment	**775**

The entire cost during the year of remuneration after terminated employment is included in operating profit.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Financial Accounting Standards Council's Emerging Issues Task Force, URA 42, this constitutes a defined benefit plan that covers several employers. For the 2004 fiscal year, NCC did not have access to the type of information required for reporting these plans as defined benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are reported as a defined contribution plan. The current year's contributions for pension insurance arranged by Alecta amount to SEK 66 M (64). Alecta's surplus may be distributed to the policyholders and/or the insured. At the end of 2004, Alecta's surplus in the form of its collective solvency rate amounted to 128.0 percent (119.9). The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting assumptions, which do not comply with RR 29.

The reductions pertain to the current year's effect of the Finnish TEL pension plan, which following a legal amendment in Finland, partly changed character from defined benefit to a defined contribution plan.

Defined benefit obligations and the value of plan assets

GROUP	Jan 1, 2004	Dec 31, 2004
Obligations that are fully or partly funded:		
Present value of defined benefit obligations	1,941	2,352
Fair value of plan assets	1,853	2,115
Net value of obligations that are fully or partly funded	88	237
Adjustments:		
Accumulated non-reported actuarial losses (–)		–312
Net amount in balance sheet (obligation +, asset –)	**88**	**–75**
Net amount is reported in the following balance-sheet items:		
Financial fixed assets	–112	–255
Provisions for pensions and similar obligations	200	180
Net amount in balance sheet (obligation +, asset –)	**88**	**–75**

cont. Defined benefit obligations and the value of plan assets

GROUP	Jan 1, 2004	Dec 31, 2004
Net amount is distributed among plans in the following countries:		
Sweden	–40	–191
Norway	110	114
Finland	18	2
Net amount in balance sheet (obligation +, asset –)	**88**	**–75**

Reconciliation of net liability for pensions in the balance sheet

GROUP	
Net liability in the balance sheet on Dec 31, 2003	–21
Effect of changing accounting principle to RR 29, Jan 1, 2004	109
Net amount on Jan 1, 2004	88
Cost of defined benefit plans	72
Payment of remuneration	–6
Receipts of contributions from the company	–212
Effects of acquired/divested operations	–17
Redemption of obligations	–1
Translation difference	1
Net amount in balance sheet on Dec 31, 2004 (asset –)	**–75**

Return on plan assets

	2004
Fair value of plan assets	134
Anticipated return on plan assets	121
Non-reported actuarial result for plan assets during the year (gain +)	**13**

Actuarial assumptions

Weighted average value, %	Jan 1, 2004	Dec 31, 2004
Discount interest rate	5.4	4.9
Anticipated return on plan assets	6.6	6.6
Future salary increases	3.3	3.3
Future pension increases	2.3	2.3
Anticipated inflation	2.1	2.1

Pension liability according to the balance sheet

	Group		Parent Company	
	2004	2003	2004	2003
Provision for pensions, other	180	20	18	18

NOTE 31 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES

	Group				Parent Company			
	2004		2003		2004		2003	
TAX ON NET PROFIT FOR THE YEAR	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit/loss		955		–323		953		–34
Tax according to Company's current tax rate	–28	–268	–28	90	–28	–267	–28	10
Effect of other tax rates for non-Swedish companies	3	32	–8	24				
Amortization of Group goodwill	–4	–36	14	–46				
Write-down of Group goodwill	–2	–17	5	–15				
Other non-tax-deductible costs	–10	–92	41	–131	–42	–397		–451
Non-taxable revenues	16	153	–24	79	60	572		369
Tax effect resulting from utilization of non-capitalized tax loss carryforwards	–10	99	14	–45				
Tax attributable to prior years	3	29	9	–30	–15	–145	–27	9
Other		4	1	–3		1		
Reported tax	**–10**	**–96**	**24**	**–77**	**–25**	**–236**		**–63**

The tax settlement in Germany that was verified in December 2004 and the tax ruling regarding deficits in Property AB SIAB had a positive impact on NCC's tax situation. Ongoing tax audits of NCC's Swedish units have led to tax claims, which it is estimated could result in additional tax costs that have been recognized in the accounts. NCC's tax has also declined due to changed rules for the taxation of dividends outside Sweden.

NOTE 31 cont. TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES

GROUP	Assets 2004	Assets 2003	Liabilities 2004	Liabilities 2003	Net 2004	Net 2003
Reported deferred tax receivables and liabilities derive from the following:						
Tangible fixed assets	87			-6	87	-6
Financial fixed assets		2	–3		–3	2
Non-completed projects			–461	–454	–461	–454
Properties classed as current assets	5	19			5	19
Provisions	361	248	–319	–374	42	–126
Personnel benefits/pension provisions	50	8	–56		–6	8
Tax loss carryforwards	425	302			425	302
Other	83	104	–67	–79	16	25
Deferred tax receivable/ deferred tax liability	**1 011**	**683**	**–906**	**–913**	**105**	**–230**
Offsetting	–404	–254	404	254		
Net tax receivable / deferred tax liability	**607**	**429**	**–502**	**–659**	**105**	**–230**

PARENT COMPANY	Assets 2004	Assets 2003	Liabilities 2004	Liabilities 2003	Net 2004	Net 2003
Financial fixed assets				–1		–1
Provisions	96	100			96	100
Personnel benefits/pension provisions	8	8			8	8
Tax loss carryforwards	190	123			190	123
Deferred tax receivable/deferred tax liability	**294**	**231**		**–1**	**294**	**230**
Offsetting		–1		1		
Net tax receivable/deferred tax liability	**294**	**230**			**294**	**230**

Within the Group, there are non-capitalized tax loss carryforwards corresponding to SEK 2.1 billion. These mainly derive from operations conducted outside Sweden, primarily in Germany, and are not expected to be utilized to offset future profits.

All of the tax loss carryforwards in the Parent Company are capitalized.

NOTE 32 PROVISIONS

GROUP, 2004	Pensions	Taxes	Guarantees	Other	Total
On January 1	20	659	946	525	2 150
Changed accounting principles, RR 29	151	56			207
Reserve posted during the year	9	119	345	27	500
Amount utilized during the year	–1	–352	–145	–90	–588
Reversed, unutilized reserves		–6	–37	17	–26
Via acquired companies		1	1	1	3
Via sold companies		–2		–5	–7
Reclassification		27	–230	248	45
Translation difference during the year	1		3	35	39
On December 31	**180**	**502**	**883**	**758**	**2 323**

GROUP, 2003	Pensions	Taxes	Guarantees	Other	Total
On January 1	1,168	687	911	564	3,330
Reserve posted during the year		144	160	236	540
Amount utilized during the year	–7	–189	–124	–206	–526
Reversed, unutilized reserves	–42	–3		–22	–67
Via acquired companies		11		6	17
Via sold companies	–4	–15		–2	–21
Reclassification	–33	31	4	–9	–7
Transferred to the pension foundation[1]	–1,056				–1,056
Translation difference during the year	–6	–7	–5	–42	–60
On December 31	**20**	**659**	**946**	**525**	**2,150**

PARENT COMPANY, 2003	Pensions	Guarantees	Other	Total
On January 1	18	301	81	400
Reserve posted during the year		69	36	105
Amount utilized during the year			–15	–15
Reversed, unutilized reserves			–32	–32
Reclassification			–33	–33
On December 31	**18**	**370**	**37**	**425**

PARENT COMPANY, 2003	Pensions	Guarantees	Other	Total
On January 1	1,074	354	208	1,636
Reserve posted during the year			10	10
Amount utilized during the year		–53	–136	–189
Reclassification			–1	–1
Transferred to the pension foundation [1]	–1,056			–1,056
On December 31	**18**	**301**	**81**	**400**

[1] After transfer to the pension foundation, the amount was reloaned and was thereafter reclassified as long-term liabilities to credit institutions. Also see section on the pension foundation under Personnel heading in the Report of the Board of Directors, page 44.

Specification of other provisions

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Guarantee commitments	883	946	370	301
Reserve for projects with a work-up rate exceeding the sales rate	118	202		
Restoration reserve	112	101		
Accrued costs		81		
Relocation costs	21			
Other provisions	507	141	37	81
Total	**1,641**	**1,471**	**407**	**382**

NOTE 33 FINANCIAL INSTRUMENTS

Loan portfolio, December 31, 2004 (including swaps)

	SEK and foreign currencies Amortization		SEK and foreign currencies Fixed-interest loans during period			SEK	
MATURITY	SEK M	Percentage	SEK M	Percentage	Average interest rate	Fixed-interest loans during period, SEK M	Average interest rate
2005	1,107	26%	2,736	64%	4.7%	1,824	4.6%
2006	946	22%	824	19%	5.3%	125	5.1%
2007	413	10%	329	8%	4.4%	111	5.4%
2008	618	14%	66	2%	6.6%	33	5.5%
2009	845	20%	233	5%	4.0%		
2010–	357	8%	98	2%	4.1%	–11	5.8%
Interest-bearing liabilities	**4,286**	**100%**	**4,286**	**100%**	**4.8%**	**2,082**	**4.7%**
Liquid assets	2,605		2,605			1,417	
Interest-bearing receivables	1,002		1,002			934	
Net indebtedness	**679**		**679**			**–269**	

The NCC Group's currency derivatives were distributed in the following currencies on December 31. All contracts expire in 2005. The specified values include underlying capital amounts.

Currency forward contracts at Dec 31, 2004

Counter-value at year-end rate in SEK M	2004	2003
Sell DKK	–2,253	–1,599
Sell EUR	–2,498	–2,837
Sell LTL	–32	–32
Sell LVL		–20
Sell NOK	–817	–1,402
Sell PLN	–928	–543
Sell SGD	–126	
Sell USD	–65	–252
Sell total	**–6,719**	**–6,685**
Buy DKK	231	122
Buy EUR	504	624
Buy LVL		12
Buy NOK	184	437
Buy PLN	243	
Buy SGD	61	
Buy USD	3	25
Buy total	**1,226**	**1,220**
Net	**–5,493**	**–5,465**

Market financing programs

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

- Commercial Paper (CP) program in Finland with a limit of EUR 300 M
- Commercial Paper program in Sweden with a limit of SEK 3,000 M
- Medium Term Note (MTN) in Sweden with a limit of SEK 3,000 M
- Serial loan under MTN documentation with a limit of EUR 100 M

On December 31, 2004, SEK 741 M of the CP programs and SEK 365 M of the MTN and Tap issue programs had been utilized. Of NCC's total interest-bearing liabilities, investor-related loans accounted for 30 percent.

Book value and current value of interest-bearing financial instruments

The book value and fair value of interest-bearing financial instruments are presented in the table below. Interest-free financial instruments, such as accounts payable and accounts receivable, are reported at fair value and are not included in the table.

Official market quotations on the balance-sheet date are used for establishing the fair value. The value of interest swaps includes underlying principal amounts.

Book value and fair value of financial instruments

	2004		2003	
GROUP	Book value	Fair value	Book value	Fair value
Financial fixed assets	671	679	684	689
Current receivables	331	330	372	372
Short-term investments	1,185	1,218	1,172	1,173
Cash and bank balances	1,389	1,389	1,291	1,291
Currency derivatives			50	33
Assets	**3,576**	**3,616**	**3,569**	**3,558**
Less book value of:				
– other currency derivatives			–50	
Book value of interest-bearing assets	**3,576**	**3,616**	**3,519**	**3,558**
Liabilities to credit institutions[1]	4,144	4,144	7,718	7,718
Other liabilities	111	111	674	674
Provisions	31	31	20	20
Interest swaps receivable	–2,021	–2,038	–3,411	–3,429
Interest swaps payable	2,043	2,094	3,450	3,539
Currency derivatives	21	34		
Liabilities	**4,329**	**4,376**	**8,451**	**8,522**
Less book value of:				
– accrued interest	–22		–39	
– other currency derivatives	–21			
Book value of interest-bearing liabilities	**4,286**	**4,376**	**8,412**	**8,522**

[1] Repayment of SEK 800 M (943) from NCC's Pension Foundation is included.

Book value and fair value of financial instruments

	2004		2003	
PARENT COMPANY	Book value	Fair value	Book value	Fair value
Financial fixed assets	154	154	107	107
Current receivables	644	644	379	379
Short-term investments, NCC's internal bank	2,735	2,735	2,061	2,061
Cash and bank balances, NCC's internal bank	823	823	336	336
Cash and bank balances	20	20	32	32
Currency derivatives	9	7		
Assets	**4,385**	**4,383**	**2,915**	**2,915**
Less book value of:				
– other currency derivatives	–9			
Book value of interest-bearing assets	**4,376**	**4,383**	**2,915**	**2,915**
Liabilities to credit institutions	836	836	1,023	1,023
Other liabilities	1,299	1,299	1,814	1,814
Provisions	18	18	18	18
Interest swaps receivable	–36	–37	–146	–147
Interest swaps payable	36	37	150	156
Liabilities	**2,153**	**2,153**	**2,859**	**2,864**
Less book value of:				
– accrued interest			–4	
Book value of interest-bearing liabilities	**2,153**	**2,153**	**2,855**	**2,864**

NOTE 34 INVOICED REVENUES, NOT WORKED-UP

GROUP	2004	2003
Invoicing on non-concluded contracts	24,086	22,022
Accrued revenues from non-concluded contracts	–20,523	–18,501
Total	**3,563**	**3,521**

NOTE 35 WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2004	2003
Invoicing excluding withheld amount	13,476	14,500
Withheld amount	202	164
Total invoicing	**13,678**	**14,664**
Costs incurred excluding reserve for losses	–11,858	–12,625
Reserve for losses	110	44
Total costs incurred	**–11,748**	**–12,581**
Total work in progress on another party's account	**1,930**	**2,083**
Profit-recognized invoicing		
Invoicing during the year	16,069	15,773
Invoiced but not recognized as profit on January 1	14,664	15,438
Less: Invoiced but not recognized as profit on December 31	–13,678	–14,664
Total revenues	**17,055**	**16,547**

NOTE 36 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2004	2003	2004	2003
Accrued salary-related costs	1,226	1,115	750	694
Accrued financial expense	83	84	1	
Prepaid rental revenues	36	28	5	8
Accrued project-related costs	1,410	1,496	220	
Accrued administrative costs	175	194	11	
Accrued guarantee costs	12	61		
Accrued operating and sales costs	118	22		
Other accrued expenses	171	161	70	409
Total	**3,231**	**3,161**	**1,057**	**1,111**

NOTE 37 LEASING

In Finland, Norway and Denmark, framework agreements have been concluded for the operational leasing of cars and light goods vehicles, including relating administrative services. The agreements are based on variable interest rates. A separate agreement with the lessor is required for the acquisition of leased objects and the extension of leasing agreements. In Sweden, framework agreements have been concluded for the financial leasing of cars and light goods vehicles. The agreements are based on variable interest rates. NCC recommends purchasers and leasing agreements for individual vehicles can be extended.

Within NCC Roads, framework agreements have been concluded for the operational leasing of production equipment for road maintenance operations. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

Financial leasing

	2004	2003
Financial lessor		
Leasing contracts that expire within five years	35	39
Financial lessee		
Leasing contracts that expire:		
Within one year	43	38
Later than one year but earlier than five years	131	139
Later than five years	24	28

	Future leasing fees		Present value of future leasing fees	
	2004	2003	2004	2003
Costs at maturity				
Within one year	37	32	36	31
Later than one year but earlier than five years	128	139	113	124
Later than five years	40	45	35	39

	2004	2003
Reconciliation of future leasing fees and their present value		
Future minimum leasing fees	205	216
Less interest charge	–21	–22
Present value of future minimum leasing fees	**184**	**194**

NOTE 37 cont. LEASING

	2004 Interest	2003 Interest
Variable fees included in net profit for the year:		
Leased machinery and equipment	5	6
Leased buildings	2	3
Total	**7**	**9**

Operational leasing

	2004	2003
Operational lessor		
Future minimum leasing fees – lessor (leased premises)		
Distributed by maturity period:		
Within one year	17	16
Later than one year but earlier than five years	72	131
Later than five years	301	56

	2004	2003
Operational lessee		
Future minimum leasing fees – lessee		
Leasing contracts that expire:		
Within one year	315	349
Later than one year but earlier than five years	553	600
Later than five years	288	281
The year's cost for operational leasing amounts to	312	414

NOTE 38 TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to NCC are the Nordstjernan Group, companies in the Lundberg sphere, associated companies and joint ventures.

Transactions involving NCC's associated companies and joint ventures were of a production nature.

The transactions were conducted on a purely commercial basis.

GROUP	2004	2003
Transactions with associated companies and joint ventures		
Sales to associated companies	74	100
Purchases from associated companies	18	12
Long-term receivables from associated companies	66	73
Current receivables from associated companies	156	115
Interest-bearing liabilities to associated companies	21	14
Current liabilities to associated companies	44	240

Transactions with the Nordstjernan Group
NCC administrates the payment of salaries on behalf of Nordstjernan. Invoicing amounted to approximately SEK 0.1 M.

	2004	2003
Transactions with the Lundbergs sphere		
Sales to the Lundbergs sphere	29	240
Purchases from the Lundbergs sphere		1
Interest income from the Lundbergs sphere	4	5
Current receivables from the Lundbergs sphere	98	98

PARENT COMPANY	2004	2003
Transactions with Group companies		
Sales to Group companies	2,197	406
Purchases from Group companies	506	757
Interest income from Group companies	74	101
Interest expense to Group companies	57	68
Dividend from Group companies	2,040	1,210
Long-term receivables from Group companies	189	167
Current receivables from Group companies	4,311	3,009
Interest-bearing liabilities to Group companies	1,289	1,790
Current liabilities to Group companies	1,871	1,634
Contingent liabilities to Group companies	13,427	15,430
Sales to associated companies	7	6

NOTE 39 PLEDGED COLLATERAL, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Pledged collateral				
For own liabilities:				
Property mortgages	73	1,057		
Chattel mortgages	16	42		
Promissory note receivables	17			
Assets with attached liens, etc.	167	177	12	41
Restricted bank deposits	86	200		
Total pledged collateral	**359**	**1,476**	**12**	**41**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies			13,550	15,439
Deposits and concession fees	2,545	1,594	2,489	1,594
Construction loans	1,708	1,753	1,491	1,752
Other guarantees and contingent liabilities[1]	1,497	2,906	1,193	2,176
Held jointly with other companies:				
Liabilities in consortiums, partnerships and limited partnerships	291	1,348	238	232
Total contingent liabilities	**6,041**	**7,601**	**18,961**	**21,193**

There are no contingent assets.

[1] **Ongoing cartel processes**

In March 2003, the Swedish Competition Authority completed the investigation that was started in 2001 into alleged contract-tendering collusion and the illegal dividing-up of markets within asphalt operations. In its writ, the Competition Authority demanded a penalty fee totaling SEK 1.6 billion for anti-competition activities, of which NCC, after a 30-percent reduction for its cooperation in the investigations, accounted for SEK 472 M. NCC believes that it has favorable prospects of bringing about a reduction in the penalty fee during the forthcoming main hearing, which is expected to take place during spring 2006.

Nine municipal authorities have sued companies, including NCC, for damages due to cartel collusion. The combined claim for damages from all of the companies involved totals nearly SEK 50 M. In September 2004, the question of whether persons other than contractual parties with municipalities could be sued was addressed by Stockholm City Court. In November 2004, the Court ruled in favor of this possibility. This ruling has been appealed.

During 2004, the Competition Authority in Finland sued asphalt companies, including NCC subsidiaries, for cartel collusion. The claim against the subsidiaries totals approximately SEK 100 M. NCC contests the charges of cartel collusion.

In February 2003, the Norwegian Competition Authority reported a number of companies, including NCC, to the Norwegian economic crimes agency for alleged breach of competition legislation. NCC's own investigations cannot exclude the possibility that a ten-year old invoice was intended as so-called "loser fees," which NCC made public. Subsequently, the police inquiry continued and up to February 2005 nothing new had been forwarded to NCC.

The competition-impairing fees claimed by the Swedish Competition Authorities in Sweden and Finland have been reported as contingent liabilities, as have the damages claimed in Sweden. Any provision that has an impact on NCC's earnings will be posted when it becomes possible to reliably estimate the size of the penalty.

NOTE 40 CASH FLOW STATEMENT

Acquisition of subsidiaries
According to the acquisition analysis, acquired assets and liabilities were as follows:

GROUP	2004	2003
Intangible fixed assets		–20
Buildings and land		–9
Tangible fixed assets		–4
Financial fixed assets		–4
Properties classed as current assets	–3	–11
Accounts receivable and other current receivables	–2	–52
Liquid assets	–1	–11
Accounts payable and other current liabilities	1	39
Deferred tax liability		12
Purchase considerations paid	**–5**	**–60**
Acquired liquid assets	1	11
Impact on the Group's liquid assets	**–4**	**–49**

Sales of subsidiaries

GROUP	2004	2003
Intangible fixed assets	173	9
Buildings and land	69	97
Tangible fixed assets	90	26
Inventories	36	2
Accounts receivable and other current assets	76	27
Liquid assets	39	10
Long-term liabilities	–4	–33
Current interest-bearing liabilities	–58	–14
Deferred tax liability	–5	
Capital gains	73	22
Purchase considerations	**489**	**146**
Sold liquid assets	–39	–10
Impact on the Group's liquid assets	**450**	**136**

Spinoff of subsidiary

ALTIMA	2003
Intangible fixed assets	116
Buildings and land	162
Tangible fixed assets	698
Financial fixed assets	18
Inventories	51
Accounts receivable and other current assets	191
Liquid assets	112
Long-term liabilities	–256
Accounts payable and other current liabilities	–427
Deferred tax liability	–24
Distribution of assets and liabilities	641
Of which, liquid assets	–112

Acquisition of tangible fixed assets

Group

Acquisitions of tangible fixed assets during the year amounted to SEK 806 M (873), of which SEK 0 M (3) was financed through loans.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 54 M (84), of which SEK 0 M (0) was financed through loans.

Acquisitions of subsidiaries amounted to SEK 5 M (60), of which SEK 1 M (11) had no effect on cash flow. Sales of subsidiaries amounted to SEK 489 M (146), of which SEK 39 M (10) had no effect on cash flow.

Since the Parent Company has only insignificant amounts of liquid assets in foreign currency, no translation difference in liquid assets arose during the year.

Information about interest payments

Group

Interest payments received during the year amounted to SEK 133 M (209). Interest payments made during the year amounted to SEK 294 M (511).

Parent Company

Interest payments received during the year amounted to SEK 84 M (119). Interest payments made during the year amounted to SEK 120 M (129).

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Effective January 1, 2005, NCC will apply IFRS. The information below presents the most important effects of the transition. Information is also provided to illustrate how the Group's financial results and position in 2004 would have been affected if IFRS had been applied instead of the accounting principles that were applied during that year. IAS 39, which applies to the reporting of financial instruments, will be adopted beginning in 2005. Since IFRS is still pending approval by EU, changes could be introduced that affect the information presented below.

Company acquisitions and business combinations

Financial reporting of acquired companies will be changed. Acquisitions completed during 2004 will be recalculated in accordance with the new regulations in the financial accounts for 2005 (IFRS 3).

In the transition to this recommendation, NCC has chosen to apply the exemptions included in the retroactive application rules in accordance with IFRS 1, First time adoption of IFRS, namely that no adjustments be made for companies acquired before 2004. NCC completed one minor acquisition in 2004. A recalculation to IFRS for this acquisition would not have any significant impact on the income statement or balance sheet.

The new accounting principles will entail a more detailed division of the acquired company's surplus values. Intangible assets such as trademarks, patents and customer lists will be identified in greater detail than before. Goodwill will arise only if no other division can be applied and the nature of such entries must be explained, referring to synergies and market dominance, for example.

Amortization according to plan of goodwill entries will be discontinued. In the future, the booked residual value of goodwill will be subject to impairment testing at the close of every accounting period. If the book value is less than the useful value of the goodwill, a write-down is posted. The application of the principles above in 2004 would have resulted in a reversal of amortization according plan by a total of SEK 173 M, and additional write-downs of SEK 43 M would have been reported. The write-downs would not have been necessary if amortization had been applied, but are an effect of applying the principle described above. Accordingly, the net effect on earnings would have been an increase of SEK 131 M.

Joint ventures

As of the introduction of IFRS, the proportional consolidation method (IAS 31, Financial Reporting of Interests in Joint Ventures) is applied. As a result, NCC's shares in the income statements and balance sheets of all jointly owned companies will be combined with the corresponding line items in NCC's financial accounts, in the same way as financial reporting of Group subsidiaries.

Application of the principle described above in 2004 would have increased total assets by SEK 821 M and net indebtedness by SEK 450 M. The effect on earnings would have been SEK 10 M.

Construction contracts

During the autumn of 2004, the Swedish Construction Federation issued a supplement to its sector recommendations regarding percentage-of-completion recognition of profit from housing projects for sale. The recommendation is based on IAS 11, Construction Contracts. The degree of sales eliminations in proprietary housing production projects will be treated as the work-up rate multiplied by the sales rate. In the past, NCC applied the work-up rate or sales rate whichever was lower.

The supplement will result in more cautious profit recognition than previously and a stronger relation to sold housing units.

As of January 1, 2005, NCC applies the industry's recommendation.

Application of the principle described above in 2004 would have reduced equity by SEK 107 M and operating profit for the year by SEK 40 M.

Borrowing expenses

As of January 1, 2005, NCC's borrowing expenses related to property development projects will be charged against earnings for the period to which they apply (IAS 23, Borrowing costs). In the past, borrowing expenses for property development projects that required substantial periods of time to complete were capitalized.

Application of this principle in 2004 would have reduced total assets by SEK 32 M and equity by SEK 28 M. Operating profit would have been SEK 19 M higher.

Market valuation of managed properties

As of January 1, 2005, NCC will value managed properties at fair value, meaning the market value (IAS 40, Investment Property). A change arising from valuations of managed properties at fair value is included in the net profit for the period during which a profit or loss is realized. The principle means that no amortization or write-downs will be made for properties that are valued at fair value.

If this principle had been applied in 2004, total assets would have remained unchanged and equity would have increased by SEK 1 M. Capital gains from sales of managed properties would have decreased by SEK 99 M.

Deferred tax

To reflect the adjustments that have been made, deferred tax has been booked in accordance with IAS 12, Income Taxes.

Minority interests

Effective January 1, 2005, minority interests are included as part of equity and are no longer deducted from earnings (IAS 1, Presentation of Financial Statements). The minority interest shall, however, be reported as a separate entry in equity and the percentage of profit that is credited to the company's shareholders and minority interests must be specified on a line close to net profit for the year. Minority interest in equity in 2004 would have amounted to SEK 84 M and the share of profit would have been SEK 3 M.

Miscellaneous

The adoption of IFRS has also created minor effects on the following items: leasing (IAS 17, Leases) and guarantee costs (IAS 37, Provisions, Contingent Liabilities and Contingent Assets).

With respect to other exceptions that have retroactive applications in accordance with IFRS 1, First time adoption of IFRS, NCC has chosen to zero-adjust translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates.

Financial instruments

Financial instruments such as currency hedges and interest swaps will be market valued and reported at fair value as of January 1, 2005 (IAS 39, Financial Instruments: Recognition and Measurement). Adjustments to fair value are reported in the income statement. In cases where hedge accounting is applied, the reporting is booked against shareholders' equity in certain cases. The effect of this change in principle, which NCC follows with the exception of entries included in retroactive application in accordance with IFRS 1, First time adoption of IFRS, was realized on January 1, 2005 in an amount of SEK 31 M, whereby shareholders' equity was reduced by SEK 31 M.

Remuneration to employees

NCC's outstanding options program, 1999–2001, is not affected by IFRS 2, Share-based payments.

NOT 41 cont. FINANCIAL REPORTING IFRS

Overall reporting for conversion to IFRS

The table below is a general account of the financial statements after adoption of IFRS, assuming that IFRS had been applied in the financial accounts for 2004.

IFRS EFFECTS ON BALANCE SHEET

2004	Total assets	Shareholders' equity	Net indebtedness
Opening value according to current accounting principles, Jan. 1, 2004	**29,997**	**6,188**	**4,891**
Effects of IFRS, opening balance 2004			
Joint ventures	1,458	11	1,354
Gross receivables and liabilities	480		
Sales rate elimination		–76	
Borrowing expenses	–40	–36	
Market valuation of properties	102	73	
Minority interest		78	
Other	6	–3	
Subtotal	**2,006**	**47**	**1,354**
Opening values in accordance with IFRS, Jan. 1, 2004	**32,003**	**6,235**	**6,245**
Value according to current accounting principles, Dec. 31, 2004	**26,738**	**6,728**	**679**
Effects of IFRS, 2004			
Goodwill	122	122	
Joint ventures	821	21	450
Gross receivables and liabilities	762		
Sales rate elimination	14	–107	
Borrowing expenses	–32	–28	
Market valuation of properties		1	
Minority interest		84	
Other	–35	–22	21
Subtotal	**1,652**	**71**	**471**
Closing values in accordance with IFRS, Dec. 31, 2004	**28,390**	**6,799**	**1,150**
IAS 39, Valuation of financial instruments		–31	
Opening value IFRS, Jan. 1, 2005	**28,390**	**6,768**	**1,150**

IFRS EFFECTS ON INCOME STATEMENT

	2004
Operating profit (EBIT)	**1,117**
Effects of IFRS, Jan-Dec 2004	
Goodwill	131
Joint ventures	33
Sales rate elimination	–40
Borrowing expenses	19
Market valuation of properties	–99
Other	–14
Subtotal	**30**
Operating profit (EBIT) in accordance with IFRS	**1,147**
Net profit during the year	**856**
Effects of IFRS, Jan-Dec 2004	
Operating profit (EBIT), IFRS	30
Profit from financial investments	–41
Taxes	27
Minority interests	3
Net profit after tax in accordance with IFRS	**875**

IFRS EFFECTS ON KEY RATIOS

CHANGES IN KEY RATIOS	Dec. 31, 2004	Dec. 31, 2004 according to IFRS	Jan. 1, 2005 according to IFRS
Return on capital employed, %	9.8	9.3	9.3
Return on shareholders' equity, %	13.8	13.5	13.5
Equity/assets ratio, %	25.5	24.0	23.9
Earnings per share (excl. minority interests), SEK	8.35	8.53	8.53

Solna, February 8, 2005

Tomas Billing
Chairman of the Board

Antonia Ax:son Johnson

Lars Bergqvist

Sven Frisk

Ulf Holmlund

Fredrik Lundberg

Anders Rydin

Marcus Storch

Ruben Åkerman

Alf Göransson
President and CEO

Our auditors' report was submitted on February 21, 2005.

Bo Ribers
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF NCC AB SHAREHOLDERS, CORPORATE REGISTRATION NUMBER: 556034-5174

We have audited the annual report, the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of NCC AB for the 2004 fiscal year. The Board of Directors and the President are responsible for these accounts and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when the annual report and the consolidated financial statements are compiled. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, evaluating the material estimations made by the Board of Directors and President when compiling the annual report and the consolidated financial statements, and evaluating the overall presentation of information in the annual report and consolidated financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and consequently provide a true and fair picture of the Company's and the Group's earnings and financial position in accordance with Generally Accepted Auditing Standards in Sweden. The Report of the Board of Directors is compatible with the other parts of the annual report and the consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the President be discharged from liability for the fiscal year.

Solna, February 21, 2005

Bo Ribers
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant

MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	1997	1998	1999	2000	2001	2002	2003	2004
Net sales	32,077	34,160	37,460	38,728	47,521	45,165	45,252	45,437
Production costs	–29,475	–30,832	–33,446	–34,641	–45,232	–40,950	–41,739	–41,809
Gross profit	**2,602**	**3,328**	**4,014**	**4,087**	**2,289**	**4,215**	**3,513**	**3,628**
Selling and administrative expenses	–2,502	–2,587	–3,062	–2,545	–4,004	–3,157	–2,717	–2,523
Result from property management					254	103	50	29
Result from sales of properties	–63	323	163	640	229	322	–10	57
Write-downs				–16	–282	–6	–64	–138
Write-downs/reversal of write-downs of properties within NCC Property Development			31	–44	–77	–4	–782	–69
Result from sales of Group companies	105	1	7	–1	8	303	4	73
Result from sales of participations in associated companies	18	36	211	294	47	44	11	60
Operating profit/loss	**160**	**1,101**	**1,364**	**2,415**	**–1,536**	**1,820**	**5**	**1,117**
Result from financial investments								
Result from other financial fixed assets	26	28	151	241	295	58	51	45
Result from financial current assets	193	162	212	262	234	269	168	103
Interest expense and similar items	–754	–561	–476	–765	–1,123	–841	–547	–310
Profit/loss after net financial items	**–375**	**730**	**1,251**	**2,153**	**–2,130**	**1,306**	**–323**	**955**
Tax on net profit for the year	79	–184	–408	–655	–121	–461	–77	–96
Minority interests	–4	–3	–5	–4	–18	–24	–21	–3
Net profit/loss for the year	**–300**	**543**	**838**	**1,494**	**–2,269**	**821**	**–421**	**856**

BALANCE SHEET, SEK M	1997	1998	1999	2000	2001	2002	2003	2004
ASSETS								
Intangible fixed assets								
Goodwill	1,394	1,313	2,193	3,210	2,787	2,538	2,045	1,597
Other intangible fixed assets	33	31	41	87	146	130	82	31
Tangible fixed assets								
Business properties and construction in progress	488	479	723	1,057	1,071	1,190	868	821
Managed properties	8,526	7,557	5,950	4,570	3,895	1,306	897	41
Machinery and equipment	1,323	1,440	1,961	3,218	3,242	3,055	1,926	1,803
Financial fixed assets								
Financial fixed assets, interest-bearing	1,213	1,274	918	764	371	711	684	671
Financial fixed assets, interest-free	2,478	2,330	1,619	1,656	1,408	1,548	1,394	1,640
Total fixed assets	**15,455**	**14,424**	**13,405**	**14,562**	**12,920**	**10,478**	**7,896**	**6,605**
Properties classed as current assets								
Property-development projects	2,104	2,174	3,276	4,036	5,477	4,215	3,755	2,002
Housing-development projects	899	1,154	1,870	3,152	3,335	3,358	3,510	3,495
Participations in associated companies					120	132	116	53
Inventories, etc.	470	443	507	722	695	820	590	615
Current receivables								
Current receivables, interest-bearing	199	344	220	624	895	834	372	330
Current receivables, interest-free	5,608	6,785	7,381	11,390	12,706	11,661	11,293	11,033
Short-term investments	2,307	1,678	1,042	752	530	1,071	1,174	1,216
Cash and bank balances	1,302	1,457	1,329	1,455	2,634	2,646	1,291	1,389
Total current assets	**12,889**	**14,035**	**15,625**	**22,131**	**26,392**	**24,737**	**22,101**	**20,133**
Total assets	**28,344**	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Shareholders' equity								
Restricted shareholders' equity	7,625	8,160	6,545	6,470	6,691	6,097	5,792	2,448
Unrestricted shareholders' equity	1,612	1,511	3,250	3,452	631	1,500	396	4,280
Total shareholders' equity	**9,237**	**9,671**	**9,795**	**9,922**	**7,322**	**7,597**	**6,188**	**6,728**
Minority interests	25	25	30	20	94	83	78	84
Provisions								
Interest-bearing provisions	1,230	1,320	1,419	884	1,006	1,168	20	31
Interest-free provisions	1,013	1,021	1,196	1,627	1,890	2,162	2,130	2,292
Long-term liabilities								
Long-term liabilities, interest-bearing	3,343	2,260	3,878	4,757	4,826	4,924	4,267	3,148
Long-term liabilities, interest-free	231	20	20	2,206	24	20	38	34
Current liabilities								
Current liabilities, interest-bearing	4,383	4,801	3,505	6,073	8,904	4,986	4,125	1,107
Current liabilities, interest-free	8,882	9,341	9,187	11,204	15,246	14,275	13,151	13,314
Total liabilities	**19,082**	**18,763**	**19,205**	**26,751**	**31,896**	**27,535**	**23,732**	**19,926**
Total equity and liabilities	**28,344**	**28,459**	**29,030**	**36,693**	**39,312**	**35,215**	**29,997**	**26,738**

KEY FIGURES, SEK M	1997	1998	1999	2000	2001	2002	2003	2004
Accounts								
Net sales	32,077	34,160	37,460	38,728	47,521	45,165	45,252	45,437
Operating profit/loss, EBIT	160	1,101	1,364	2,415	–1,536	1,820	5	1,117
Profit/loss after financial items, EBT	–375	730	1,251	2,153	–2,130	1,306	–323	955
Net profit/loss during the year	–300	543	838	1,494	–2,269	821	–421	856
Investments in fixed assets	2,190	1,315	2,761	4,298	2,269	1,662	1,102	850
Gross investments in properties, NCC Property Development	694	1,135	1,853	3,056	3,055	1,604	1,396	417
Sales of properties, NCC Property Development	6,227	2,219	2,142	3,845	1,965	6,786	1,553	2,939
Cash flow								
Cash flow from continuing operations	201	881	–63	279	916	2,747	959	3,399
Cash flow from investing activities	4,022	–289	–542	–2,635	–1,662	2,308	–196	1,096
Cash flow before financing	4,223	592	–605	–2,356	–746	5,055	762	4,495
Cash flow from financing activities	–3,264	–1,066	–159	2,161	1,617	–4,452	–1,962	–4,380
Change in liquid assets	959	–474	–764	–195	871	603	–1,199	115
Profitability ratios								
Return on shareholders' equity, %	neg	6	9	15	neg	11	neg	14
Return on capital employed, %	2	7	10	13	neg	10	1	10
Financial ratios at year-end								
Interest-coverage ratio, %	0.5	2.3	3.3	4.8	–1.1	2.4	0.5	3.8
Equity/assets ratio, %	33	34	34	27	19	22	21	25
Interest-bearing liabilities/total assets, %	32	29	30	32	37	31	28	16
Net indebtedness	3,935	3,627	5,296	8,118	10,306	5,816	4,891	679
Debt/equity ratio, times	0.4	0.4	0.5	0.8	1.4	0.8	0.8	0.1
Capital employed at year-end	18,218	18,077	18,628	21,705	22,153	18,759	14,678	11,098
Capital employed, average	20,430	17,745	18,974	19,797	22,999	20,770	17,770	13,152
Capital turnover rate	1.6	1.9	2.0	1.8	2.1	2.2	2.5	3.5
Share of risk-bearing capital, %	33	35	36	30	20	24	23	27
Average interest rate, %	7.0	6.1	5.3	5.5	5.6	5.3	4.6	4.2
Average period of fixed interest, years	1.4	1.6	2.3	1.6	1.2	1.3	0.9	1.3
Sector-specific ratios								
Orders received	29,772	33,124	37,500	46,316	50,647	43,098	40,941	45,362
Order backlog	16,756	18,460	19,380	25,835	30,750	23,788	23,752	27,077
Per share data								
Profit/loss after taxes, before dilution, SEK	–2.80	5.00	7.70	14.00	–21.60	7.95	–4.10	8.35
Profit/loss after taxes, after dilution, SEK	–2.80	5.00	7.70	13.80	–21.60	7.55	–4.10	7.90
P/E ratio	neg	12	13	5	neg	7	neg	10
Ordinary dividend, SEK [1]	1.50	2.50	4.00	4.50	2.25	2.75	2.75	4.50
Extraordinary dividend, SEK [1] [2]		3.00	7.00				6.70	10.00
Dividend yield, %	1.8	8.9	11.2	6.5	3.2	5.2	17.0	16.5
Dividend yield excl. extraordinary dividend, %	1.8	4.1	4.1	6.5	3.2	5.2	5.0	5.1
Shareholders' equity, SEK	85.20	89.20	90.30	93.90	69.75	74.20	60.45	65.70
Share price/shareholders' equity, %	98	69	108	73	100	71	92	134
Share price at year-end, NCC B, SEK	83.50	61.50	98.00	69.00	70.00	53.00	55.50	88.00
Number of shares								
Total number of issued shares, millions	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Repurchase of shares, millions	–	–	–	2.7	3.4	6.0	6.0	6.0
At year-end, millions	108.4	108.4	108.4	105.7	105.0	102.4	102.4	102.4
Average during the year, millions	108.4	108.4	108.4	107.0	105.0	103.6	102.4	102.4
Market capitalization	8,960	6,669	10,564	7,353	7,347	5,366	5,625	8,984
Personnel								
Average number of employees	22,434	21,645	24,122	25,192	28,170	25,554	24,076	22,214

1) The Board of Directors' proposal to the Annual General Meeting.

2) The extraordinary dividend for 2003 pertains to all of the shares in Altima.

For definitions of key figures, see page 87.

1997 NCC and SIAB merged in 1997. The figures reported are pro forma. Merger costs corresponding to SEK 449 M resulted from this transaction.

1998 Earnings improved as a result of coordination gains from the merger with SIAB, an increase in project development and the sale of properties.

1999 The main reason for the increase in earnings was an improvement in the construction operations of foreign subsidiaries. The sale of the Neptun Maritime and BPA shareholdings contributed a capital gain of SEK 201 M. Asphalt and ballast operations were acquired from Superfos, a Danish construction group.

2000 Earnings for 2000 included surplus pension funds from Alecta amounting to SEK 912 M. The main reason for the improved earnings was a high rate of activity within real estate operations. The Rieber Group's asphalt and aggregate operations were also acquired.

2001 Earnings for 2001 were charged SEK 1,740 M for write-downs and provisions. A comprehensive restructuring and action program was introduced to improve profitability. As of 2001, sales of NCC Property Development's property development projects were reported as part of net sales. The effect for 2001 was an approximately SEK 1.5 billion increase in sales.

2002 Operations were affected by the action program initiated in 2001. Restructuring measures were implemented in the Nordic countries. The phase-out of non-core operations was initiated. The sale of the subsidiary NVS generated a capital gain of SEK 301 M.

2003 Earnings for 2003 were charged SEK 782 M for the write-down of NCC Property Development and SEK 195 M for the write-down of NCC Roads, including restructuring measures. The subsidiary Altima was spun off. Altima's earnings for full-year 2003 are included.

QUARTERLY DATA

	Quarterly amounts, 2004				Jan–Dec	Quarterly amounts, 2003				Jan–Dec
	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3	Q4	2003
NCC Group										
Orders received, SEK M	10,614	12,460	9,575	12,713	45,362	10,044	11,715	9,086	10,096	40,941
Order backlog, SEK M	26,495	27,853	26,352	27,077	27,077	28,952	29,518	26,366	23,753	23,753
Net sales, SEK M	8,239	12,612	11,143	13,442	45,437	8,631	10,860	11,735	14,026	45,252
Operating profit/loss (EBIT), SEK M	–119	539	494	204	1,117	–391	323	651	–579	5
Profit/loss after financial items (EBT), SEK M	–166	494	458	169	955	–459	205	583	–653	–323
Profit/loss after taxes, SEK M	–143	426	387	186	856	–322	81	409	–589	–421
Earnings per share, SEK	–1.40	4.15	3.80	1.80	8.35	–3.15	0.80	4.00	–5.75	–4.10
NCC Construction Sweden										
Orders received, SEK M	4,591	4,888	3,412	6,942	19,833	4,145	5,147	3,517	4,249	17,058
Order backlog, SEK M	10,892	11,407	10,718	12,385	12,385	10,094	11,332	10,890	9,836	9,836
Net sales, SEK M	3,547	4,382	4,109	5,291	17,329	3,596	4,028	3,969	5,306	16,899
Operating profit/loss (EBIT), SEK M	65	122	128	95	409	33	106	113	161	412
Operating margin (EBIT), %	1.8	2.8	3.1	1.8	2.4	0.9	2.6	2.8	3.0	2.4
Capital employed, SEK M	1,090	1,017	1,265	1,281	1,281	2,161	1,896	2,086	1,911	1,911
NCC Construction Denmark										
Orders received, SEK M	1,128	1,893	1,490	1,663	6,174	769	1,027	1,153	1,414	4,362
Order backlog, SEK M	3,195	3,798	4,106	4,118	4,118	3,785	3,401	3,196	3,092	3,092
Net sales, SEK M	1,145	1,247	1,169	1,633	5,194	1,224	1,394	1,265	1,557	5,440
Operating profit/loss (EBIT), SEK M	6	40	49	55	150	1	84	42	18	145
Operating margin (EBIT), %	0.5	3.2	4.2	3.3	2.9	0.1	6.0	3.3	1.2	2.7
Capital employed, SEK M	451	472	538	583	583	340	399	412	421	421
NCC Construction Finland										
Orders received, SEK M	1,068	1,854	1,221	710	4,853	2,072	1,463	1,167	1,328	6,030
Order backlog, SEK M	3,828	4,135	4,079	3,362	3,362	3,940	4,086	3,949	3,820	3,820
Net sales, SEK M	1,245	1,509	1,229	1,460	5,443	1,040	1,292	1,195	1,527	5,055
Operating profit/loss (EBIT), SEK M	87	71	47	62	267	35	42	53	66	197
Operating margin (EBIT), %	7.0	4.7	3.8	4.2	4.9	3.4	3.3	4.4	4.3	3.9
Capital employed, SEK M	984	923	997	980	980	1,268	1,277	1,224	1,018	1,018
NCC Construction Norway										
Orders received, SEK M	1,250	721	908	1,463	4,342	808	821	683	923	3,235
Order backlog, SEK M	2,857	2,610	2,572	2,911	2,911	3,725	3,352	2,807	2,412	2,412
Net sales, SEK M	868	937	927	1,131	3,863	903	1,011	1,220	1,283	4,417
Operating profit/loss (EBIT), SEK M	22	18	15	36	91	–17	–6	51	30	58
Operating margin (EBIT), %	2.5	1.9	1.6	3.2	2.4	–1.9	–0.6	4.2	2.3	1.3
Capital employed, SEK M	321	388	296	325	325	979	894	887	282	282
NCC Construction Germany										
Orders received, SEK M	279	369	295	349	1,292	225	227	240	371	1,063
Order backlog, SEK M	652	686	618	615	615	665	596	541	560	560
Net sales, SEK M	200	326	359	348	1,233	173	294	279	361	1,106
Operating profit/loss (EBIT), SEK M	4	16	15	10	45	3	11	18	15	48
Operating margin (EBIT), %	1.8	5.0	4.3	2.8	3.6	1.9	3.8	6.6	4.2	4.3
Capital employed, SEK M	1,203	1,192	1,120	1,090	1,090	1,271	1,277	1,223	1,102	1,102
NCC International Projects										
Orders received, SEK M	1,103	214	205	207	1,730	540	417	181	179	1,317
Order backlog, SEK M	3,551	3,202	2,686	2,397	2,397	5,359	4,940	3,633	3,094	3,094
Net sales, SEK M	553	914	949	418	2,833	998	677	1,409	785	3,869
Operating profit/loss (EBIT), SEK M	22	–38	–27	–20	–62	–30	3	102	41	116
Operating margin (EBIT), %	4.0	–4.2	–2.9	–4.7	–2.2	–3.0	0.4	7.3	5.2	3.0
Capital employed, SEK M	760	916	1,376	1,170	1,170	1,348	1,052	1,053	802	802
NCC Property Development										
Net sales, SEK M	245	1,508	77	1,636	3,465	256	272	72	1,451	2,052
Operating profit/loss (EBIT), SEK M	58	68	–8	101	219	20	–77	–25	–698	–780
Capital employed, SEK M	5,494	4,564	3,979	2,915	2,915	6,579	6,635	6,700	6,198	6,198
NCC Roads										
Orders received, SEK M	1,267	2,750	2,296	1,807	8,120	1,436	2,671	2,311	1,672	8,090
Order backlog, SEK M	1,610	2,099	1,622	1,273	1,273	1,571	2,025	1,519	1,053	1,053
Net sales, SEK M	726	2,249	2,769	2,155	7,899	762	2,204	2,805	2,147	7,919
Operating profit/loss (EBIT), SEK M	–323	251	330	–41	217	–394	238	339	–138	44
Operating margin (EBIT), %	–44.5	11.2	11.9	–1.9	2.7	–51.7	10.8	12.1	–6.4	0.6
Capital employed, SEK M	3,540	4,137	3,752	3,157	3,157	4,365	4,943	4,622	3,716	3,716

DEFINITIONS / GLOSSARY

FINANCIAL DEFINITIONS

Average interest rate: Nominal interest weighted by interest-bearing liabilities outstanding.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average shareholders' equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Capital employed: Total assets less interest-free liabilities including deferred tax liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate: Net sales divided by average capital employed.

Debt/equity ratio: Net indebtedness divided by shareholders' equity, including minority interest.

Dividend yield: The dividend as a percentage of the market price at year-end.

Earnings per share, after taxes: Net profit for the year divided by number of shares at the end of the year in question.

EBIT: Operating profit (Earnings Before Interest and Tax)

EBT: Profit after financial items (Earnings Before Tax).

Equity/assets ratio: The total of shareholders' equity and minority interests as a percentage of total assets.

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

Exchange-rate effect: The impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Interest-coverage ratio: Profit after financial items plus financial expense divided by financial expense.

Net indebtedness: Interest-bearing liabilities less liquid assets less interest-bearing receivables.

Net investments: Closing balance less opening balance plus depreciation and write-downs less write-ups.

Net margin: Profit after financial items as a percentage of net sales.

Net sales: The net sales of construction operations are reported in accordance with the percentage of completion principle. These revenues are reported in pace with the gradual completion of construction projects within the Group. In the Parent Company, net sales correspond to income-recognized sales from completed projects. Within other operations, net sales correspond to invoicing for the year.

Operating capital: Interest-free assets less interest-free liabilities, excluding tax receivables and tax liabilities and interest-free provisions.

Operating margin: Operating profit as a percentage of net sales.

Operating net: Result from property management before depreciation.

Order backlog: Value at the end of the year of the remaining non-worked-up project revenues for projects received, included proprietary projects for sale that have not been completed.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale, if a decision to initiate the assignment has been taken, are also included among assignments received.

P/E ratio: Market price of the shares at year-end, divided by earnings per share after taxes.

Profit margin: Profit after financial items as a percentage of invoicing for the year.

Repurchase of Company shares in share data: Repurchased shares have been excluded from calculations of key figures based on the number of shares outstanding.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed.

Return on equity: Net profit for the year according to the income statement as a percentage of average shareholders' equity.

Return on total capital: Profit after financial items plus financial expense (or operating profit plus financial expense) as a percentage of average total assets.

Share of risk-bearing capital: The total of shareholders' equity, minority interests, deferred tax liabilities and convertible debenture loans, which were subsequently converted, as a percentage of total assets.

Total return: Cash dividend plus any extraordinary dividend in relation to average value of the share price at the beginning and the end of the year.

SECTOR-RELATED TERMS

Aggregates: Rock materials resulting from the disintegration of rock through crushing; also called macadam.

Ballast: Normal term for disintegrated materials, mainly rock materials, used for construction and civil engineering purposes.

Buildings/other buildings: In descriptions of operations, this term pertains to commercial buildings, mainly offices, retail outlets, shopping malls and garages.

Contract forms:

Negotiated contract/mutual-trust contract: When NCC cooperates on an exclusive basis with the customer throughout the construction process – from planning to final inspection.

General contract/implementation contract: When NCC conducts construction work on behalf of a client who has conducted the project-design work. NCC appoints and is responsible for the subcontractors.

Turnkey contract/design and build contract: When NCC has turnkey responsibility for a project, from the concept and project-design stage right through to completion.

Construction costs: The cost of constructing a building, including building accessories, utility-connection fees, other contractor-related costs and VAT. Construction costs do not include the cost of land.

Development right: The right to develop a site. With respect to housing, a development right corresponds to a home (apartment or detached house) with an average of approximately 90 square meters of floor space. Ownership, or an option on ownership, of the site concerned is a prerequisite for being granted access to a development right.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

Macadam: Rock materials resulting from the disintegration of rock through crushing; also called aggregates.

NCC Partnering: A cooperation format applied in the construction industry, whereby the client, consultants and contractor establish trusting cooperation at an early stage of the process based on shared goals and joint financial targets in order to optimize the project.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

Proprietary project: When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project.

Total-package project: When NCC is responsible for the entire chain of services, from concept to project sale.

BOARD OF DIRECTORS AND AUDITORS

ELECTED BY THE ANNUAL GENERAL MEETING

TOMAS BILLING

Chairman. Born 1963. Board member since 1999 and Chairman since 2001. President of Nordstjernan AB. Chairman of Karolin Machine Tool AB, Välinge Holding AB and Sirius Machinery AB. Board member of Mydata automation AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other positions. Shareholding in NCC AB: 17,000 Series A shares, 29,000 Series B shares and call options corresponding to 315,316 Series A shares.

FREDRIK LUNDBERG

Deputy Chairman. Born 1951. Board member and Deputy Chairman since 1997. President and Chief Executive Officer of L E Lundbergföretagen AB. Chairman of Cardo AB, Holmen AB and Hufvudstaden AB. Board member of L E Lundbergföretagen AB, Svenska Handelsbanken and Industrivärden AB. Shareholding in NCC AB: 301,540 Series A shares and 74,464 Series B shares via private companies.

ANTONIA AX:SON JOHNSON

Born 1943. Board member since 1999. Chairman of Axel Johnson AB. Board member of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation, Axfood AB and Åhléns AB, as well as several companies in The Axel Johnson Group. Chairman of the Board of Stockholms Stadsmission. Shareholding in NCC AB: 167,400 Series A shares and 57,204 Series B shares via private companies.

ULF HOLMLUND

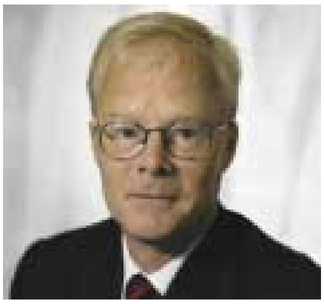
Born 1947. Board member since 2004. Board member of LjungbergGruppen AB. Previous experience: President of LjungbergGruppen AB (1983–2003) and President of Fastighets AB Celtica (1993–2003). Shareholding in NCC AB: 5,000 Series B shares.

ANDERS RYDIN

Born 1945. Board member since 2003. Chairman of Handelshögskolan Executive Education AB. Board member of Cardo AB, Ainax AB, Biotage AB, AP Fastigheter AB and AB Enskilda Securities. Previous experience includes: Finance Director of AGA AB (1978–1991), Investor AB (1991–1997) and Skandinaviska Enskilda Banken AB (1997–2003). Shareholding in NCC AB: 2,000 Series B shares.

MARCUS STORCH

Born 1942. Board member since 1998. Deputy Chairman of Axel Johnson AB, Axfood AB and the Nobel Foundation. Board member of Dagens Industri AB, AB Hannells Industrier and Nordstjernan AB, the Royal Academy of Sciences and the Royal Academy of Engineering Sciences. Previous experience: President of AGA AB (1981–1997), among other positions. Shareholding in NCC AB: 20,000 Series B shares via private companies.



ALF GÖRANSSON

Born 1957. Board member since 2002. President and CEO of NCC since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Other assignments: Board member of Välinge Holding AB and the Stockholm Chamber of Commerce. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 106,982 Series A shares.

The details regarding shareholdings in NCC pertain to directly held shares and shares held via private companies at December 31, 2004. Shareholdings are updated on the Group's website, www.ncc.info, under Investor relations/The NCC share.

MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

LARS BERGQVIST

Born 1951. Board member since 1991. Employee representative of Ledarna (Swedish Association of Supervisors). Deputy Chairman of Ledarna. Shareholding in NCC AB: 117 Series A and 78 Series B shares.

SVEN FRISK

Born 1946. Board member since 1999. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Shareholding in NCC AB: 0.

RUBEN ÅKERMAN

Born 1945. Board member since 2004. Representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Chairman of Department 37 (in Umeå) of the Union. Shareholding in NCC AB: 0.

DEPUTY MEMBERS APPOINTED BY EMPLOYEE ORGANIZATIONS

KARL-OLOF FRANSSON

Born 1941. Deputy Board member since 1993. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors). Chairman of SEKO's Road and Rail Department in southeast Sweden. Shareholding in NCC AB: 100 Series B shares.

MARITA MANNERFJORD

Born 1944. Deputy Board member since 1998. Employee representative of SIF (Swedish Industrial Salaried Employees' Association). Shareholding in NCC AB: 100 Series B shares.

SECRETARY

ULF WALLIN

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary since 1996. Shareholding in NCC AB: call options corresponding to 32,833 Series B shares.

AUDITORS

BO RIBERS

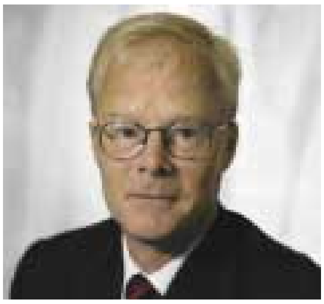
Born 1942. Authorized Public Accountant KPMG. Auditor of NCC since 2000.

CARL LINDGREN

Born 1958. Authorized Public Accountant KPMG. Auditor of NCC since 2004.

MANAGEMENT

CHIEF EXECUTIVE OFFICER AND DEPUTY CEO's



ALF GÖRANSSON

Born 1957. Board member since 2002. President and CEO of NCC since 2001. Previous experience: CEO of Svedala Industri AB (2000–2001), Business Area Manager of Cardo Rail (1998–2000) and President of Swedish Rail Systems AB (1993–1998), contracting company in the Scancem Group, among other positions. Other assignments: Board member of Välinge Holding AB and the Stockholm Chamber of Commerce. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 106,982 Series A shares.

OLLE EHRLÉN

Born 1949. Deputy Chief Executive Officer and President of NCC Construction Sweden since 2001. Employed since 1973. Previous experience: Regional Manager at NCC Building Stockholm, Construction Staff Manager within civil engineering operations, Business & Technological Development Manager within construction operations and Department Manager within rebuilding operations. Other assignments: Board member (Deputy Chairman) of the Swedish Construction Federation, the Confederation of Swedish Enterprise and Formas. Shareholding in NCC AB: 145 Series A shares, 4,400 Series B shares and call options corresponding to 16,892 Series A shares.

MATS WÄPPLING

Born 1956. Deputy Chief Executive Officer and President of NCC Property Development since 2003. Employed by NCC since 2003. Previous experience: mainly various senior positions within the Skanska Group (1979– 2002), including President of the Skanska Project Development and Real Estate business areas and, most recently, Executive Vice President (2001–2002). Other assignments: Board Member of Pandox AB and Sweco AB. Shareholding in NCC AB: call options corresponding to 450,451 Series B shares.

LINE MANAGERS

OLLE BOBACK[1)]

Born 1953. President of NCC Construction Germany. Employed since 1974. Previous experience: department and regional manager within NCC's German operations, among other positions. Active in Germany for 20 years. Other assignments: Board member of Swedish Chamber of Commerce, Germany. Shareholding in NCC AB: call options corresponding to 43,141 Series B shares.

TIMO U. KORHONEN

Born 1952. President of NCC Construction Finland since 2001. Employed during 1988–1993 and since 1998. Previous experience: regional manager at Puolimatka, Business Area President at Lemminkäinen Construction and President of NCC International. Other assignments: Board member of Finnish Federation of Building Industries. Shareholding in NCC AB: call options corresponding to 30,405 Series A shares and 102,711 Series B shares.

GÖRAN SVENSSON

Born 1954. President of NCC Roads since 2003. Employed since 1978. Previous experience: regional manager, most recently of Civil Engineering's Stockholm/Mälardalen Region, department manager, foreman and supervisor. Shareholding in NCC AB: call options corresponding to 29,458 Series B shares.

SØREN ULSLEV

Born 1955. President of NCC Construction Denmark since 2001. Employed since 1980. Previous experience: Vice President of NCC Rasmussen & Schiøtz A/S. Other assignments: Board member of Dansk Byggeri. Shareholding in NCC AB: call options corresponding to 33,784 Series A shares and 149,832 Series B shares.

SVEN CHRISTIAN ULVATNE

Born 1960. President of NCC Construction Norway since 2004. Employed since 2000. Previous experience: manager of NCC Region Nord/Vest Bygg, regional manager within construction and civilengineering at NCC Construction Norway, President of AS Betong Sandnes, President of Sandnes Eiendom, regional director at Block Watne AS, marketing manager at Aadnøy Entreprenør, among other positions. Other assignments: Chairman of Signatur Arkitekter. Shareholding in NCC AB: 0

STAFF MANAGERS

ANN-SOFIE DANIELSSON

Born 1959. Finance Director since 2003. Employed since 1996. Previous experience: Finance Director and Group Controller at NCC AB (1999–2003), Group Accounts Manager at NCC AB (1996–1999) and Group Accounts Manager at Nynäs AB (1993–1995), among other positions. Authorized Public Accountant at Tönnerviksgruppen and KPMG (1984–1992). Shareholding in NCC AB: call options corresponding to 20,678 Series B shares.

ANNICA GERENTZ

Born: 1960. Senior Vice President Corporate Communications at NCC since November 1, 2004. Employed by NCC since 2000. Previous experience: Investor Relations Manager at NCC AB (2000–2004), president and journalist of Börsveckan (1998-2000), editor of Risk & Försäkring newsletter (1996–1998), journalist at Nyhetsbyrån Direkt (1989–1996), editorial manager and journalist at Dagens Industri (1987–1989) and journalist at Expressen (1983–1987), among other positions. Shareholding in NCC AB: call options corresponding to 14,222 Series B shares.

CHARLOTTE Z. LINDSTEDT[1)]

Born 1959. Financial Director since May 1, 2004. Employed by NCC since 1989. Previous experience: President of NCC Treasury (1998–2004), senior trader at NCC Treasury (1989–1998) and accountant at The Axel Johnson Group (1983–1989), among other positions. Shareholding in NCC AB: 500 Series B shares and call options corresponding to 10,118 Series B shares.

ULF WALLIN

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary. Employed since 1994. Previous experience: Senior legal counsel at Teli AB (1990–1994), banking lawyer at SEB, Skaraborgsbanken (1987–1990), corporate lawyer at Svenska Varv (Celsius) (1981–1987) and positions in Swedish court system (1978–1981), among other positions. Shareholding in NCC AB: 0.

1) Not a member of Group Management.

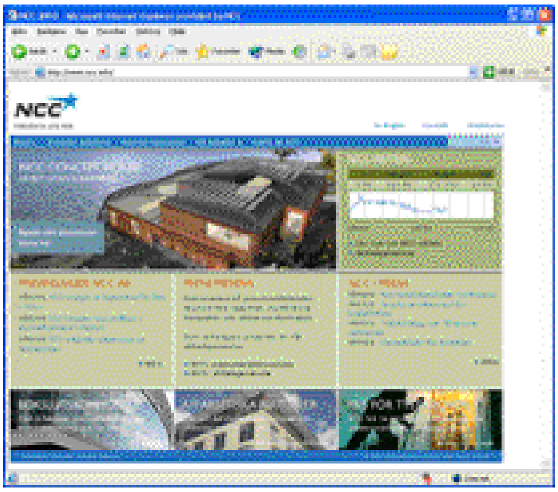
The details regarding shareholdings in NCC pertain to holdings at December 31, 2004.
Shareholdings are updated on the Group's website, www.ncc.info, under Investor relations/The NCC share.

FINANCIAL INFORMATION

NCC will publish financial information regarding the 2005 fiscal year on the following dates:

April 4	**Annual General Meeting**
May 11	**Interim report, January–March**
August 18	**Interim report, January–June**
October 28	**Interim report, January–September**
February 2006	**Year-end report 2005**

NCC's interim reports are downloadable from NCC's Group website, www.ncc.info, where all information regarding the NCC Group is organized in English and Swedish versions. There are also links to brief descriptions in other languages, such as French, Spanish, Polish and Russian. The website also includes an archive of interim reports dating back to 1997 and an archive of annual reports dating back to 1996. Since 2003, NCC has not printed or distributed its interim reports.



The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are key financial figures. All press releases issued by NCC since 1997, sorted by year, and a search function are also available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.info website or by e-mailing NCC AB at info@ncc.se, writing to NCC AB, SE-170 80 Solna, calling NCC AB at +46 8 585 510 00 or faxing NCC AB at +46 8 85 77 75.

The person within the NCC Group responsible for shareholder-related issues and financial information is Annica Gerentz, Senior Vice President Corporate Communications (Tel: +46 8 585 522 04; e-mail: annica.gerentz@ncc.se).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4:30 p.m. on April 4, 2005.
Venue: Grand Hôtel, Vinterträdgården, Royals' Entrance, Stallgatan, Stockholm, Sweden.
Registration at the Meeting will begin at 3.30 p.m. The official notification of the Annual General Meeting is available on the Group's website, www.ncc.info, and was published in Swedish daily newspapers on March 4.

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Addresses of the companies included in the NCC Group are available on the www.ncc.info website.

INDEX OF KEY WORDS

The index of key words below is designed to help you find your way around NCC's Annual Report more quickly.

Production: NCC and n3prenör.
Photographers: Mainly Niklas Palmklint, pages 2–5, 13, 25, 29–35, 37, 39, 88, 90–91. As well as Terje Agnalt, page 36, Linda Axelsson, page 24, Torsten Berglund, page 15, Peter Brundin, page 28, Dan Coleman, pages 88–89, Bruno Ehrs, cover and page 35, Odd Fellnäs, pages 32 and 90, Philip Gunnarsson, page 34, Michael Haddenhorst, page 33, Asbjørn Haslov (Photo Graphic), page 26, Adam Mørk, pages 30 and 35, NCC Boende, page 12, Voitto Niemelä, cover sleeve and page 31, Gunnar Nydrén, page 26, Henrik Ottosson, cover sleeve, pages 26 and 38, Boris Roessler/Pressens Bild, cover, Patrik Svedberg, page 28, Staffan Trägårdh, page 36, Mikael Ullén, cover sleeve and page 11, White Shark/Aix Arkitekter, page 20.
Cover photo: Clothes from Polarn O. Pyret and KappAhl, and interior design features from Englesson & Company.
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NCC AB, SE-170 80 Solna, Sweden • Tel: +46 8 585 510 00 • Fax: +46 8 85 77 75
www.ncc.info