

CEO Olle Ehrlén´s speech at the Annual General Meeting,

April 13, 2011

Mr. Chairman, esteemed shareholders, ladies and gentlemen,

In the autumn of 2008, we were facing what was predicted to be the most severe economic crisis since the depression of the 1920s. Now, more than two and a half years later, we can conclude that the economic cycle took a somewhat different course. It is true that we experienced turbulent times that challenged us all greatly – but 2010 was a year that marked an exceptionally fast recovery. Although the year began with grave uncertainty about the future, we can summarize that it turned out to be one of the most successful years in our company’s history.

2010 in brief

From the free fall in orders received experienced in the second half of 2008 and parts of 2009, the recovery emerged steadily with order levels rising in 2010. The first two quarters of the year, for which the comparative figures were low, were characterized by high growth, which subsequently leveled out later in the year, ending at a more normal level.

Following the sharp decline in the order backlog in 2009, sales lagged behind in 2010. This is an entirely normal trend that we had been able to predict and based our actions on. In autumn 2008 when the financial crisis struck, bringing with it a powerful recession, we immediately took far-reaching actions to address the lower volumes. These actions were vital to NCC’s ability to manage the recession.

An intense focus on costs contributed to our success in keeping margins high in the construction operations. All Construction units posted solid earnings in 2010, an achievement that was also the result of the company having lived up to its guiding principle of “profitability ahead of volume.” NCC Construction Sweden in particular enjoyed a successful year, and several major projects were recognized in profit.

Construction Denmark is now reporting favorable profitability again after several difficult years, despite the Danish construction market not having recovered as well as the other Nordic markets.

Construction Finland is the unit that faced the most challenging market conditions in 2010, with a high share of housing projects and no civil engineering operations. Earnings for Finland were also affected by difficult market conditions in the Baltic region.

Construction Norway reports favorable profitability, particularly in its civil engineering operations.

NCC Roads – our operations for aggregates, asphalt, paving and road service – experienced a weak first half of the year but recovered in the second half, resulting in a stable performance overall.

Our development operations for residential and commercial properties – NCC Housing and NCC Property Development – benefited from positive market trends, enabling them to start up several proprietary projects.

Sales of proprietary developed housing were healthy. However, the results for these sales will be recognized at a later date due to changes in accounting policies. Profit recognition will not take place until the housing has been completed and handed over to the customer. Previously, profits were recognized on a percentage-of-completion basis in the accounts. In other words, the recognition of our profits from Housing and Property Development is being deferred.

To sum up, we achieved operating profit of SEK 2,254 M compared with SEK 2,619 M in 2009. This means profit was SEK 365 M lower than in the preceding year, but the margin remained at approximately the same level of 4.6 percent.

As a result of our strong financial position, with a solid cash flow and low net debt, profit after financial items was almost in line with 2009 at SEK 2 billion.

The favorable earnings generated a very healthy cash flow and net debt is at a comfortably low level for NCC. An interesting reflection on our financial position is that if the accounting policies had not been changed, which requires us to now include tenant owner associations in indebtedness, NCC would have had net cash at the end of the year for the first time in NCC's history. This was due mainly to our success in selling housing even during the recent difficult years.

All in all, it was a favorable year for NCC, with healthy profit, a positive cash flow and low net debt enabling us to achieve our financial objectives. Net debt is well below the limit of 1.5 times equity. The return on equity amounted to 20 percent, in other words, it was on target.

Earnings per share after tax totaled SEK 14.05. Thanks to NCC's healthy financial position, the Board proposes a dividend of SEK 10 per share, compared with SEK 6 per share in 2009.

NCC shareholders who bought their shares at the beginning of 2010 had a total return – meaning share performance plus the dividend – of 30 percent. That is higher than the stock-market average, which was 27 percent for the year. If we look at the share price by itself, we can see that it rose 25 percent in 2010, which was also better than the stock-market average of 23 percent.

Current situation

2010 was an excellent year for NCC and the company is currently financially strong, well-streamlined and ready for growth.

At the same time, we also face challenges in 2011. The construction industry is late in the economic cycle and our order backlog still contains a number of contracts signed during tough times. In addition, the business cycle is improving, which means that we are experiencing cost pressure in several markets and for several products.

This is something I have reiterated several times in the past years and is perhaps the reason I am perceived as excessively cautious and bordering on grumpy. But

my experience is that in times of economic climate change, construction companies are impacted later and we frequently end up under cost pressure, which impacts our margins. This had limited effects during 2010 – but we noted its impact on margins in early 2011, primarily for NCC Construction Sweden.

Due to this factor, combined with another severe winter with a great deal of snow, which resulted in higher production costs, as well as few handovers of profit-generating development projects, we have had a difficult start to 2011. However, the number of proprietary housing starts rose during 2010, which will have a positive effect on earnings later this year. When we release our report for the first quarter, all indications point to earnings being lower than they were a year earlier.

Orders received in the first quarter were healthy. They were admittedly lower than in the year-earlier period but exceeded worked-up revenues, whereby the order backlog rose about SEK 3 billion during the quarter.

The market situation is favorable, although there is a potential concern for international crises, which will naturally also impact NCC. Rising oil prices and higher interest rates have an impact on NCC's business.

Long-term strategy – focus on profitable growth

Our long-term focus is now on how we can create profitable growth for the Group. This will occur in the markets and segments that we know best. An example of this is the acquisition of Destia's asphalt paving business a few weeks ago. Through this acquisition, we are expanding our asphalt business and creating opportunities for growth in the Finnish civil-engineering sector. Destia is owned by the Finnish government and has operations throughout Finland, in northern Norway and in northern Sweden. As a result of the acquisition, transactions corresponding to sales of approximately SEK 400 million were added to our business and it makes NCC the second-largest player in the Finnish market for asphalt and paving.

For many years now, NCC has pursued a long-term strategy that we usually summarize in three areas of focus: customers, costs and competence. We have advanced our positions in all three areas in recent years:

Customers

We have worked with the NCC Partnering form of cooperation for almost ten years and it has been a great success. You may have heard me say this before – but it is really worth repeating and shows how we work at NCC. We must make continuous small savings to be the best at what we do.

We believe we have a leading position in Partnering and – bearing in mind the best interests of the project – we work together with customers to solve complicated projects in the best possible way. That results in more satisfied customers, better projects and more stable profitability. The share of partnering projects has increased in recent years – the concept has proved successful in both economic booms and downturns.

A successful partnership project allows us to work for a single customer in several markets. For example, we have carried out partnering projects in

Sweden, Norway and Denmark for the Norwegian property company Steen & Ström.

We usually say that we aim to have the most attractive customer offering – and part of this offering means having attractive solutions for customer requirements. Here are some examples in 2010:

The Norwegian operations are strong in the civil-engineering sector – and one of their most exciting assignments is constructing the E6 Highway through Trondheim. This project entails cooperation between Construction and Roads and with our foundation-engineering company Hercules – and it reflects one of NCC's strengths, the ability to offer a total-project undertaking to the customer.

In Denmark, residential construction accounts for a large part of the operation – and the scope of refurbishment work is considerable. The offering in Denmark includes climate renovation – such as in the municipality of Ishøj, south of Copenhagen, where NCC is climate renovating the Vildtbanegården housing estate, which was largely built in the 1970s. The renovation work will reduce energy consumption in more than 600 apartments – a good example of how NCC meets customer requirements with sustainable solutions for the future.

In Finland, NCC's concept for developing business parks is successful. Our work there is based on similar standardized solutions, thus generating cost benefits. Projects are divided into stages, which facilitates the initiation of development projects and reduces risks, even in difficult market conditions. This is exemplified by Plaza Business Park in Helsinki, which is also one of our green projects, with the highest energy classification in Finland – in other words, low energy consumption. This is an office project with a green profile according to the Finnish environment approach.

A major social challenge in Sweden is enhancing the efficiency of the Swedish property portfolio, particularly the many thousand apartments built under the "Million Program." We are showing that this can be done. We have an assignment with the municipal housing company Väsbyhem where our aim is to halve the energy consumption of an existing housing area.

In many of our projects, we see that the green profile is attractive to customers and generates new business for NCC.

NCC is the first construction company to submit green alternatives for all major tenders on a broad front. The first assignment secured on an alternative tender was a completely eco-adapted contract for a new sports hall in Värmdö, outside Stockholm. This green alternative involves environmental adaptation of everything from the building site, materials, construction and operations, as well as climate compensation for greenhouse-gas emissions. This approach is used in several projects in all of our markets.

Costs

We are measured on the basis of our costs every day. And this is something that we work on every day. A key reason for our favorable earnings in 2010 was that we kept our costs in check. We now face new challenges in 2011 – and this issue is as relevant as always. We can never lose sight of costs in our industry, otherwise we will lose business.

Purchasing remains one of the most important issues – various types of purchasing account for two thirds of our total costs. In an increasingly globalised world, new opportunities are emerging to exert pressure on purchasing costs and we are continuing to develop our own purchasing activities. A few years ago, we took control of our supply of reinforcing rods. We now buy the iron directly from mills in Europe, and then bend and process it in our plant in Norrköping, from which it is distributed to our various construction sites. This way of working has both cut our own purchasing costs and also reduced the market price of reinforcing iron in Sweden. This is one of our contributions to reducing total construction costs.

We have taken building production to a new level. A few years ago, we had a development project focusing on industrial construction. We did not succeed the whole way with this project. Nevertheless, we have managed to recycle key features of it in our operations, such as platforms, construction systems, virtual construction and industrial design.

For example, we have systems that enable the construction of surface-smart housing units – or three-dimensional drawings to show how a project is developing.

This is an image of the new Clarion Hotel at Arlanda, which we are building for Swedavia, formerly the National Civil Aviation Administration. In this case, virtual project design is all about, on the one hand, identifying how the height and placement of the hotel will affect air flight control and, on the other, of visualizing what things will look like both on the exterior and the interior – which is used in the marketing of the hotel.

Competence

Competence is pivotal for our success – we need both skilled employees and the ability to combine our competencies so that they benefit the customer in the best possible way. An example of how NCC's strength and competence come to fruition is the Triangeln project in Malmö.

NCC has built part of the Citytunnel track in Malmö, including the station under the Triangeln area. NCC is now also involved in developing the area above ground, which will be a billion krona investment in the form of offices, housing and an indoor car park. In this project, the specialist competencies of the business areas are interwoven – very few companies would be able to accept such a society-building project as Triangeln.

The rapid fluctuations in the economy have subjected the organization to major demands – first substantial cutbacks to adapt to the weaker market, then a fast recovery which meant we had to change track and begin recruiting again. NCC is an attractive company to work for – we can see that when we are out competing for labor. And that's the way we want it. We aim to be the most attractive company to work for.

A cornerstone in being an attractive employer is to never lose sight of safety in our workplaces. Unfortunately, construction sites can sometimes be dangerous places. And accidents can happen. Every time an accident occurs, actions are taken to prevent them happening again.

A factor that often affects the occurrence of accidents is attitudes and behaviors in the workplace. That is why we are focusing our safety work in 2011 on the importance of using the right safety equipment and complying with safety procedures – and not being tempted to perform a task in a dangerous way merely to save time. Safety is always our first priority.

Think safe, work safe and be safe. These are the key words in the new Work Environment Policy that we have produced and will work with at all of our workplaces during the year.

Working at NCC is enjoyable and stimulating. Our annual HCI survey shows that people like working at NCC. Nearly eight of every ten employees state that they are proud of working for the company. It is also apparent from a variety of surveys that we achieve high ratings in our various markets.

We are NCC employees – we enjoy our job – and we do something that we can boast about. We are creating future environments for working, living and communication. We are a responsible and innovative society builder focusing on sustainable development.

I, myself, have very much enjoyed my years here at NCC.

Handing over the baton

I have worked in this company for 38 years. When I graduated from Chalmers University in 1973, I started working for a small company in the contracting industry – which has developed into a Nordic Group under the name NCC. It has been a fantastic journey for me – and I have also witnessed how the company has developed over these years.

NCC has undergone a massive change in the past ten years – from having been a problematic company with weak profitability and a questioned brand, NCC is now a company that stands strong with a healthy financial position, the highest profitability among the Nordic construction companies and a strong brand.

I have held many different positions at NCC, in production and in various staff unit roles, serving as Regional Manager and President of NCC Construction Sweden, and I have also had the privilege of leading NCC as CEO over the past four years. Being a CEO is like being a member of a relay team.

I have had the baton for four years – I have run my race and we are now in the lead. I will now hand over to the next CEO, Peter – and it is particularly gratifying that we have an internal successor.

NCC has, over a long period of time, gradually developed into a strong Nordic player that is now ready to take the next step forward. Thank you!