Annual Report 2017

NCC's Annual Report 2017

Contents

The formal Annual Accounts documentation, which has been prepared according to the Annual Accounts Act, has been signed by the Board of Directors and examined by the auditors, are pp. 38–96.

NCC Design housing with a high-quality living standard designed for the Nordic ecolabel. Read more on p. 19.

Loop Rocks is an open platform and app for the smarter and more efficient handling of rock, earth and other secondary construction masses at construction sites, between businesses and private individuals. Read more on p. 30.

NCC has total responsibility for the maintenance of **Frogner Park**, one of the largest tourist attractions in Norway. Read more on p. 28.

NCC **is energy refurbishing the Hørgården** residential home for the elderly, outside Copenhagen. When everything is completed, the residents will have modern, healthy, spacious and bright housing units. Read more on p. 25.

In 2017, NCC completed the assignment to construct **the Norrström Tunnel** and coordinate the completion of Stockholm City, the new commuter train station. Read more on p. 23.

NCC IS ONE OF THE LEADING NORDIC CONSTRUCTION AND PROPERTY DEVELOPMENT COMPANIES.

WITH THE NORDIC REGION AS ITS HOME MARKET, NCC IS ACTIVE THROUGHOUT THE VALUE CHAIN – DEVELOPING COMMERCIAL PROPERTIES AND CONSTRUCTING HOUSING, OFFICES, INDUSTRIAL FACILITIES AND PUBLIC BUILDINGS, ROADS, CIVIL ENGINEERING STRUCTURES AND OTHER TYPES OF INFRASTRUCTURE. NCC ALSO OFFERS INPUT MATERIALS USED IN CONSTRUCTION AND ACCOUNTS FOR PAVING AND ROAD SERVICES. NCC CREATES FUTURE ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATION BASED ON RESPONSIBLE CONSTRUCTION OPERATIONS THAT RESULT IN SUSTAINABLE INTERACTION BETWEEN PEOPLE AND THE ENVIRONMENT.

In Finland, NCC has built a new, modern and **flexible school building,** the Rantarousti school in Tyrnävä. Read more on p. 27.

NCC is developing the new **Järva Krog city district,** with a modern urban atmosphere, well-developed infrastructure and many meeting places for an active lifestyle. Read more on p. 21.

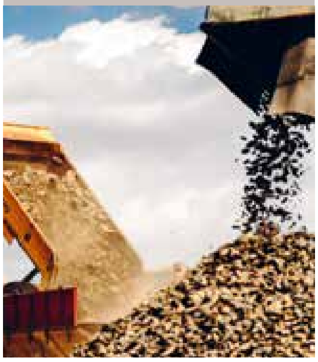
NCC 2017

Three businesses and four Nordic business areas

Industrial

Construction and civil engineering

Development



NCC Industry

NCC Industry offers products and services for and concerning roads. Operations comprise production of stone materials and asphalt products, piling works and paving assignments.

NCC Building

NCC Building constructs housing and offices, as well as public and commercial premises. The refurbishment of housing and offices is included as an increasingly important feature of operations.

NCC Infrastructure

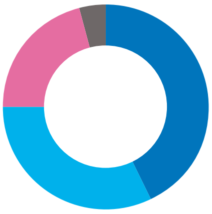
NCC Infrastructure supplies entire infrastructure projects, from design and construction to production and service. Activities comprise projects of all sizes, as well as operation and road services.

NCC Property Development

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

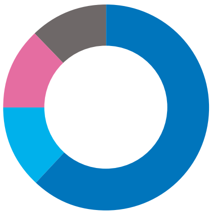
NCC's geographic markets mainly comprise Sweden, Norway, Denmark and Finland. Work is conducted in specialist Nordic organizations in various areas of expertise, thus facilitating efficient work methods that transcend geographical borders. Sweden is NCC's largest market.

SHARE SALES PER BUSINESS AREA



- NCC Building, **43%**
- NCC Infrastructure, **32%**
- NCC Industry, **21%**
- NCC Property Development, **4%**

SHARE SALES PER COUNTRY



- Sweden, **62%**
- Finland, **13%**
- Norway, **13%**
- Denmark, **12%**

Year in brief

SEK 1,361 M
CASH FLOW BEFORE FINANCING

SEK 56,990 M
ORDERS RECEIVED

18%
RETURN ON SHAREHOLDERS' EQUITY

SEK 54,608 M
NET SALES

SEK 1,242 M
OPERATING PROFIT

"Earnings for 2017 were disappointing and lower than in 2016. To reverse this negative trend, we focus considerably on profitability-enhancing measures."

Håkan Broman
Acting President and CEO

Actions to reverse the negative trend

» We can now look back on a year in which our two largest business areas – NCC Building and NCC Infrastructure – underperformed in terms of earnings. To reverse this negative development, we have assigned extra large focus on profitability-enhancing measures and have downgraded our growth ambitions.

As Acting CEO since the end of October 2017, I have focused, in close cooperation with other members of the Executive Management Group, one hundred percent on strengthening NCC's business. This work has mainly comprised taking decisions and implementing measures designed to improve the underlying profitability of our two largest business areas, but also includes conducting additional activities to increase safety awareness in the organization. For the time being, we have toned down the Group's growth ambitions that are stated in the strategy that was launched at the end of 2015.

A fragmented trend

Following the successful spin-off and market listing of Bonava in June 2016, NCC became a more streamlined construction and civil engineering company. Within the framework of the new strategy, we identified a number of distinct growth areas and a specialist Nordic organization was established. I can state that many good actions were taken and that parts of operation have performed successfully and in line with the strategy; however, continued profitability problems in other parts have contributed to impeding the performance of the Group as a whole. For our strategy to be successful, we must reverse the profit trend of these parts.

Two business areas achieved their targets

The NCC Industry business area constitutes one of the clearest bright spots. In 2017, it noted new records for both profit and sales, driven by both strong demand and business-centric leadership. With a well-functioning Nordic organization, the business area has developed its offering and broadened the customer base, and is benefiting from close cooperation with our construction and civil engineering business. NCC Property Development also exceeded expectations and 2017 was one of the most profitable years ever for the business area. Profit recognition of the Torsplan 2 property in Stockholm contributed most to this. During the year, the organization was strengthened and the business model refined with the aim of increasing the number of projects. Although we believe that 2018 will be an intermediate year in terms of profit for NCC Property Development, we have equipped the operation for the future. Both NCC Industry and NCC Property Development surpassed their financial targets for the 2017 fiscal year.

Focus on existing construction portfolio

In our largest business area, NCC Building, the Swedish operations largely continued to perform well. Strong order bookings and developed specialist expertise in such areas as hospitals and housing production led development in the right direction during the year. Due to the high order backlog in Sweden, we are being more restrictive in accepting new tenders and are focusing on securing the profitability of existing projects. When it comes to other parts of the Nordic construction operations, the profitability trend was weak during the year, although the reasons varied depending on the country. During 2017, we initiated a range of profitability-enhancing measures. We also analyzed the project portfolio and made a number of provisions, pertaining primarily to the Danish operations. NCC Building's operating margin was 2.1 percent in 2017, which was below our target of at least 3.5 percent.

Forceful measures within NCC Infrastructure

The part of the business that has underperformed the most in recent years is our civil engineering business, NCC Infrastructure. In 2017, the business area had sales of SEK 18.5 billion in a strong underlying market, but reported an operating loss. Actions to reverse the earnings trend are under way and include analyses and revaluations of the ongoing project portfolio, a clearer business focus, increased staffing of the weakest projects in terms of profitability, a greater focus on tendering work and better analysis and assessment of various risks and opportunities. The long-term prospects for NCC Infrastructure now look more positive. This is also supported by a strong level of orders received, particularly in Sweden, including such projects as Korsvägen, a stage of the West Link, with an order value of SEK 2.3 billion, and the Lund-Arlöv railway assignment with an order value of SEK 1 billion. In April 2018, Kenneth Nilsson will take office as the new Business Area Manager. Kenneth joins NCC from Skanska, most recently as the head of Skanska Civil East in the US. He has long-standing experience of the Nordic civil engineering market and has been President of Skanska Oy and COO of civil engineering and construction operations in Skanska Sweden. Kenneth has a documented ability to turn operations experiencing problems into profitable businesses.

Increased cost awareness

Work on improving NCC's profitability encompasses more than specific measures in the individual business areas. From the first day in my new role, I have focused distinctly on increasing cost awareness in the Group and a number of actions and activities have been introduced to reduce costs. The aim is to ensure that our overhead cost level does not exceed of 5 percent of sales. I have also been working to create a winning culture in the Group, getting the employees to always put the business first. Quite simply, we must become better at utilizing our high level of expertise.

A number of initiatives to increase safety consciousness

My second important priority has involved the work environment and safety. This is an area that must never be underestimated, and the aim must always be to make worksites 100 percent safe. It is about caring for both our employees and our customers. We have intensified work to change attitudes and behaviors that are not acceptable for a leading construction company such as NCC. We are endeavoring to gradually implement the same safety thinking in our projects as in, for example, the aviation and oil industries, where safety is a prerequisite for the operations.

An important part of a larger responsibility

In everything we do and all of the projects we implement, we must view our responsibility in a larger perspective. Today, NCC has both the competencies and the offering to be able to contribute to a positive development of our Nordic cities and societies. The strong urbanization of the Nordic region must be accompanied by the development of sustainable, secure city districts and an infrastructure that facilitates both transport and meetings. For this reason, getting the inhabitants of our cities to feel included and participants there is one of the most important long-term challenges for NCC. We will continue to build housing that more people can afford, while also building places of work, hospitals, schools and event locations that make the cities sustainable from an economic, environmental and social perspective. The basis for this social commitment is a well-functioning and high-performing organization that focuses on profitability and safety/security. Our new CEO, Tomas Carlsson, will take office later in 2018. Tomas's background as being responsible for one of Europe's leading companies in the planning and design of tomorrow's cities and societies makes me convinced that he is the right person to continue to develop and strengthen NCC.

Solna, February 2018

Håkan Broman
Acting President and CEO

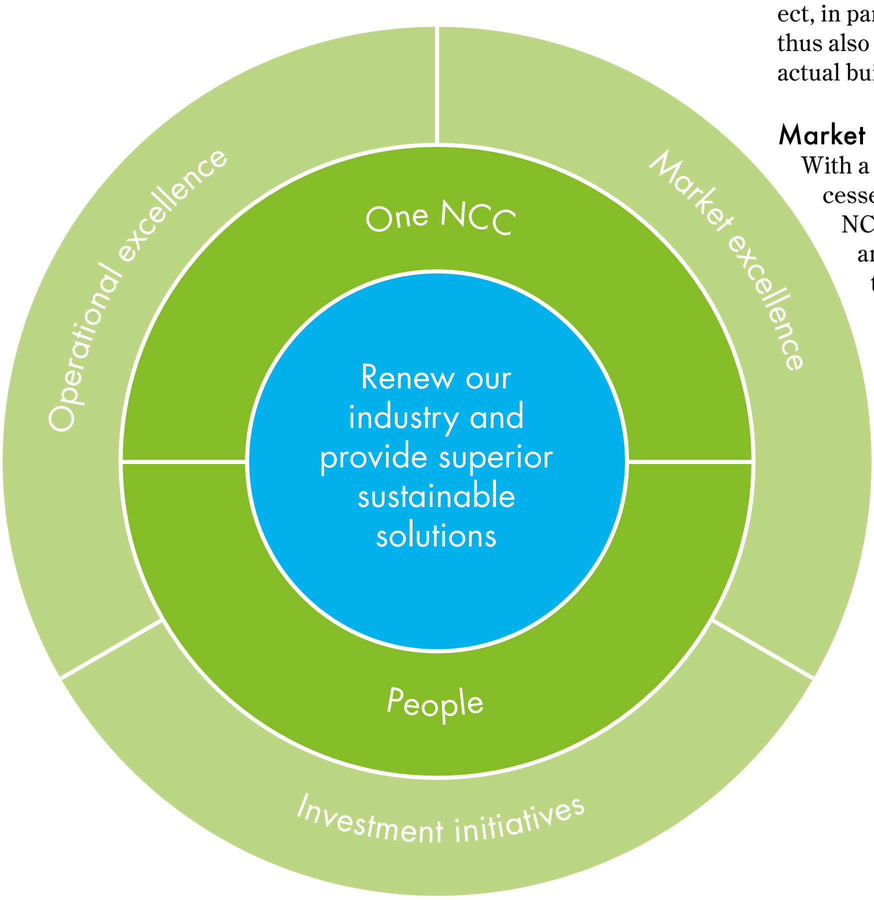
TOMAS CARLSSON TO BECOME NEW PRESIDENT AND CEO OF NCC

Tomas Carlsson has been appointed the new President and CEO of NCC. Born in 1965, Tomas holds a Master of Science in Engineering from Chalmers University of Technology and an Executive MBA from London Business School and Columbia Business School. Tomas joins NCC from Sweco, a listed Swedish technology company, where he has served as CEO since 2012. Prior to that, he worked at NCC for nearly 20 years, most recently as the Head of NCC's construction operations in Sweden. Tomas will take up his new position at NCC by July 2018 at the latest.

NCC's strategy

» Although NCC's strategy stands firm, the short-term focus is primarily on improving the operational efficiency of the construction and civil engineering operations. This is necessary for generating profitable growth for NCC as a whole and thus being able to realize the Group's long-term financial and sustainability objectives.

NCC's strategy is based on the company's vision of renewing the industry and providing superior sustainable solutions. A Nordic focus, leading expertise in growth areas and close, strong customer relationships throughout the value chain are some of the strengths NCC must continue to develop in order to attain this potential and achieve the financial objectives. The strategy initiatives can be summarized as our three must-win battles - operational excellence, market excellence and investment initiatives.



Operational excellence

NCC aims to become more efficient and profitable by strengthening its existing expertise, having more efficient processes and more centralized purchasing processes and increasing support for digitized information flows. One part of this effort is the Nordic specialist organization, which is facilitating more efficient cross-border work methods. NCC will also work to come closer to its customers and take greater responsibility for the totality and will own the project, in part by strengthening the technical expertise and thus also be able to account for the installation phase of the actual building assignment.

Market excellence

With a specialist organization and shared, efficient processes, improved prospects are created for growth. NCC sees growth potential in the civil engineering and refurbishment segments through sales of sustainable lifecycle offerings, early marketing of these solutions and by being the customer's first choice. In addition to infrastructure and refurbishment initiatives, NCC sees opportunities to continue to grow and to capture market shares in such areas as housing construction.

ONE NCC
NCC will enhance and develop customer offerings for the entire Nordic business, while developing Group-wide production methods, technical platforms and IT systems.

PEOPLE
NCC will recruit and develop human resources in order to enhance the ability to implement change and create conditions for cooperation, knowledge transfer and exercise of best practice.

Investment initiatives

NCC will primarily grow organically in operations generating sufficient profitability. Secondarily, these profitable segments may also grow through complementary company acquisitions to strengthen the company's position regionally or in certain competency areas, or through investments in project development or in licenses in "PPP" projects (Public Private Partnerships).

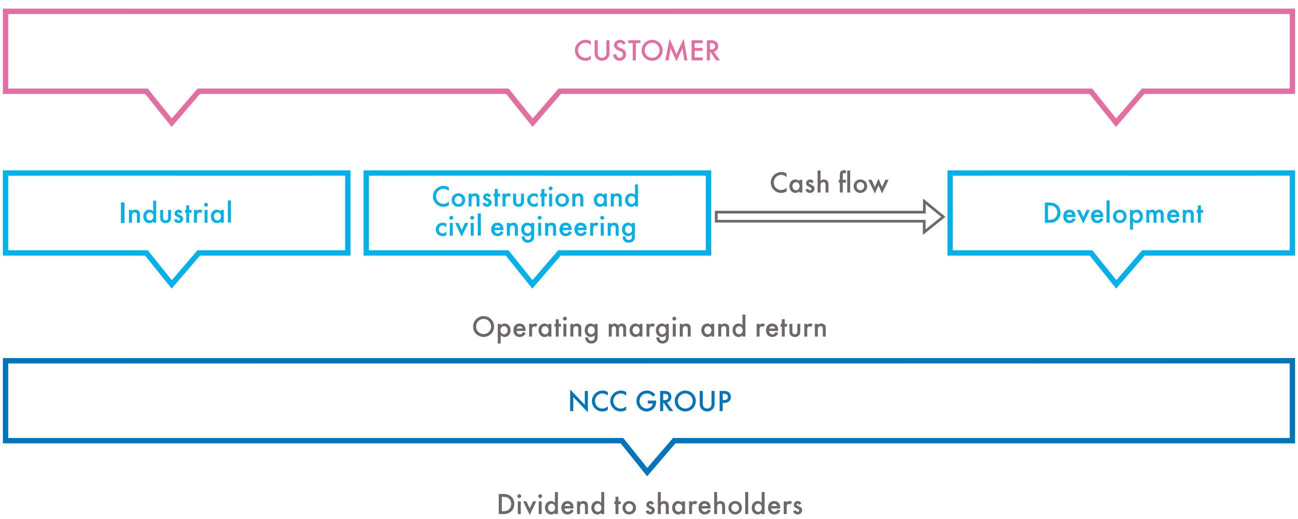
Three different businesses that provide a competitive edge and synergism

- **The industrial business**, which is conducted in the NCC Industry business area, focuses on the production of stone materials and asphalt. This business ties up capital in pits and quarries, as well as in crushing and asphalt works with high fixed costs.
- **The construction and civil engineering business**, which is conducted in the NCC Building and NCC Infrastructure business areas, requires little tied-up capital, has a strong cash flow and is project oriented.
- **The development business,** which is conducted in NCC Property Development, ties up capital in properties held for future development and ongoing projects. The business is transaction oriented and is subject to a higher market risk than the other businesses.

The operational synergies include the support that the industrial business provides to the construction and civil engineering business by providing stone materials, asphalt and paving. For major roadworks, in particular, the synergies are significant. In addition, the development business provides construction contracts to the construction units when commercial properties are developed.

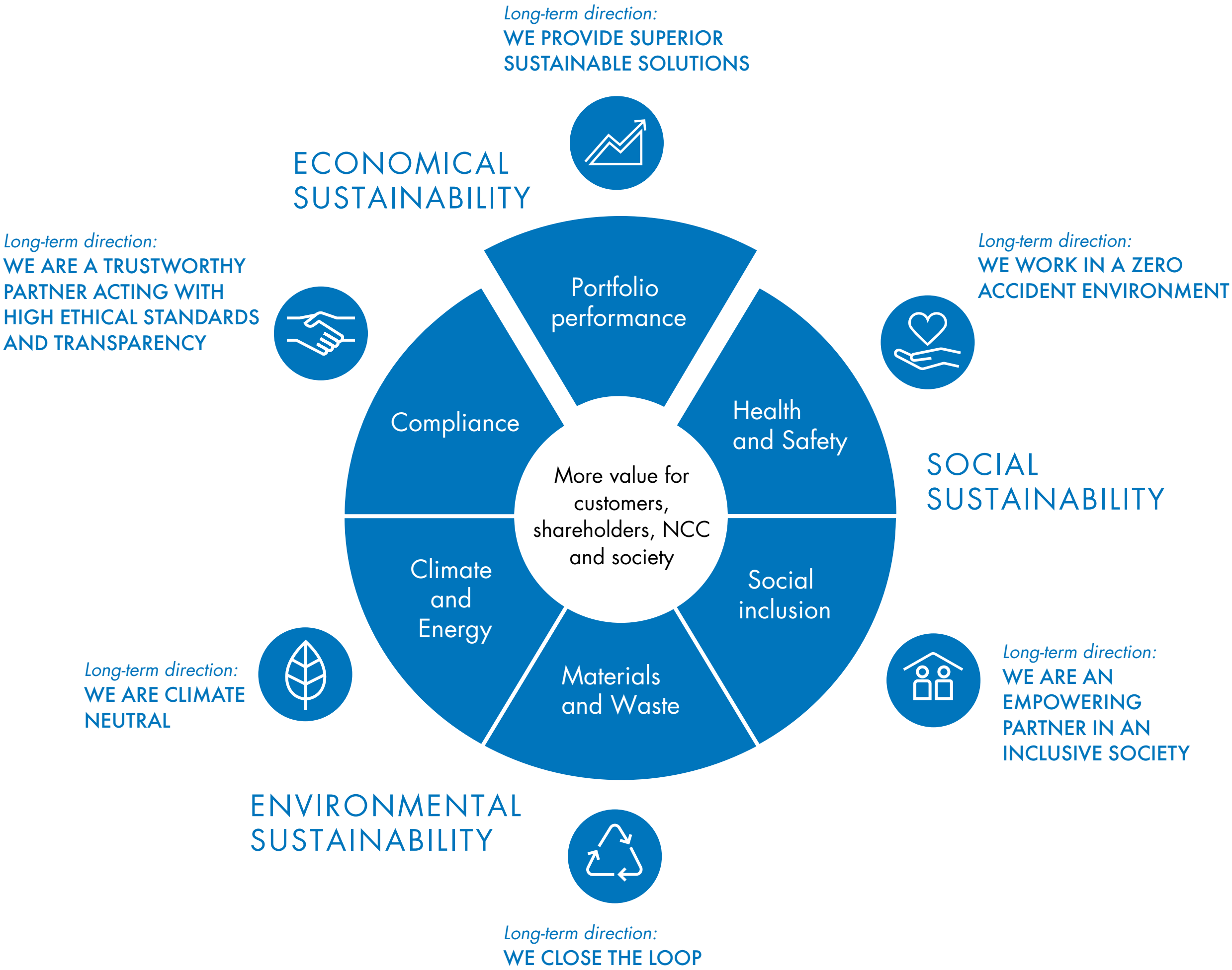
The financial synergies mainly comprise the fact that the construction and civil engineering business frequently generates healthy cash flows, which are invested in the development business, thus generating a higher return over time. The industrial business and the civil engineering business usually remain relatively stable when the economy recedes, while the construction and development businesses are more cyclical.

NCC's business model



A long-term sustainability strategy

» NCC's sustainability work is based on a framework that provides an outline of what sustainability means to NCC.



NCC's sustainability work constitutes the foundation for NCC's future development. The purpose of NCC's sustainability work is to create conditions for people to work, reside, travel and live in a sustainable manner, and to increase value for shareholders, customers and society as a whole. The framework was launched in 2016 and clarifies the principal areas of NCC's sustainability work – Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. NCC has set sustainability targets for the strategy period of 2016–2020 for all areas in the framework. The targets for the year are reported on pp. 11–12.

For each area, there are also long-term directions in sustainability that relate to the long-term changes in market conditions, outline the path ahead and provide a direction for the Group's sustainability work, beyond the strategy period. These long-term targets have also been supplemented by a selection of the UN Sustainable Development Goals. These global goals help ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active by creating change where it is needed the most.

FOCUS AREA	EXAMPLE AREAS	LONG-TERM DIRECTIONS IN SUSTAINABILITY	THE UN'S GLOBAL SUSTAINABLE DEVELOPMENT GOALS
Health and Safety	• Safe and secure worksites • Better health among all stake-holders in the value chain	We work in zero accident environment	3 GOOD HEALTH AND WELL-BEING
Social inclusion	• Better quality of life for workers, customers and society • Diversity and equality of workforce • Increased social sustainability in contracting • Empower local communities	We are an empowering partner in an inclusive society	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Materials and Waste	• Non-hazardous materials • Circular supplies • Less waste generated • Resource efficiency	We close the loop	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Climate and Energy	• Less energy used and less greenhouse gases • Climate adaptation • Biodiversity as an asset	We are climate neutral	13 CLIMATE ACTION
Compliance	• Fair business and no corruption • Supply chain control and transparency • Sustainable purchasing	We are a trustworthy partner acting with high ethical standards and transparency	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Portfolio performance	• Provide superior sustainable solutions to our customers and the society	We provide superior sustainable solutions	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS
More value for customers, shareholders, NCC and society			8 DECENT WORK AND ECONOMIC GROWTH

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information have been applied. This year's Sustainability Report, which pertains to the 2017 fiscal year, has been prepared according to GRI Standards Core.

More detailed sustainability information and performance indicators, as well as the GRI index, are presented on pp. 104-113. The financial statements have not been examined by a third party. The Report on the 2016 fiscal year was published on March 14, 2017. Unless otherwise stated, all the information pertains to the entire NCC Group.

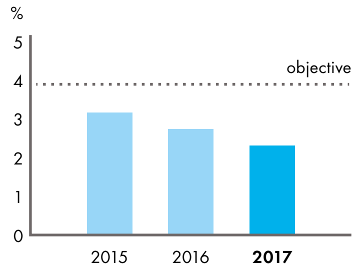
Contact: Head of Sustainability Christina Lindbäck, +46 8 585 519 07, christina.lindback@ncc.se

NCC's objectives

» The overriding objective of NCC's strategy is to create value for customers and shareholders. The following objectives have been adopted for the Group for the 2016–2020 strategy period:

Operating margin

The operating margin declined slightly in 2017 and does not yet meet the objective.

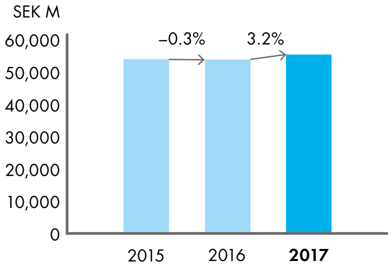


Objective
≥4,0%

Outcome 2017
2.3%

Average annual sales growth

The growth objective of 5 percent is not prioritized until profitability has improved. Profitable operations in NCC will be allowed to grow.

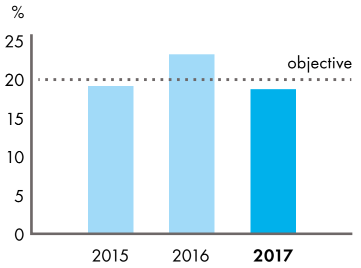


Objective
≥5%

Outcome 2017
3.2%

Return on shareholders' equity

The return on shareholders´equity decreased somewhat during the year and did not achieve the objective.

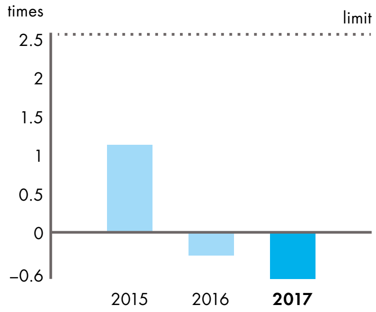


Objective
≥20%

Outcome 2017
18.4%

Net indebtedness

The objective of net indebtedness of less than 2.5 times EBITDA has been achieved in the past three years. The Group was in a net cash position at year-end (excl. pension obligations).

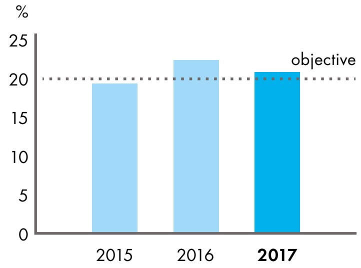


Objective
<2,5 times EBITDA

Outcome 2017
–0.6 times EBITDA

Equity/assets ratio

At the end of 2017, the equity/assets ratio was 20.4 percent and thus achieved the objective.



Objective

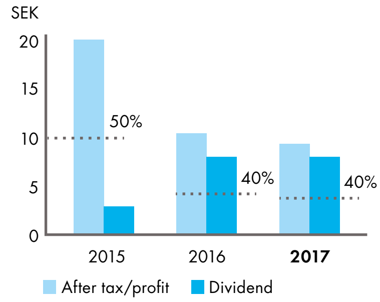
≥20%

Outcome 2017

20.4%

Dividend policy

NCC's dividend policy is to distribute at least 40 percent of after-tax profit for the year to the shareholders. The aim of the policy is to generate a healthy return for NCC's shareholders and to provide NCC with the potential to invest in its operations and thus ensure that future growth can be created while maintaining financial stability. A cash dividend of SEK 8 (4+4) per share is proposed for the 2017 fiscal year. The proposed dividend for 2017 corresponds to 86 percent of profit after tax.



Objective

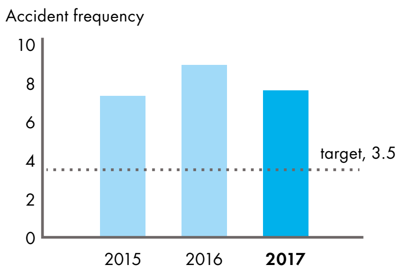
≥40% **of profit for the year**

Outcome 2017

86%

Health and Safety

A positive work environment and a safe workplace are highly prioritized areas and NCC works systematically to eliminate the number of accidents, in order to achieve its zero-accident target.



Target for 2020

50%

reduction in number of accidents compared with 2015

Accident frequency*

≤3.5

Outcome 2017

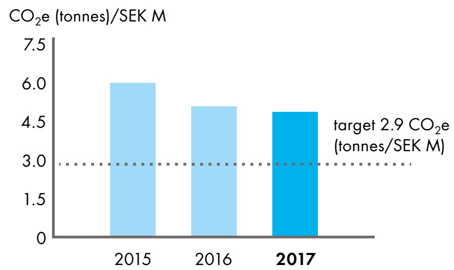
7.5

NCC has generally experienced a downward accident trend since 2011, with the exception of 2016. In 2017, we yet again saw a reduction in the number of accidents. The work environment and health constitute one of NCC's foremost focus areas for 2018 and the long-term aim of halving accidents between 2015 and 2020 stands firm.

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

Climate and Energy

NCC's goal is to continuously reduce the company's climate impact by lowering emissions of greenhouse gases from its own operations. During the strategy period of 2015–2020, emissions from own operations are to be reduced by 50 percent to 2.9 CO_2e/SEK M. A long-term aim of becoming climate neutral has been set.



Target for 2020

50%

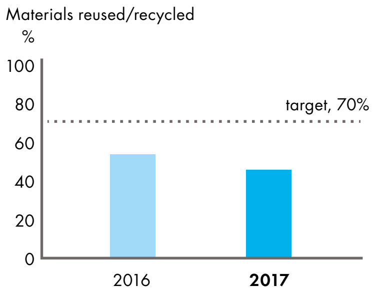
reduction in CO_2 emissions by 2020 compared with 2015

Outcome 2017

19 % **reduction**

Materials and Waste

Pursuant to the EU's Waste Directive, NCC's objective is that by 2020 at least 70 percent of the company's building and construction waste will be reused or used for material recycling. Definitions and exceptions comply with those stated in the directive, apart from the fact that inert masses are excluded from the statistics. In addition to this objective, there is also a target for continuous efforts to reduce the amount of building and construction waste from operations.



Target for 2020

70 %

of NCC's building and construction waste is reused or material recycled by 2020.

Ton waste/SEK M turnover decreases.

Outcome 2017

45%

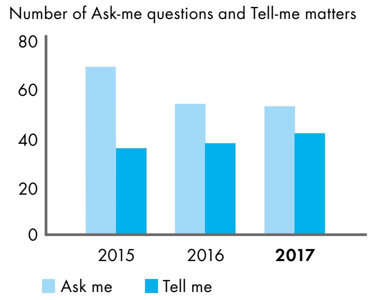
The volume of building and construction waste was reduced from 1.64 tons per SEK M of sales in 2015 to 1.20 tons per SEK M of sales in 2017.

However, the reduced total amount of waste does not show up in the amount of waste sorted for reuse/materials recycling.

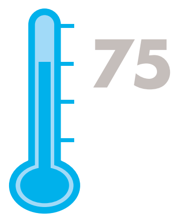
A number of measures are planned to ensure that the degree of sorting continues to increase up to 2020.

Compliance

CULTURE: Our aim is a compliant culture in NCC, having a very active compliance work.
PERCEPTION: We track all employees' perception of our compliance culture in the employee survey, NCC Pulse, with the aim of significantly increasing the perception value during the strategy period. The rating in 2016 was 75 of 100.
TRANSPARENCY: We disclose our number of Tell Me matters and Ask Me questions in our Annual Report.



Index rating in NCC Pulse



High valuation 75-100
Average rating 60–74
Low rating 0–59

Social inclusion

An inclusive workplace, with a distribution that reflects the diversity of society in respect of gender, age and background, contributes to creativity and innovative thinking while ensuring that various competencies are utilized. Since NCC is convinced that this will ultimately also contribute to increased profitability, diversity is a high-priority area for the strategy period.

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

Outcome 2017

63%

* Management team

Target, age: No age group (<34 years, 35–50 years, >50 years) should represent a higher share of business area than 70%.

Outcome 2017

100%

Target, diversity: The team should mirror society.

Outcome 2017

43%

Portfolio performance

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

Challenges and requirements for cities

» Cities in the Nordic region are growing and there is a need for increasing efforts to get them to stay together. There is a considerable need to build socially, economically and ecologically sustainable societies that are suitable to everyone, and to develop the city and a strong business sector without excluding those who currently live and work there.

The starting point for NCC's work to create long-term value for various stakeholders is the company's thorough and continuous analysis of the global trends and driving forces that impact on the construction industry. On the basis of this analysis, NCC has developed its strategy for profitable growth and the development of sustainable solutions. During recent years, these trends have been compounded and, as a consequence, new challenges have emerged. The most distinct trend is connected to the rapid growth of the cities, which has created a need for both sustainable and inclusive housing solutions and other functions that join a city together in a functional way.

During spring 2016, NCC surveyed the views of life in the city among Nordic metropolitan dwellers. This included the views of the dwellers on the development that is currently under way and how they view the future and their relations to one another. In spring 2017, a follow-up survey was conducted in the cities. The data from these two surveys forms the foundation for The Inclusive City concept (read more on ncc.se) and shows that Nordic dwellers generally do not think today that they live in an inclusive city. Most of the respondents are dissatisfied with development in society, and most young people do not believe that they will be better off than their parents. The dissatisfaction is evenly spread over all classes in society. Those who are dissatisfied with development in soci-

GLOBAL TRENDS

Urbanization Forecasts indicate that within 20 years more than five billion people will live in the world's cities, an increase of more than one and a half billion compared with today. According to Eurostat, Norway, Sweden and Denmark are showing the fastest percentage growth in urban population in Europe.

Sustainability As cities become larger and more densely populated, the importance of sustainable building and infrastructure solutions rises. To cope with the challenges of the future, inclusive and secure residential environments are needed with a minimal environmental impact and maximum resistance to climate change.

Globalization To an ever greater extent, globalization is also impacting the construction industry. In recent years, international competition has increased in the Nordic region, particularly in large-scale and complex construction and infrastructure projects. At the same time, international procurement enables cost reductions.

Competition for talent The ability to attract and retain well-educated and skilled employees is decisive for competitiveness in many sectors, including the construction industry. A workforce that reflects the diversity of society creates a platform for an inclusive society.

New technology Digitalization is becoming increasingly important as a productivity driver in the construction industry. With VDC (Virtual Design and Construction) and VR (Virtual Reality), a major technology leap has been taken that is resulting in higher quality and lower costs in the projects.

ety feel to a greater extent than others that there are areas where they do not feel safe or welcome. They also feel that the city is not open to everyone.

What the dwellers of Nordic cities are most concerned about is the housing situation, which applies particularly to those with less resources. In Sweden, for example, more apartments have been built in recent years than over the past 25 years. Nevertheless the majority of municipalities report a housing shortage (Swedish Board of Housing, Building and Planning's 2017 survey of the housing market). Since a lot of what has been built in the cities comprises exclusive tenant-owned apartments, how to build housing for more groups in society has become an important political issue, while what is built must be sustainable. But just talking about the building of new housing units is not enough, a holistic view is required. What will the development mean to the need for sporting facilities, hospitals, workplaces and schools? Where will people work, shop and spend their leisure time? Quite simple, more housing leads to a need for more premises for social services, commercial premises and offices, as well as functional use of spaces between the building. Since an increased rate of building and expansion of areas also leads to considerable needs for infrastructure solutions, infrastructure initiatives, along with housing initiatives, become an important way to continue to create jobs. Another important aspect is taking care of the housing and premises that exist today, where a large part of the current properties are more than 50 years old, and many are in great need of refurbishment. It is estimated that throughout the Nordic region about 80 percent of Million Homes apartments operated by municipal housing companies require mains refurbishment, facade renovation and improved energy efficiency – at the same time. In Stockholm alone, 50,000 apartments from such programs need to be upgraded in the years ahead. This represents a social building program of the same magnitude as that implemented in the 1960s.

THE INCLUSIVE CITY ACADEMY

Many inhabitants are concerned about the growing social gaps shown in their cities. But how do we reverse this trend? Within the framework of the Inclusive City Academy, NCC regularly receives assistance from students in obtaining ideas about how to make cities more inclusive. During autumn 2017, 14 students from the Royal Institute of Technology in Stockholm and Linköping University were asked how they would build a new sustainable city with a population of 10,000 to 20,000. The students were divided into four teams and then had to define four aspects that should be assigned priority when the city is planned an built. In front of the jury, they then visualized their ideas – how they would contribute to improving diversity, get people to feel included and make the area a place where people want to live and visit. The jury was impressed that all of the teams had taken into account the long-term use and the flexibility of both housing and other built structures. The factor that determined the jury's choice of winning team was its strong connection to social engagement at all levels.

"An idea that challenges society to think in new terms and in which sustainability and social engagement are central themes." With this as a benchmark, Nordic cities can be designed to reach completely new levels."

Challenges and requirements[1)] in Nordic cities

Growing gaps – Isolated islands are emerging in cities, which are growing in pace with the size of the cities and a general increase in welfare. It is important to create forums for dialogue in various areas and to increase participation at all levels, so that more people are given an opportunity to decide about their own development and that of the city.

Loneliness is increasing – The current development of society is leading to ever diminishing contact, which is becoming particularly apparent in the Nordic region, where the share of single households in higher than in the rest of Europe. The importance of finding new forms for social interaction, both close to the home and in places where people meet spontaneously, is increasing.

Building correctly, from the beginning – New homes need to be built quickly, but they must also be built sustainably. When refurbishing the worn-down homes from Sweden's Million Homes Program, it is necessary to focus on security and wellbeing.

Not just homes – The city district's attractiveness is decisive for increasing numbers, but having a mixed city is also important. Better quality is achieved by means of citizen dialogs and the early participation of all stakeholders. A varied offering of homes, offices, services and activities creates safe, secure and vibrant areas.

Leave the car at home – Right infrastructure for public transport and including bicycles in urban planning are prerequisites for a vibrant city. Being able to get to various places quickly and easily using efficient public transport makes a region attractive. Many choose to commute. People prefer to cycle or walk.

Stores are digitalized – Efficient logistics to and from the city replace shopping precincts. Growth in online shopping but the importance of stores/shopping malls for meetings and recreation increases. Stores in large retail chains become important for logistics and customers meet in new segments and concepts.

Work is individualized – Worksites are being redesigned and increasing numbers of free/insecure employment formats are being created in more industries. The need for flexible offices and more places for meetings is increasing, at the same time as the focus is on wellbeing and social sustainability.

The new "attractiveness" of suburbs – People are attracted by nature but the commute decides. Most of the dwellers in large Nordic cities would prefer to live outside the inner city. Peacefulness and green areas attract. Communication is a central aspect and we must be able to know that it will work – at all times. Three of four people would prefer to live outside the inner city if it was easy to get to.

Clean water will soon be in short supply – Something hat has always been taken for granted will soon be a valuable resource and account for a growing share of one's personal economy. Accordingly, increasing awareness while creating a platform for resource-efficient water consumption is of the utmost importance.

"Most of the dwellers in Nordic cities believe that refurbishment of old apartments is just as important as building new ones."

[1)] Based on the study The Inclusive City and NCC's own conclusions.

A city for everyone

» NCC accepts the challenges and wants to take overall responsibility for the city – for those who live, work or go to school there or need care. NCC creates value that helps make the city a better place for everyone.

Experience

page 28

NCC wants to create meaningful leisure for people in the city, and offers everything from bike paths, sporting and swimming facilities to inspiring environments for shopping and other recreation.

Care

page 24

NCC works to create a cost-effective care environment – in hospitals, specialist clinics and nursing homes – where the focus is always on what is best for the patient and that helps to increase the wellbeing of those who work there.

Travel

page 22

NCC builds together societies and joins cities to land using intelligent, sustainable solutions for roads, railways, bridges, tunnels and efficient public transport solutions that simplify everyday travel.

Live

page 18

NCC builds homes that more people can afford, upgrades and refurbishes residential areas and develops economically and socially sustainable city districts with a mix of people and offerings.

Learn

page 26

In a dialog with municipalities, teachers and pupils, NCC creates environments that facilitate learning, comprising both new builds and refurbishment of everything from preschools to universities.

Work

page 20

NCC develops, builds and refurbishes offices and other workplaces in which people feel good and that meet the highest certification requirements, while offering solutions for both environmentally compatible and simpler work commuting.

WHAT HAS TO WORK

page 30

NCC also takes responsibility for things that cannot be seen but that everyone takes for granted, things that are essential for the smooth functioning of life in the city. This involves things that are underground, in walls and in the air – such as pure water, heat, electricity, water and sewage and broadband. NCC also offers earth and groundworks, piling and sustainable stone materials, things that ensure that buildings and transports stand on solid ground. Everything is done on the basis of sustainable solutions in which the recycling of materials and a closed loop economy are key components, as is adapting society to changed climatic conditions.

Live

» NCC builds attractive housing that more people can afford, and is at the forefront of efforts to increase efficiency and reduce construction costs without reducing the quality of housing. Sustainable refurbishment of older residential areas and development of inclusive city districts are other important features of our offering.

NCC satisfies the need for more housing in the growing cities of the Nordic region. The offering includes standardized, cost-effective residential solutions based on NCC's platform approach. Housing of a high quality with the same basic design, but where differences in the exterior and interior can be implemented without making the homes expensive. The NCC Folkboende and NCC Design product concepts are residential buildings designed for Nordic Swan ecolabeling with fixed delivery time and high quality and that more people can afford. The buildings also offer low running costs and are easy to maintain. During 2017, construction based on these concepts increased sharply, mainly in the Swedish market. NCC can also build more exclusive housing, tenant-owned apartments and row houses adapted to various needs and income groups. Another feature of NCC's offering is the refurbishment and extension of housing, such as converting office and industrial facilities into housing or converting attics. But NCC does not only build homes for people to live in – it is equally important to adopt a holistic approach to the surroundings, and to work to create inclusive and safe city districts where there are natural places for meetings and development, as well as many different functions.

The need to refurbish the stock of older apartments is considerable in all Nordic countries. NCC's sustainable refurbishment concept is specially designed to consider environmental, economic and social perspectives. For example, areas covered by the Million Homes projects are being transformed into places with a higher status but where the people who already live there are able and can afford to stay. To achieve this, comprehensive and long-term forms of cooperation with municipalities and other stakeholders is required, not least with those who live in the buildings today. NCC works to increase the participation of residents and the local community in, for example, various dialog forums. By so doing, NCC obtains a good impression of what is assigned value by the residents, business community, associations and other players in the area. Using this as a basis, NCC can then suggest the best solution for each project and provide a fair idea of expectations. NCC has identified the total market potential for sustainable refurbishment in the Nordic region and initiated a number of larger refurbishment projects in Denmark, and also entered into a framework agreement for Million Homes areas in Sweden.

NCC HAS MORE THAN
200
housing projects
IN ONGOING PRODUCTION

Sorgenfrivang, Copenhagen

The need for sustainable refurbishment projects is substantial in all Nordic countries, although the attitudes to financing and approaches differ. In Denmark, equity is allocated continuously to a refurbishment fund for each property, which has increased the number of large-scale public refurbishment projects in dilapidated suburbs.

The three high-rise buildings at Sorgenfrivang II, outside Copenhagen, represented the height of luxury when they were completed in the late 1950s. Many well-to-do Copenhagen residents moved into the rental apartments, which included such services as a common reception, a restaurant for tenants and a manned launderette. The entrances were _ fitted with designer furniture and Bang & Olufsen TVs. Today, the buildings are in dire need of refurbishment/upgrade and NCC has been commissioned to comprehensively refurbish the 428 apartments. The refurbishment assignment is one of NCC's largest ever and will result in an improved indoor climate, and a 66-percent reduction in energy consumption.

NCC's housing products

NCC Folkboende is a standardized housing product where every square meter has been considered in detail. It reduces the project-planning period and the customer can be offered a fixed price in only five weeks. The building's design can be varied to match the customer's preferences and taste so that it fits in with the surroundings. Under the concept, which was developed in 2009, NCC has produced more than 3,000 apartments in Sweden to date. The NCC Design product line includes the models Design Duo, Design Quattro and Design Alfa. The concept is based on a predefined construction system with an industrial production technique to minimize costs, and that gives increased control over costs for energy solutions and built-in materials, thus increasing the sustainability value and reducing running costs. The concept has been developed and refined since 2010. All of NCC's housing products are designed for the Nordic Ecolabel.

Work

» An inclusive city needs attractive workplaces where both the physical and the social environment contributes to the wellbeing of businesses and employees. NCC has a number of concepts for office premises and is positioned at the cutting edge of development of workplaces for the future. NCC also builds offices that match the highest sustainability standard.

NCC creates attractive workplaces in close cooperation with customers. Cooperation is characterized by a shared aim of creating a flexible workplace that not only creates conditions for efficient customer operations, but also improves the work situation of employees in terms of health, work environment and comfort. For each individual project, NCC contributes excellent knowledge of how good workplaces function, based on long experience of working close to our customers and relevant research findings in the field. This process is exemplified by Future Office by NCC, which is based on a comprehensive study of the workplaces and work environments of the future. A healthy indoor environment increases both wellbeing and productivity, while positioning and concretizing the sustainability ambitions of the property owner and the tenants.

NCC develops and builds on a proprietary basis and then sells the projects, or builds for external customers. Sustainable office and logistics properties are the core product in NCC's development business. Retail property are developed primarily in cooperation with a business partners or if an office project includes retail premises. None of NCC's office buildings resembles another. Projects occasionally entail integrating modern solutions into existing cultural environments. Other times, they involve satisfying the most stringent environmental certifications, or creating completely new property blocks. The new build or conversion of, for example, commercial properties into modern, attractive workplaces is a feature of NCC's focus on developing sustainable city districts. In such districts, the homes must harmonize with care and retail services, and also with workplaces.

179 500 sqm

OF COMMERCIAL PROPERTIES ARE BEING DEVELOPED AND BUILT ON A PROPRIETARY BASIS BY NCC

Creating an efficient and easily available commute to and from the worksite by public transport, car or bike is a prerequisite for building a socially cohesive city and a competitive labor market region. Many inner-city dwellers could consider living outside the central parts of the city if there were good ways of traveling to and from.

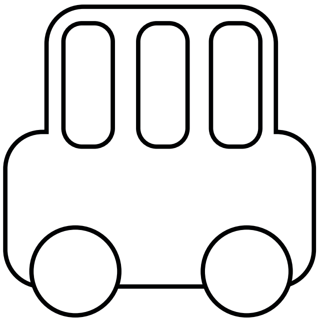
An environmentally certified building only has winners – property owners, tenants and society. NCC works with all of the types of certifications on the market, including the international systems BREEAM and DGNB. The system that is most suitable in terms of project type, geography, level of ambition and finances is decided together with the customer.

New NCC head office for EY in Copenhagen

NCC is to develop and build EY's new head office, with about 9,300 square meters of office space. Occupancy is scheduled for the fourth quarter of 2019. For a number of years, NCC has been contributing to the development of the Flintholm area, where EY's head office is to be built. NCC will develop and build the new office building, which has been designed by Vilhelm Lauritzen Architects. The building's facades will be made of clear and frosted glass, steel and aluminum in warm tones. The property will be certified to the international DGNB standard and the target is to achieve a Gold classification. This entails, for example, a major focus on a healthy indoor climate and low energy consumption.

Järva Krog, Stockholm

NCC is developing the new Järva Krog city district, which will become a modern attractive meeting place with three new city squares, a well-developed infrastructure and many meeting places for an active lifestyle. The area around Järva Krog/Ulriksdal will encompass a total of some 2,000 housing units, 11,000 workplaces and about 160,000 square meters of office, retail and service premises (NCC´s part includes approximately 90,000 square meters) The area has bike paths, which have winter maintenance, in all directions for those who prefer to cycle to work.



Travel

» If the infrastructure stops working, so does the rest of society. NCC's offering includes both smart solutions for traffic in the city, and roads, tunnels and bridges that connect the city with its surroundings. The aim is to make it safe and easy to travel.

NCC is creating superior sustainable solutions for the infrastructure of the future, based on leading-edge expertise in constructing roads, railways, bridges and tunnels. The offering does not only comprise cities, although these often constitute the hub of infrastructure solutions. By contributing to a well-developed infrastructure, NCC also helps to simplify knowledge transfer in society and to increasing numbers of vibrant communities being developed. For example, by making it easy to commute to work in the city, it becomes possible to move further out.

Initiatives involving tunnels, bridges, dams and complex arterial roads and city solutions for managing both urbanization and new logistical patterns hallmark activity in all of the Nordic countries, with Norway and Sweden spearheading development. As one of the largest Nordic operators in the industry, NCC has the capacity to develop methods, technology, materials and cooperative formats that lead infrastructure construction into the future. In Norway, a powerful build-out of the infrastructure, encompassing roads and railways, is under way to join together different regions, as are initiatives to expand cities through upgrades and investments in entirely new projects. In Sweden in the decade ahead, a historic program will be implemented to develop the transport system, with the principal focus on major cities. Notable projects include the Stockholm Bypass Link, the West Link and a new express railway line. NCC has extensive experience of collaborations in which innovative solutions and project control are key factors for keeping to time schedules and budget. Another focus is on minimizing disruptions during the actual construction period, which is positive from a safety viewpoint for both third parties and for those at the worksite.

NCC also works to prepare society for new technologies, such as electrified roads, and various types of concepts, including for traffic environments and taking responsibility for the operation and service of roads and other infrastructure. These are important aspects required for ensuring that daily communications work as smoothly as possible, and they include a major focus on innovative and sustainable solutions. NCC ViaSafe is a special center of excellence that provides services that improve traffic safety in connection with roadworks, projects and major events.

NCC IS WORKING ON
about ten
LARGE-SCALE INFRASTRUCTURE PROJECTS

An increase in cycling is good for the city and for urban life. By adapting infrastructure to the use of bicycles, city districts are established that are characterized by sustainability, accessibility and road safety. NCC has gathered a Nordic team to manage cycling-related issues in a wider perspective. The entire flow plays a central role – from the home and place of work to the service functions, and the road between these places. NCC's various business areas contribute the knowledge they have gained from all types of urban development in various countries, and simultaneously develop new insights. This is where knowledge is accumulated on how to create a society in which the bicycle is a natural element.

Rovaniemi, Finland

NCC's road service contract in Rovaniemi, Finland, is a new type of government contract subject to far-reaching requirements for digitalization and stakeholder communication. It differs from a "conventional" contract in terms of how quality requirements are placed, which results in a completely new approach for both NCC and the customer.

Norrström Tunnel, Stockholm City Line

In 2017, NCC completed the assignment to construct the Norrström Tunnel and coordinate the completion of Stockholm City, the new commuter train station. The client was the Swedish Transport Administration and the order was worth about SEK 2,000 M. Every day, 250,000 commuter train passengers pass the City Station. The new station comprises two station tunnels, two platforms and four tracks.

Care

» NCC can supply the entire breadth of solutions for the healthcare and nursing segment. Everything from specialist hospitals to healthcare centers. This frequently involves complex projects, subject to meticulous requirements and that involve many stakeholders, such as clients, staff, taxpayers and patients.

Providing care is costly for society and, considering the demographic trend of an increased share of elderly people, it seems that the costs will continue to rise in the future. Creating healthcare establishments that are good to work in leads to a healthier work environment and to staff wellbeing. By being involved early in the process, NCC can create a systematically active and conscious dialog between the project, the future operation and the healthcare service. This includes creating a dialog around materials, the maintenance that these give rise to, and focusing more on the investment rather than continuously spending resources on comprehensive maintenance. NCC uses VDC for virtual planning, simulation and examination of construction projects throughout the planning and construction phases. If necessary, a prototype of critical premises is built to test and optimize the design based on the work that will be conducted there.

Otherwise building a hospital is difficult. It involves complex projects in terms of technology and logistics and often also requires adaptation to the ongoing operations. Multiple perspectives have to be taken into account, from delivery at the right time, at the right price and the right quality, to operation of the finished building and the experience of the patient visit. NCC has the expertise, work methods and experience required to contribute to and optimize the conditions for providing care. This creates a long-term sustainable total economy and far greater profitability in the form of social value for all citizens. NCC has extensive experience of hospital projects with various prerequisites and objectives. From neighborhood hospitals aiming to increase the mortality of inhabitants in an exposed area to the first clinic in the Nordic region for advanced radiation treatment of cancer using proton therapy.

NCC IS WORKING ON ABOUT
10
LARGE HOSPITAL PROJECTS IN THE NORDIC REGION

There is a considerable need to upgrade and refurbish many hospitals that were built at a time when the approach to patient reception and work environment was completely different. Many hospitals were built in the 1960s and 1970s and are neither adapted to today's way of working nor to the patient needs that are encountered. The need of refurbishment is considerable throughout the Nordic region. NCC possesses specific hospital expertise in the area, adapted to all countries with this requirement.

NCC has the expertise

NCC has established a hospital network with immense experience of hospital and healthcare projects. NCC has broad-based specialist support and cutting-edge competencies in critical areas. In addition to critical construction expertise, there are specialists in such fields as clinical project-design management, space-function programs for healthcare requirements and coordination of medical-technical equipment. NCC also monitors the latest healthcare developments and participates actively in forums and seminars, such as those arranged by the Healthcare Building Forum and CVA (Center for Healthcare Architecture).

Hørgården, Copenhagen

NCC is energy refurbishing the Hørgården home for the elderly, outside Copenhagen, on behalf of the 3B housing company. The order is worth SEK 385 M. NCC will use VDC throughout the project. After extensive refurbishment, the Hørgården home for the elderly, which was built in 1974 and comprises three five-story buildings, will become a modern home for the elderly with 189 new residential units. An existing connection between the floor levels in the three buildings will be expanded, with a middle building that will link all the floors. In addition, NCC will be building an activity center, central kitchen and office premises. When the building is completed, it will fulfil energy requirements for 2020. The focus is on new technology and sustainable solutions, as well as better work environment for personnel at the home for the elderly. When everything is completed, the residents will have sustainable, modern, healthy, spacious and bright homes.

NCC has a responsibility for contributing to the development of and preparing solutions that promote sustainable development and higher productivity in refurbishment projects.

Learn

» The need for good education and schools in which children and young people feel good is of great significance to wellbeing in the city. In a close dialog with municipalities, teachers and pupils, NCC creates environments that improve learning through an offering comprising both new builds and refurbishment of everything from preschools to universities.

Education has a high priority for everyone – also in the municipalities and cities where shortages of an educated workforce has become an increasing problem. Today, competitive universities and colleges are a prerequisite for a city's ability to grow sustainably, but having comprehensive schools and preschools that maintain a high level is equally important, not least in terms of the indoor environment and the positioning of the schools in relation to housing, commuting possibilities and workplaces for the parents. In NCC's experience, the best schools and preschools are built in close cooperation with the customer. Through the partnering form of cooperation, resources are optimized for the best possible leveraging of the investment. Quite simply, a project where dialog, openness and cooperation pervate the work culture gives better results. If there is a need for several schools over a longer period, an agreements on strategic partnering can be arranged – a framework agreement for the long-term planning of schools and preschools in a municipality. NCC has favorable experience of assisting in project planning of schools, and every new project results in opportunities to reduce production costs and increase the pace of delivery. In recent years, increasing numbers of municipal property companies in Sweden have seen the benefits of this model.

Environmental sustainability is often high on the agenda for municipalities. NCC works continuously to reduce the climate impact during both building production and in the finished product. For example, NCC builds schools and preschools based on passive building technology. NCC's concept for sustainable refurbishment is an important component in this area too. There are still many older schools with both inferior ventilation and poor adaptation to modern learning. Quite simply, they need to be remodeled and adapted to the school pupils of today and the education requirements that teachers, pupils and parents have for their schools. Social sustainability connected to children and young people is another important feature. For many years, NCC has been operating Barnens Byggskola (Children's Building School), an opportunity for children to find out what building is all about. NCC also sponsors Mattecentrum (Math Center), which offers free help with homework in some 30 locations in Sweden, Norway and Denmark, as well as online, with many NCC employees serving as volunteers. NCC has created the Dome of Visions, a visionary and inspirational meeting place where visitors are invited to engage in discussions about a sustainable future.

NCC IS WORKING ON
about
50
SCHOOL PROJECTS IN THE NORDIC REGION

Royal College of Music – Stockholm

To preserve a large monument and to fit this in with a comprehensive new city plan was a great challenge when planning for the new Royal College of Music in Stockholm. Virtual design and construction (VDC), which influenced the construction period and facilitated the project in general, was a key piece of the puzzle.

MySchool

In Finland, NCC has built a new, modern and flexible school building, the Rantarousti school in Tyrnävä. The school has no traditional classrooms, desks or cafeteria – all the space is flexible. Movable walls enable the teaching space to be changed simply and quickly. As an extra contribution to the teaching, NCC, in cooperation with teachers at the school, has developed MySchool, a digital tool that collects measurement data from all the automatic features in the building and other sources of information. Aided by the tool, teachers can inform students about their own school buildings and thereby intensify interest in energy savings and improving the learning environment. The aim is get the students to understand such concepts as renewable energy, building energy consumption and a healthy indoor climate, but above all the opportunities they themselves have to influence by means of tangible examples.

Experience

» NCC creates meaningful leisure for people, and offers everything from bike paths, sports and swimming facilities to inspiring environments for shopping and other recreation.

Living in the city does not just entail having a good home, work, schools and care. It is also important to have meaningful leisure, such as the possibility to easily and accessibly experience things regardless of whether this involves sports, exercise, food, shopping or just recreation in beautiful parks. Efficient public transport services and cycle infrastructure are needed to make this accessible. NCC devotes considerable focus to various solutions for improving public transport, to make it easier to move around the city and between home and leisure activities. As one of a few players in the industry, NCC looks beyond the actual buildings and infrastructure, and also takes responsible for maintenance of the city's communal areas, thus making the city more inclusive and pleasant to move around in. In recent years, an intensive debate has centered on the place of the bike in society. NCC sees the value that a good cycle infrastructure in a city can create, enabling people to meet in a completely different way than when using cars and public transport. Creating efficient cycle paths that take people from their homes to various activities becomes a way of joining together the city even better, while creating a meaningful leisure activity for many.

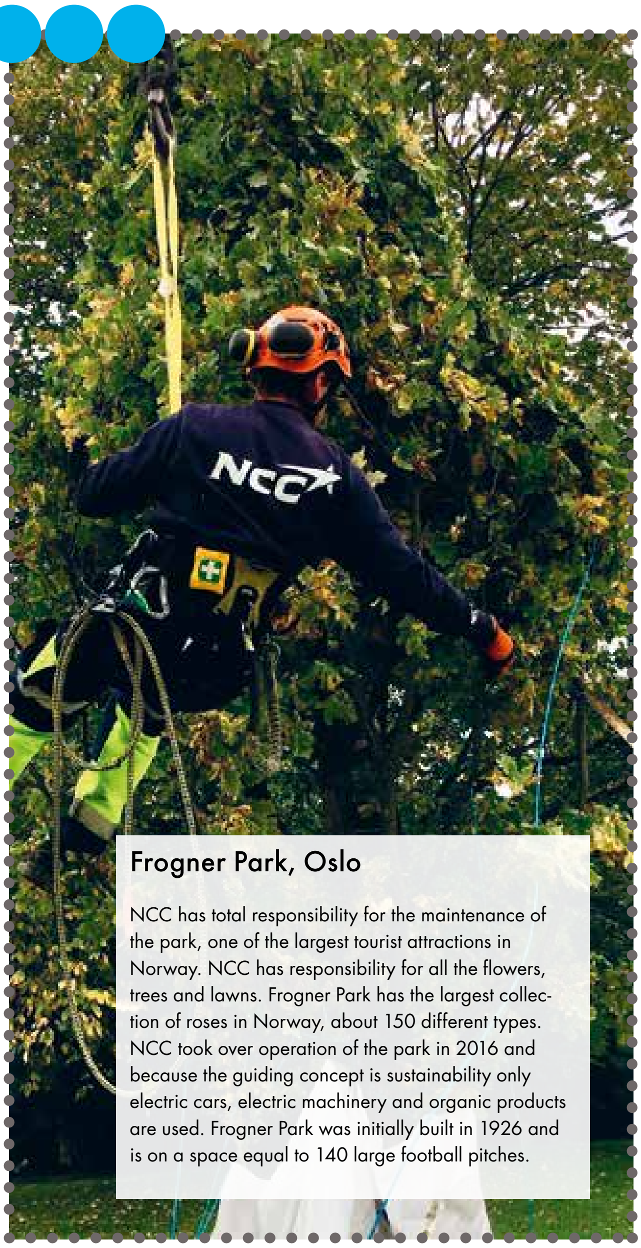
In Sweden, for example, more than one third of all people aged between seven and seventy years are active members of a sports club. The proportion of sporting youths is a full 70 percent. The trend is clear – the need for training times for everyone is increasing. NCC has longstanding experience of constructing various leisure and sports activities, including niche expertise in building swimming halls. Building a swimming hall in a municipality is a high-risk project that can be costly in a longer perspective. By means of long-term planning with a knowledgeable partner such as NCC, many of these risks can be avoided. For example, demands are made for lasting technological solutions and environmental compatibility. Higher water and air temperatures and an increased load on the swimming facility's cleaning equipment represent challenges. NCC can make swimming facilities attractive, functional and available for all.

10

SWIMMING HALLS HAVE BEEN CONSTRUCTED BY NCC IN RECENT YEARS

Many shopping malls in the city currently function as important meeting places and places for recreation.

When developing a commercial property, NCC performs a detailed analysis to ensure an excellent commercial location that can offer substantial customer flows, as well as premises that are optimized for selling the tenant's products or services. NCC has a number of successful projects where attractive shopping areas and logistics facilities have been created.



Frogner Park, Oslo

NCC has total responsibility for the maintenance of the park, one of the largest tourist attractions in Norway. NCC has responsibility for all the flowers, trees and lawns. Frogner Park has the largest collection of roses in Norway, about 150 different types. NCC took over operation of the park in 2016 and because the guiding concept is sustainability only electric cars, electric machinery and organic products are used. Frogner Park was initially built in 1926 and is on a space equal to 140 large football pitches.

Munktell swimming facility, Eskilstuna

The new Munktell swimming facility is the first swimming hall in Sweden to have been certified at the highest environmental classification, Miljöbyggnad Gold. The slightly more than 10,000 square-meter building is dimensioned for 250,000 visitors per year. Major importance has been devoted to keeping the hall's energy consumption as low as possible during operation. Thanks to energy-saving investments, the cost of running the hall will be lower per square meter than in the current swimming hall. The building is heated using renewable electricity and district heating from the local CHP plant. There are 191 solar cells on the roof and lighting in the hall is provided by LED lamps and low-energy lamps.

What has to work

» NCC's responsibility for the city also encompasses things that are not visible or that many never even think about – materials and functions that are completely fundamental for the function and development of life in the city.

The inhabitants must be able to trust their city. This naturally includes safe residential areas and it being easy to get to work and school. However, other completely crucial aspects of living in the city that have to work 24/7 all year round include access to electricity, heating, clean water and sewage management, and that roads and buildings stand on solid ground. NCC has developed solutions for underground infrastructure since the mid-1960s and, for example, currently offers comprehensive solutions for pipeline networks for water, sewage management and energy. Many of the facilities in Nordic cities need to be upgraded and modernized at the same time as drinking water and wastewater treatment plants are being subject to new requirements. The major challenges associated with climate change, which are affecting our cities to an ever greater extent, must also be taken into account. NCC has specialist expertise in the area and its offering includes pipeline networks dimensioned for downpours, water treatment and sustainable surface water management for watering and recreation. During complex water and sewage projects, the company's construction expertise combined with in-depth process and machinery competencies, enable NCC to add value in all phases of the project. Due to the increased complexity of water and sewage projects, partnering has become an attractive form of cooperation.

NCC also offers earth and groundworks, piling, innovative and sustainable stone materials and climate-adapted asphalt. NCC delivers stone materials and asphalt to everything from garage driveways and small roads to major infrastructure projects. Stone materials are used in foundation engineering of housing, offices, schools and hospitals, and are of particular importance to project planning of sustainable city districts. NCC also focuses on the development of new, highly processed products, such as an innovative paving material that reduces the risk of flooding. For example, NCC DrænStabil® is a stone-material product that ensures that water quickly and readily penetrates the soil, while the stone material functions as bearing structure. Products and production methods that reduce the adverse impact on the environment are collected under the NCC Green Concept® name, with NCC Green Asphalt® as the best known. NCC has secured access to stone materials from own quarries and has close-to-city production of asphalt, thus reducing the environmental impact. All types of asphalt are also recyclable.

NCC has also developed the market-leading concept NCC Recycling, to take expanded responsibility for construction industry waste. NCC receives, manages and processes all construction, civil engineering and demolition waste generated by a construction site. We then recycle and reuse the waste or sell it as new, recycled materials. This leads to the saving of more energy and reduces dependence on valuable natural resources. The aim is to close the loop.

31,298
thousand tons of stone materials
WERE DELIVERED BY NCC DURING 2017

Loop Rocks

Loop Rocks is an open platform and app for the smarter and more efficient handling of rock, earth and other secondary construction masses at construction sites, between businesses and private individuals. Using Loop Rocks, NCC matches supply and demand for secondary materials at construction sites by "looping" masses directly between the sites and this is a good example of how NCC works to achieve its long-term sustainability targets for closing the loop of material flows. Loop Rocks has been launched in Sweden, Norway and Finland. The platform has already handled more than half a million tons of secondary masses and more than 100 Nordic construction sites have joined the platform. In 2017, Loop Rocks was named a finalist for that year's Circular Economy Digital Disruptor award.

New landmark in Helsingborg

NCC has entered into a partnering agreement with Nordvästra Skånes Vatten och Avlopp AB (NSVA) concerning the construction of a new 40-meter-high water tower in the city of Helsingborg. The water tower is being built to secure the future water distribution in northwest Skåne and has an innovative architectural design reminiscent of a modern aqueduct. In addition to the water tower, the assignment includes two ground level reservoirs and a service building.

Including more people in the company – from all parts

» NCC aims to be a driving force in efforts to achieve an inclusive society. At Group level, NCC is also working to create an inclusive work environment characterized by diversity and equality. The long-term objective is that NCC's workforce will reflect society.

To satisfy the substantial demand for new housing and infrastructure, NCC needs to continuously recruit new employees. To be able to recruit from all parts of society, it is important to create role models, particularly for those groups that have previously been in a minority, such as those born abroad and women. An inclusive workplace, with a breakdown reflecting the diversity of society in respect of gender, age and background, also contributes to creativity and innovative thinking while ensuring that various competencies are utilized. Since NCC is convinced that an environment in which everyone wants, can and is empowered to contribute their entire personality and capabilities will ultimately lead to increased profitability, this is a high-priority area for the strategy period. In view of this, NCC has created a number of different initiatives

NCC Job School and NCC Nystart (new start)

NCC Job School is a 26-week program designed to welcome refugees with asylum status and with experience of the construction sector into the construction industry and to facilitate their integration. In March 2017, a new job school was started in Denmark, where 15 refugees started to study. The Job School is based on experience from Aarhus, where NCC has been arranging Virksomhedskolan since 2012, an initiative to support young people who are tired of school by providing education that mixes theory with practice.More than 100 young people have completed the program since its inception.

June 2017 saw the completion of the first round of NCC Nystart, a labor market program for job-seeking engineers born abroad. The education has been designed in cooperation with the Kunskapsskolan school and the Swedish Employment Service to meet NCC's considerable recruitment need and promote integration and diversity. For 46 weeks, the engineers sandwiched theoretical studies at Kunskapsskolan with practical work at NCC's worksites. The aim is to offer employment to the participants when they have completed the program. Of the 18 who started the course, 13 were offered employed at NCC. Following a highly successful first round, NCC started round two in November 2017, this time with 24 participants and a slightly shortened training period.

Initiatives for more women

Just over 13 percent of NCC's employees are women, a minority of whom are skilled workers, foremen or site managers. It is important that the proportion of women in production increases, so that NCC meets its recruitment needs in the future, and a number of initiatives have been launched to achieve this. NCC has implemented a site manager program in Sweden solely for women. NCC is also working to achieve equal-gender teams, with the aim that no gender will account for more than 70 percent of a management team in the Group.

NCC has decided to engage in activities that reduce the threshold to scientific and technical occupations and is currently inspiring underrepresented groups to choose a technical line. To get children and young people to show an interest in math and construction from a young age, NCC is the Nordic sponsor of the Math Center and is the driving force behind a number of places at NCC's Children's Building School. In cooperation with Introduce a Girl to Engineering day, NCC is opening for one day selected Swedish construction sites for young girls. The aim is to develop an early interest in technology and engineering. In 2017, with the same aim, NCC participated in PEPP, a multi-level mentorship program, whereby NCC employees act as mentors for women studying engineering, who act in turn as mentors for girls studying at high school.

Since 1998, NCC's female network Stella has been established in NCC's Swedish organization. Stella works to promote more female managers at NCC and has contributed to an increased focus on a variety of equality issues over the years. Today, the network has 600 members. In 2017, the first steps were taken to establishing networks for women in Norway and Finland.

Gathering for increased equality

NCC took a industry-wide initiative to improve equality when a large number of representatives of the industry, among both employers and employees, met up in October 2017. Due to the intense pressure on NCC to construct housing and infrastructure, for example, the need for recruitment is considerable, and increasing numbers of women need to apply to the industry if this challenge is to be met. Although there is also a clear trend showing that more young girls find the construction industry interesting, a change in attitudes is required to keep up this interest. The seminar was a start to intensified equality efforts, with NCC wanting to include industry colleagues and other stakeholders in efforts to create a more equal construction industry. In view of the stories about inequality and harassment that came to light in 2017 under the #metoo hashtag, the importance of NCC's work to promote diversity and inclusion has become more pronounced than ever. Testimonies came from women in many different industries and the construc-

VALUES – A FOUNDATION FOR ACTION

- HONESTY
- RESPECT
- TRUST
- PIONEERING SPIRIT

NCC is a value-guided company and the objective is that all employees will be able to take decisions and take actions based on the Group's shared values. Since NCC's business partners have an important role to play in the operations, they are also expected to respect and live up to NCC's values. Accordingly, the values function as a compass for both employees and business partners and, together with the Code of Conduct, guide everyone in their day-to-day work.

tion sector was no exception. In autumn 2017, NCC analyzed the company's diversity and inclusion efforts, as well as existing action plans for countering discrimination. A Group-wide action plan has been formulated, with the main features being competency-enhancing measures for managers, an increased focus on NCC's values and a strengthening of procedures and support regarding how to manage the discrimination cases that have arisen.

Top ten

In Universum's annual survey of Sweden's Most Appreciated Employers, the employees get to assess their current employer on the basis of three factors: internal identity, satisfaction and loyalty. In 2017, NCC was named one of the ten most appreciated employers in Sweden. By creating a good environment for employees, the employer is able to retain existing and attract the right new talent, which ultimately builds a strong and credible employer brand.

Long-term value creation

» With a holistic offering that satisfies all of the needs of the city, NCC, in tandem with municipalities and other agents in society, is able to create attractive, inclusive and sustainable cities for the future.

NCC has the size and the competencies to be able to contribute to sustainable community building. It is entirely possible to create a sustainable city where more people feel included. It is a challenge that no player – private or public – can resolve alone but NCC has the capacity – the size, breadth of expertise, stamina and experience – that enables it to contribute in various ways to finding solutions to the challenges facing the Nordic societies.

What NCC does leads to more people wanting and being able to keep on living in the city and its surrounding areas, and to more people wanting to move or dwell there. NCC's offering puts the best interests of people, businesses and municipalities in the center – at the same time as NCC works with solutions that have the least possible impact on the environment and climate. NCC creates long-term value when the projects, the buildings that are produced, are used in the best way to solve the challenges of the customers, the users and in society.

NCC creates value for cities in the Nordic region by:

BUILDING HOUSING FOR MORE

BUILDING INSPIRING ENVIRONMENTS THAT PROMOTE THE EFFICIENCY OF COMPANIES

DEVELOPING MORE INCLUSIVE SOCIAL ENVIRONMENTS

IMPLEMENTING SUSTAINABLE REFURBISHMENT OF HOUSING, HOSPITALS AND SCHOOLS

CONNECTING CITIES IN A SUPERIOR WAY AND JOINING CITIES WITH THE COUNTRYSIDE

BECOMING INVOLVED IN THE PROCESS AT AN EARLY STAGE AND PLANNING LONG-TERM SUSTAINABLE CITIES TOGETHER WITH THE CUSTOMER

INCLUDING MORE PEOPLE IN DAILY LIFE AND IN A DIALOG

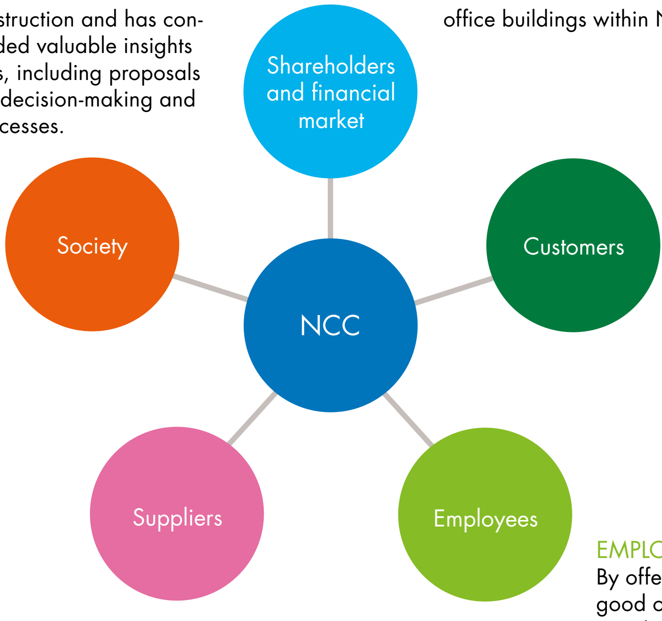
CREATING CONDITIONS FOR MEANINGFUL ACTIVITIES THAT REDUCE SOCIAL EXCLUSION

SOCIETY

NCC participates in developing the physical environment of communities. In Sweden, the company actively participates in discussions concerning the conditions for increased residential and commercial construction and has constructively provided valuable insights and experiences, including proposals to speed up the decision-making and construction processes.

SHAREHOLDERS AND FINANCIAL MARKET

Over the past five years, NCC has generated a total return (share price performance and reinvested dividend) of 113 percent for its shareholders, equal to an annual average return of 16.3 percent. In 2012, NCC entered into a long-term borrowing agreement of SEK 500 M with the Nordic Investment Bank. This was based on the construction of energy-efficient office buildings within NCC Property Development.



CUSTOMERS

NCC has made a long-term commitment to contributing to its customers' success by delivering sustainable buildings and structures. Through strategic partnering, the efficiency of this cooperation can be enhanced, ensuring that the projects can be delivered on time, with the right quality and cost and lead to more satisfied customers. NCC regularly performs thorough market and customer satisfaction surveys to better understand the customers' needs and preferences.

EMPLOYEES

By offering competitive employment conditions, good opportunities for skills development and a stimulating work environment, value is created for the employees. Every year, NCC implements employee-satisfaction surveys to engage all of our employees in the development and improvement of our joint workplace.

SUPPLIERS

Developing sustainable and competitive purchasing is a key issue for NCC. On top of financial value, NCC contributes, through cooperation with suppliers, to the development of products and services and to improved processes. Value is created through the transfer of competencies and various types of cooperative projects.

ECONOMIC VALUE GENERATED, SEK M

■ Customers 54,641 (52,946)

ECONOMIC VALUE DISTRIBUTED, SEK M

■ Suppliers 41,474 (40,148) ■ Employees 9,202 (8,650) ■ Lenders 91 (112) ■ The government 2,865 (2,920)
■ Shareholders 865[1] (865) ■ Economic value retained 144 (251)

[1] Proposed dividend.

NCC share

» NCC's shares were initially listed on the Stockholm Stock Exchange in 1988 and are divided into Series A and Series B shares. The shares are traded on the Nasdaq Stockholm Large Cap list and are included in the Construction & Materials sector index.

The Nasdaq Stockholm exchange rose 6.4 percent in 2017. The NCC share was outperformed by the Exchange as a whole in 2017. NCC's Series B share declined 30.2 percent during the year to SEK 157.3. The Series A share finished the year at SEK 157. The year-end prices of NCC shares corresponded to market capitalization of SEK 17.0 billion. The total return on the Series B share (share-price trend and reinvested dividend) was minus 27.3 percent in 2017. For 2013–2017, the share generated a total return of 113 percent, equal to an annual average return of 16.3 percent. For the Exchange as a whole (OMXS Benchmark GI), the total return was 16.9 percent in 2017 and 84 percent for the most recent five-year period. In 2017, a total of about 138 million (154) NCC shares were traded. Nasdaq Stockholm accounted for 68 percent of trading, which means that other marketplaces, such as CXE and BXE, accounted for 32 percent. The total turnover rate in all marketplaces was 14 percent (15) for Series A shares and the rate for Series B shares was 143 percent (162).

Ownership structure

At year-end, Nordstjernan AB, the largest individual holder of NCC shares, accounted for 16.3 percent of the share capital and 47.1 percent of the voting rights in NCC AB. During 2017, Handelsbanken Funds joined the list of the ten largest shareholders. AMF and Carnegie Funds increased their holdings during 2017. The proportion of foreign shareholders increased and represented 25 percent (23) of the year-end share capital. The US, the UK and Norway accounted for the largest foreign holdings. The current list of shareholders is available on www.ncc.se.

Share repurchases and conversions

During 2017, NCC sold 37,987 Series B shares and bought back 54,232 Series B shares, while distributing 25,144 Series B shares to participants in the long-term performance-based incentive program from 2014. Thereafter, the company holds 353,323 Series B shares in treasury. In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. A total of 50.3 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

Dividend

NCC's dividend policy states that at least 40 percent of profit after taxes will be distributed as dividends. For 2017, the Board proposes a cash dividend of SEK 8.00 per share, divided into two payments. April 13, 2018 is proposed as the record date for the first payment of SEK 4.00 and November 5 for the second payment of SEK 4.00. The proposed dividend corresponds to 86 percent of profit after tax.

THE NCC SHARE IN 2017

	Series A shares	Series B shares
Total number of shares[1]	13,386,268	94,696,231
Voting rights	10 votes	1 vote
Total share turnover, including late entries, millions	1.8	136.2
– of which, on Nasdaq Stockholm	1.5	93.0
Total value of share turnover, SEK M	381	28,198
– of which, on Nasdaq Stockholm	318	19,024
Turnover rate, %		
– total, all marketplaces	13.7	143.8
– on Nasdaq Stockholm	11.5	98.2
Share price at start of year, SEK	223	225.4
Share price at year-end, SEK	157	157.3
Highest price paid, SEK	253	253.5
Lowest price paid, SEK	153.2	153.6
Paid-out dividend, SEK	8.00	8.00
Total return, including dividend, %	–27.1	–27.3

[1] Excluding treasury shares.

FIVE-YEAR TREND IN NCC SHARES

	2013	2014	2015	2016	2017
Market price at year-end, NCC B share, SEK	209.9	246.8	263.0	172.1[3]	157.3
Market capitalization, SEK M	22,748	26,720	28,518	24,325	16,997
Earnings per share, SEK[1]	18.40	17.01	12.19	10.30	9.29
Ordinary dividend, SEK	12.00	12.00	3.00	8.00	8.00[2]
Dividend yield, %	5.7	4.9	1.1	3.5	5.1
Total return, %	64	24	11	33[3]	–27.3
Number of shares outstanding at year-end (millions)	107.8	107.8	107.8	108.1	108.1

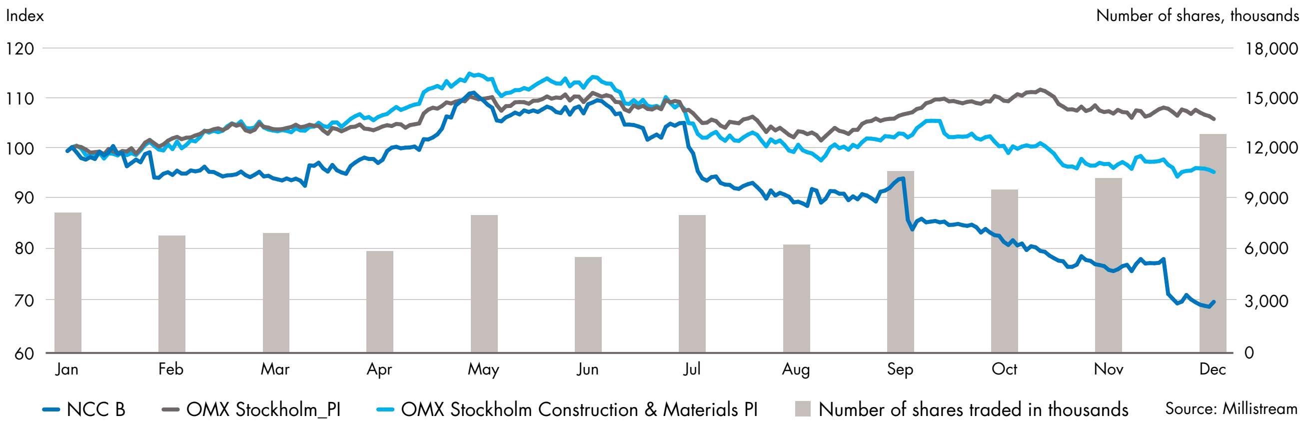
Key figures per share are presented in the Multi-year review on p. 102.

[1] After tax and full dilution.

[2] Proposed dividend.

[3] NCC's share price adjusted for the value of Bonava at the time of the spinoff.

SHARE-PRICE TREND AND TURNOVER, 2017



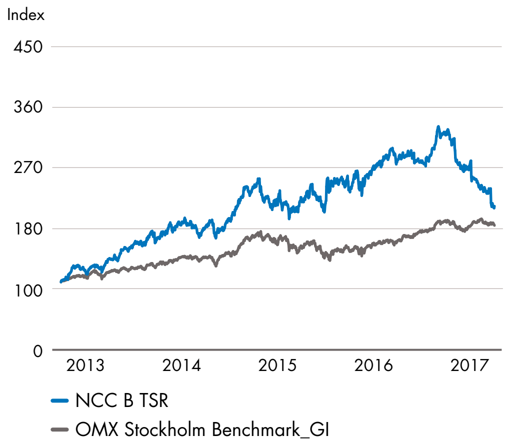
Source: Millistream

OWNERSHIP STRUCTURE AT DECEMBER 31, 2017

	Number Series A	No. of Series B shares	Total no. of shares	Percentage of Share capital	Percentage of Voting rights
Nordstjernan	10,000,000	7,723,759	17,723,759	16.3	47.1
AMF Insurance & Funds		13,451,587	13,451,587	12.4	5.9
Carnegie Funds		7,000,000	7,000,000	6.5	3.1
Vanguard	225,088	2,076,672	2,301,760	2.1	1.9
Lannebo funds		2,200,000	2,200,000	2.0	1.0
SEB funds		2,113,054	2,113,054	1.9	0.9
BlackRock	2,978	2,043,746	2,046,724	1.9	0.9
Norges Bank	4,239	1,973,419	1,977,658	1.8	0.9
Handelsbanken Funds		1,931,423	1,931,423	1.8	0.8
Swedbank Robur funds	97,432	1,395,111	1,492,543	1.4	1.0
Total ten largest shareholders	**10,329,737**	**41,908,771**	**50,462,994**	**48.1**	**63.5**
Total other	3,056,531	52,787,460	57,619,505	51.6	36.3
Total number of shares outstanding	13,386,268	94,696,231	108,082,499		
Buyback of company shares		353,323	353,323	0.3	0.2
Total number of shares	**13,386,268**	**95,049,554**	**108,435,822**	**100.0**	**100.0**

(Source: Euroclear Sweden AB and Modular Finance AB.)

TOTAL RETURN, 2013–2017



Source: Millistream

Report of the Board of Directors

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174 and headquartered in Solna, hereby submit the Annual Report and the consolidated financial statements for the 2017 fiscal year.

GROUP RELATIONSHIP

From January 22, 2003 through May 20, 2016, when nine million of Nordstjernan's Series A NCC shares were converted into Series B NCC shares, NCC AB was a subsidiary of Nordstjernan AB, corporate registration number 556000-1421. At the end of 2017, Nordstjernan had a holding corresponding to 47 percent (48) of the voting rights in NCC AB.

OPERATION

NCC is one of the leading Nordic construction and property development companies, with the Nordic region as its home market. NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction and accounts for paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

OPERATIONS DURING THE YEAR

Market

Growth normalized in the Nordic construction market in 2017, following several years of strong upswings. Major projects in the Nordic region are attracting international interest and European companies are taking a more long-term approach to the establishment of operations in NCC's markets.

In Norway and Sweden in 2017, the civil engineering market was characterized by large-scale infrastructure initiatives. Growth in the Nordic civil engineering market was around 3 percent in 2017. The market for new production in the Nordic region grew by nearly 15 percent in 2017. The refurbishment segment grew by some 2 percent.

A strong civil engineering market results in high demand for stone materials and asphalt, and volumes increased by some 4 percent in 2017. Demand for foundation engineering operations also rose during 2017.

Prospects of somewhat higher interest rates resulted in diminishing growth in the property market in 2017 from a high level in 2016. Demand is being changed by growth in e-commerce, a focus on urban environments and network workplaces.

The source of the above growth figures is NCC Market Outlook, based on analyses from NCC analysis, Newsec, EuroConstruct, national forecasting institutions, banks and industry organizations, as well as Global Construction.

Changes among senior executives

In connection with NCC's announcement on September 25, 2017 that an impairment loss was to be recognized for the Björnegård Tunnel project in Norway, it was also announced that NCC Infrastructure's Business Area Manager Svante Hagman would vacate the position of Business Area Manager and instead switch to a new role in the Group. Göran Landgren, former Business Area Manager at NCC, took office as Acting Business Area Manager for NCC Infrastructure as of September 25.

On October 30, 2017, NCC announced that the NCC Board had decided to terminate the employment of President and CEO Peter Wågström. Håkan Broman was appointed Acting President and CEO until such time as a new permanent CEO has taken office. Håkan has been with NCC for 18 years and has been General Counsel and member of the Executive Management Group for the past nine years. At the same time, Ann-Marie Hedbeck was appointed new Acting General Counsel, member of the Executive Management Group and Secretary of the Board. Ann-Marie Hedbeck had been Senior Legal Counsel in the NCC Infrastructure business area since February 2017 and she has long-standing experience as general counsel in various roles at Skanska where she worked for 16 years, most recently as Senior Vice President Legal Affairs at Skanska AB.

On January 3, 2018, NCC announced that Kenneth Nilsson has been appointed Business Area Manager of NCC Infrastructure and member of the Executive Management Group. Kenneth Nilsson will take up his new position in April 2018, replacing Göran Landgren who has been Acting Business Area Manager since September 25, 2017. Kenneth Nilsson has 20 years of experience from various senior positions at Skanska and in management teams, and another ten years of experience as a work manager, project manager and supervisor. During 2017, he was assigned responsibility for Skanska Civil East in the US.

Tomas Carlsson was appointed the new President and CEO of NCC on January 12, 2018. Tomas Carlsson has been the President of the listed Swedish architecture and engineering consultancy Sweco since the end of 2012. Prior to that, he worked at NCC for nearly 20 years, most recently as Head of NCC's construction operations in Sweden. Tomas Carlsson will take up his new position at NCC by July 2018 at the latest.

Orders received

In 2017, orders received by the NCC Group totaled SEK 56,990 M (56,506). NCC Infrastructure and NCC Industry reported a higher level of orders received in all divisions.

Orders received by NCC Building totaled SEK 25,092 M (28,738). The reduction was due to a decrease in orders received in all countries, primarily in Sweden and Finland. The housing segment accounted for the largest share of orders received. Sweden's share of orders received was 63 (61) percent.

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

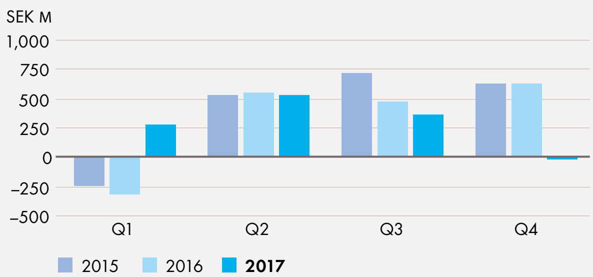
	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT	
SEK M	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
NCC Building	25,092	28,738	29,671	29,159	24,727	25,681	515	489
NCC Infrastructure	21,810	18,664	19,711	16,423	18,552	17,007	–137	162
NCC Industry	12,522	11,252	3,059	2,883	12,393	10,760	577	533
NCC Property Development	–	–	–	–	2,567	2,823	601	327
Total	**59,424**	**58,654**	**52,441**	**48,465**	**58,239**	**56,271**	**1,556**	**1,510**
Other and eliminations	–2,434	–2,148	–635	–525	–3,631	–3,337	–314	–57
Group	**56,990**	**56,506**	**51,806**	**47,940**	**54,608**	**52,934**	**1,242**	**1,453**

Orders received by NCC Infrastructure amounted to SEK 21,810 M (18,664). The Civil Engineering division and the Infraservices division both reported higher orders received for the year. The increase was mainly attributable to the Swedish market through large-scale infrastructure projects. Sweden thus accounted for 81 percent (72) of orders received during 2017.

Notable examples of projects included in orders received during the year: The Korsvägen section of the West Link for the Swedish Transport Administration with an order value of SEK 2.3 billion; Groundwork, foundation engineering and concreting works for the expansion of the BillerudKorsnäs Gruvön mill in Grums for about SEK 1.7 billion; The Lund-Arlöv railway section for the Swedish Transport Administration with an order value of SEK 1 billion; Two office buildings in Solna, of which one will be NCC's new headquarters, with an order value of about SEK 0.9 billion; Infrastructure work for the Markbygden ETT wind farm in Piteå, with an order value of about SEK 0.8 billion; New cogeneration plant in Upplands-Bro for the E.ON energy company, with an order value of about SEK 0.8 billion; In Finland, a large hospital project for the Joint Municipal Authority of the Health Care District of Northern Ostrobothnia, about SEK 0.7 billion.

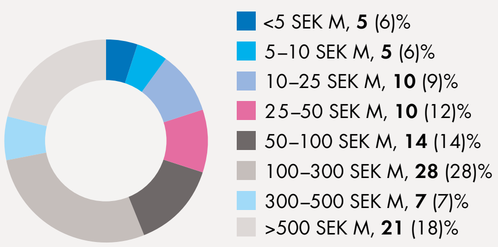
PROFIT AFTER FINANCIAL ITEMS

Earnings rose in the first quarter primarily as a result of healthy results in the property development business. During the third and fourth quarters, actions were taken to ensure margin improvements moving forward, including the development of a program aimed at reducing overhead costs, which is expected to yield annual savings of SEK 200 M. Support efforts were targeted at construction and civil engineering projects experiencing weak profitability and, following impairment losses and increased provisions, the project portfolio has a lower, more balanced risk.



PROJECT SIZE OF ORDERS RECEIVED, 2017, NCC BUILDING AND NCC INFRASTRUCTURE

Projects exceeding SEK 500 M increased most during the year, projects exceeding SEK 100 M accounted for more than half of orders received for the year, while orders received for smaller project declined. The diagram reflects SEK 47 billion of the total orders received of SEK 57 billion. The Group's total orders received also include NCC Industry.



MAJOR ONGOING PROJECTS

Projects >SEK 500 M		NCC's share of order value	Completion rate, Dec 31, 2017, %	Estimated year of completion
Railway tunnel, Korsvägen, Örgryte	SE	2,290	0%	2026
Production facility, Gruvön Mill, Gruvön	SE	1,720	63%	2018
National Highway 4, Hadeland	NO	1,652	99%	2018
Tunnel construction, Faroe Islands	DK	1,550	15%	2021
University Hospital, Örebro	SE	1,508	17%	2021
Hospital extension, Stockholm	SE	1,495	73%	2019
Children's hospital extension, Gothenburg	SE	1,400	35%	2020
Svealandsbanan railway line, Strängnäs-Härad	SE	1,270	92%	2018
Tunnel construction, Sandvika-Wøyen	NO	1,252	91%	2019
Tunnel construction, Gvammen-Aarhus	NO	1,087	81%	2019
E18, highway, Knapstad-Retvet	NO	1,005	99%	2018
Campus biotechnology research, Copenhagen	DK	961	39%	2018
Galleria, Mölndal	SE	936	84%	2018
Suspension bridge, Narvik	NO	916	98%	2018
Offices, Solna	SE	851	58%	2018
Wind farm, Piteå	SE	781	14%	2019
Cogeneration plant, Upplands-Bro	SE	764	24%	2019
Hospital project, Oulu	FI	730	2%	2021
Interchange, Gothenburg	SE	689	56%	2020
Hospital, Jönköping	SE	672	44%	2019
Housing refurbishment, Copenhagen	DK	666	57%	2019
Housing, Uppsala	SE	650	1%	2023
Interchange, Häggvik	SE	649	29%	2021
Expansion of Falkoner Center, Fredriksberg	DK	643	18%	2019
Housing, preschool & stores, Stockholm	SE	632	22%	2021
Expansion of gates, Landvetter Airport	SE	617	4%	2020
School, research and hospital construction, Turku	FI	612	91%	2018
Ice hockey facility, Oslo	NO	609	21%	2019
Interchange, Hjulsta	SE	608	25%	2020
Refurbishment of housing units, Copenhagen	DK	603	78%	2018
Earth and groundworks, Norvik	SE	580	68%	2019
Refurbishment and extension, university, Gothenburg	SE	570	33%	2020
Hospital, Copenhagen	DK	565	94%	2018
Redevelopment of Sergelhuset, Stockholm	SE	544	6%	2020
Housing, Linköping	SE	533	16%	2020
Police station, Rinkeby, Stockholm	SE	520	3%	2019
Railway section, Lund	SE	510	1%	2022
Healthcare center, Finspång	SE	500	11%	2020

Net sales

The NCC Group's net sales totaled SEK 54,608 M (52,934) during 2017. The higher net sales were mainly attributable to an increase in net sales in NCC Infrastructure and NCC Industry. Earth and groundworks and roads jointly accounted for just over half of NCC Infrastructure's sales and sales increased in Sweden.

Within NCC Industry, sales from stone materials operations were higher in all markets during the year. Asphalt operations reported higher sales in Sweden, Norway and Finland but marginally lower sales in Denmark. Hercules' sales increased in all markets.

NCC Building's net sales declined compared with 2016. The decrease was due to lower sales from operations in Norway, Denmark and Finland. In Sweden, the business area's largest operation, a sales increase was noted for the corresponding period.

NCC Property Development's net sales declined year-on-year. Similar to the preceding year, five projects were recognized in profit.

Net profit for the year

The NCC Group's operating profit for 2017 totaled SEK 1,242 M (1,453). All business areas, except for NCC Infrastructure, reported higher earnings compared with 2016. For the second year in a row, NCC Industry achieved its best ever operating profit.

NCC Buildings' operating profit and operating margin were higher than in 2016. Profit for the Swedish operations improved. However, earnings were adversely impacted by impairment losses of SEK 50 M on housing projects in Finland in the first quarter of 2017 and provisions of SEK 55 M on construction projects in Denmark in the fourth quarter of 2017.

NCC Infrastructure's operating profit was lower year-on-year, primarily due to impairment losses on projects and risk provisions. In the third quarter of 2017, an impairment loss of SEK 150 M was recognized for the Björnegård Tunnel project. In the fourth quarter of 2017, NCC Infrastructure's earnings were charged SEK 260 M for the revaluation of the ongoing project portfolio. SEK 150 M pertained to road and land projects and SEK 110 M to major civil engineering projects.

NCC Industry's operating profit was higher than in 2016 as a result of improved profit in the stone materials and foundation engineering divisions, but was lower in asphalt operations.

NCC Property Development's operating profit was higher than in the preceding year. During the year, a total of five projects (5) were recognized in profit. The Torsplan 2 project in Sweden accounted for the largest effect on earnings.

Profit in the fourth quarter of 2017 was charged with restructuring costs of about SEK 75 M. NCC's overhead costs are too high and will be reduced. This is expected to generate annual savings of approximately SEK 200 M. The reduction in overhead costs is intended to ensure that the overhead cost level does not exceed of 5 percent of sales.

Other and eliminations amounted to an expense of SEK 314 M (expense: 57). This item included an expense of SEK 134 M (expense: 280) for NCC's Head Office and losses from minor subsidiaries and associated companies, whereof SEK 88 M of the amount for the preceding year pertained to the discontinued development and implementation of a joint HR system. It also included eliminations of internal profits of SEK 10 M (109). Other Group adjustments, essentially comprising the difference in accounting policies between segments and the Group (in part for pensions) as well as provisions for restructuring amounted to a total expense of SEK 190 M (revenue: 114). Profit after financial items was SEK 1,150 M (1,341).

Net financial items amounted to an expense of SEK 91 M (expense: 112). The improvement was mainly due to lower loans and lower interest rates. In the preceding year, net financial items were impacted by a capital contribution paid in April 2016.

Profit after tax for the year amounted to SEK 1,009 M (1,116).

The effective tax rate for NCC was 12 (17) percent. NCC's relatively low tax rate is attributable to relatively large tax-exempt revenues.

FINANCIAL POSITION

Profitability

The return on equity was 18 percent (19).

Capital employed

Capital employed at December 31, 2017 was SEK 9,523 M (9,585), with the decline primarily due to the recognition of property projects in profit and an increase in interest-free financing. Comments on the consolidated balance sheet are presented on p. 50.

Net indebtedness

Net indebtedness amounted to SEK 149 M (222). The year-on-year improvement was mainly attributable to an improved cash flow in 2017, which was offset to a certain extent by a higher cash dividend to NCC's shareholders.

Equity/assets and debt/equity ratio

On December 31, 2017, the equity/assets ratio was 20 percent (22). The debt/equity ratio was a multiple of 0.0 (0.0).

CASH FLOW

Cash flow before financing was a positive SEK 1,361 M (neg: 11). Cash flow from changes in working capital was a positive SEK 328 M (neg: 336). Cash flow from operating activities totaled SEK 2,158 M (1,170). Cash flow was positively impacted by earnings from operations and the profit recognition and handover of five projects in NCC Property Development. Other changes in working capital were on a par with the preceding year. Positive adjustments for non-cash items essentially comprise higher provisions, exchange-rate differences and reversals of depreciation/amortization.

SEASONAL EFFECTS

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

BRANCHES OUTSIDE SWEDEN

The Parent Company has a branch in Norway and one in Finland, as well as one in Denmark, but this branch is dormant.

ENVIRONMENTAL IMPACT

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

STATUTORY SUSTAINABILITY REPORT

In accordance with Chapter 6, Section 11 and Chapter 7, Sections 31 a-c of the Swedish Annual Accounts Act, NCC has decided to prepare the Parent Company's and the Group's statutory sustainability report as a separate report that is not part of the official annual accounts. The Sustainability Report encompasses all subsidiaries and is presented on pp. 2–35, 46–47 and 104–113.

COMPETITION ISSUES

In the wake of the Finnish asphalt cartel, during the period 1994-2002, which was finally concluded in court and regulated in 2009 with respect to competition-infringement fees, NCC and other construction companies have received claims for damages from a number of municipalities and road services in Finland. For NCC Industry's Finnish company, this means that a total claim of some EUR 71 M is directed at the company, jointly with the other construction companies concerned. These claims are being heard in general courts of law. In November 2013, the Helsinki District Court handed down rulings in a number of the claims for damages in progress at the Court.

NCC Industry's' Finnish company was ordered to pay approximately EUR 1 M, including interest and process costs. This verdict was appealed to the Finnish Court of Appeal. In 2016, the Court of Appeal in Helsinki changed the District Court's verdict in five of the cases, whereby NCC will not have to pay damages. In four of the five cases, the counterparties have applied for leave to appeal to the Supreme Court. The Finnish government subsequently rescinded its request for leave to appeal.

The Supreme Court has announced that it will hear one of the cases in which NCC is the defendant. The hearing will be restricted to addressing matters pertaining to statutory limitation and whether the principle of financial succession will be applied in respect of the right to damages. The verdict from the Supreme Court has been delayed and is expected during 2019, since the opinion of the EU Court of Justice has been requested.

PERSONNEL

The average number of employees in the NCC Group during the year was 17,762 (16,793). This represents an increase compared with 2016, due to a larger number of employees within NCC Infrastructure.

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

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

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

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

Since January 1, 2017, it is obligatory at all NCC construction sites to use safety goggles and helmets with a chinstrap. A fluorescent yellow warning helmet was introduced throughout the NCC Group during the year.

Health and safety incidents are reported to Synergi, the Group's digital system. According to Synergi, hand injuries are the most prevalent accidents at NCC. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments.

NCC is working to create an inclusive work environment characterized by diversity and equality. This is a key issue in terms of satisfying NCC's substantial recruitment needs.

Diversity is a significant feature of the Group's updated Code of Conduct, which was implemented in 2017. In 2017, diversity issues were also included in NCC Compass, a program that provides guidance to employees in important matters involving business ethics.

NCC's HR function formed a Diversity Council in 2017 aimed at highlighting the issue, strengthening processes and procedures involving diversity and bringing about a tangible increase in diversity in the Group.

THE NCC SHARE

At December 31, 2017, NCC's registered share capital comprised 13,386,268 Series A shares and 95,049,554 Series B shares, of which 353,323 were held in treasury. The shares have a quotient value of SEK 8.00 each.

To cover commitments according to LTI 2017, the AGM on April 5, 2017 authorized the Board of Directors, until the next AGM, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 300,000 Series B shares to participants in LTI 2017. The buybacks must occur on Nasdaq Stockholm at a price per share within the registered span of share prices at the particular time. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2014, LTI 2015, LTI 2016) and LTI 2017.

In 2017, NCC sold 37,987 Series B shares at an average price of SEK 246.62, corresponding to 0.04 percent of the share capital, and bought back 54,232 Series B shares at an average price of SEK 241.30, corresponding to 0.05 percent of the share capital. During the year, NCC also distributed 25,144 Series B shares, corresponding to 0.02 percent of the share capital, to participants in the long-term, performance-based incentive program from 2014. Thereafter, the company holds 353,323 Series B shares in treasury at an average price of SEK 210.33.

Series A shares carry 10 votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 1,105,635 Series A shares were converted to Series B shares.

The number of NCC shareholders at year-end was 46,333 (45,822), with Nordstjernan AB as the largest individual holder accounting for 16 percent (17) of the share capital and 47 percent (48) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 48 percent (46) of the share capital and 64 percent (62) of the voting rights.

NCC had a revolving credit facility with a volume of EUR 325 M at December 31, 2017. Should any major changes occur in NCC AB's ownership structure, meaning if a shareholder other than Nordstjernan AB acquires more than 30 percent of voting rights in NCC AB, or if NCC AB is delisted from Nasdaq Stockholm, the credit facility may be terminated by the lenders.

BUSINESS AREA

NCC Building

Orders received by NCC Building totaled SEK 25,092 M (28,738). The reduction was due to a decrease in orders received in all countries, primarily in Sweden and Finland. The housing segment accounted for the largest share of orders received at 34 percent (37), followed by the refurbishment and redevelopment segment at 21 percent (16). Sweden's share of orders received was 63 (61) percent.

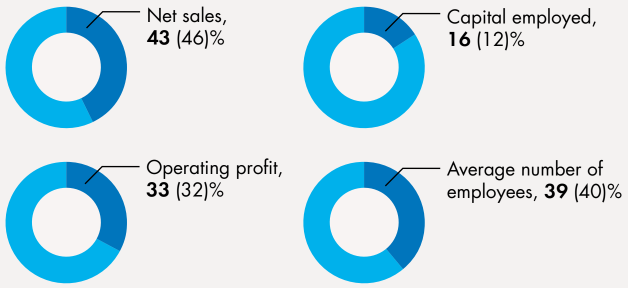
Net sales declined to SEK 24,727 M (25,681) year-on-year. The decrease was due to lower sales from operations in Norway, Denmark and Finland. In Sweden, the business area's largest operation, a sales increase was noted for the corresponding period. NCC Building's net sales consisted mainly of housing production and refurbishment/redevelopment. The Swedish operations have a high order backlog to work up moving forward.

Operating profit and the operating margin improved in 2017 and earnings totaled SEK 515 M (489). Earnings in the Swedish operations improved. However, earnings were adversely impacted by impairment losses of SEK 50 M on housing projects in Finland in the first quarter of 2017 and provisions of SEK 55 M on construction projects in Denmark in the fourth quarter of 2017.

KEY DATA

SEK M	2017	2016	Change, %
Orders received	25,092	28,738	–13%
Net sales	24,727	25,681	–4%
Operating profit	515	489	5%
Operating margin, %	2.1	1.9	9%
Average no. of employees	6,650	6,490	2%
Cash flow before financing	806	493	63%

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Infrastructure

Orders received by NCC Infrastructure amounted to SEK 21,810 M (18,664). The Civil Engineering division and the Infraservices division both reported higher orders received for the year. The increase was mainly due to the Swedish market, which secured such projects as the Korsvägen subsection of the West Link (order value of SEK 2.3 billion) and Lund-Arlöv railway section (order value of SEK 1 billion). Sweden thus accounted for 81 percent (72) of orders received during 2017.

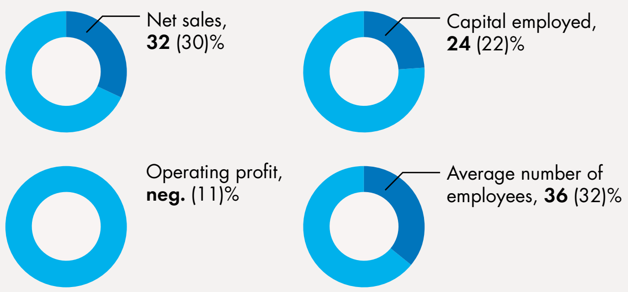
Net sales totaled SEK 18,552 M (17,007), thanks to high activity in Sweden. Earth and groundworks and roads jointly accounted for just over half of sales. Sweden is NCC Infrastructure's largest market by far, accounting for 76 percent (69) of sales, followed by Norway with 17 percent (22).

The operating profit declined to a loss of SEK 137 M (profit: 162). The weak operating profit during 2017 was primarily due to project impairments and risk provisions. In the third quarter of 2017, an impairment loss of SEK 150 M was recognized for the Björnegård Tunnel project. In the fourth quarter of 2017, NCC Infrastructure's earnings were charged SEK 260 M for the revaluation of the ongoing project portfolio. SEK 150 M pertained to road and land projects and SEK 110 M to major civil engineering projects.

KEY DATA

SEK M	2017	2016	Change, %
Orders received	21,810	18,664	17%
Net sales	18,552	17,007	9%
Operating profit	–137	162	–184%
Operating margin, %	–0.7	1.0	–177%
Average no. of employees	5,992	5,066	18%
Cash flow before financing	–101	–405	75%

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Industry

NCC Industry's net sales amounted to SEK 12,393 M (10,760). Sales from stone materials operations were higher in all markets during the year and sold volumes of stone materials amounted to 31,298 (28,110) thousand tons. Asphalt operations reported higher sales in Sweden, Norway and Finland but marginally lower sales in Denmark. Volumes of sold asphalt amounted to 6,509(6,350) thousand tons. Foundation engineering operations in Hercules increased in importance during the year and their share of the business area's orders received and sales increased. Hercules' sales increased in all markets.

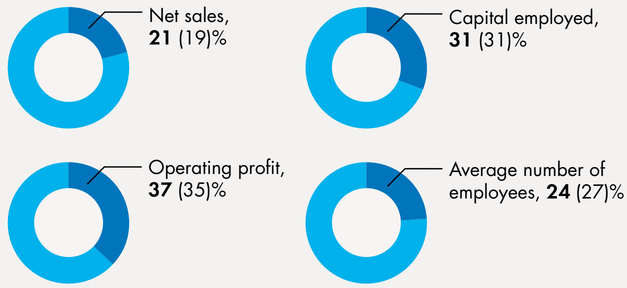
Operating profit for NCC Industry was SEK 577 M (533). For the second year in a row, NCC Industry achieved its best ever operating profit. Earnings improved in the stone materials and foundation engineering divisions, but were lower in the asphalt operations. Earnings from stone materials operations improved primarily as a result of high construction activity in Sweden and improved earnings in the Finnish and Danish operations. Earnings for Hercules' foundation engineering operations improved, driven by high activity in the Swedish market and improved earnings in the Danish market. Profit from asphalt operations declined due to lower activity and intensified competition in Norway and Denmark.

KEY DATA

SEK M	2017	2016	Change, %
Net sales	12,393	10,760	15%
Operating profit	577	533	8%
Operating margin, %	4.7	4.9	–4%
Capital employed	4,400	3,975	11%
Return on capital employed, %	13.1	13.5	–3%
Average no. of employees	4,102	4,364	–6%
Stone materials, 1,000 tons[1)]	31,298	28,110	11%
Asphalt, 1,000 tons[1)]	6,509	6,350	3%

[1)] Sold volume

SHARE OF NCC TOTAL



BUSINESS AREA

NCC Property Development

Sales for NCC Property Development amounted to SEK 2,567 M (2,823). Operating profit increased year-on-year to SEK 601 M (327).

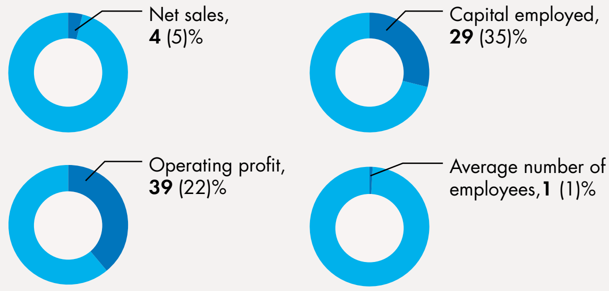
Five (5) projects were recognized in profit during the year: three in Sweden and two in Finland. The Torsplan 2 project in Sweden accounted for the largest effect on earnings. Accordingly, Sweden generated the largest sales during the year. The office segment accounted for 81 (43) percent of sales, followed by the logistics segment at 9 percent (4). During the year, there were five sales of land. The operating net for the year was SEK 50 M (79).

Eight (10) property projects were started in 2017 spread over all segments. At the end of 2017, 22 projects (19) were ongoing or completed at a total project cost of SEK 2.4 billion (2.8), equal to a completion rate of 45 percent (59), while the leasing rate was 60 percent (59). Leases were signed for some 69,700 square meters (71,900) during the year.

KEY DATA

SEK M	2017	2016	Change, %
Net sales	2,567	2,823	–9%
Operating profit	601	327	84%
Operating margin, %	23.4	11.6	102%
Capital employed	4,086	4,450	–8%
Return on capital employed, %	15.7	7.0	125%
Average no. of employees	92	89	3%

SHARE OF NCC TOTAL



OUTLOOK

The outlook for 2018 is generally favorable. NCC expects the Nordic construction market to grow during 2018. The estimated rate of growth is 3 percent for 2018 and 1 percent for 2019. GDP in the Nordic region is expected to grow by about 2 percent annually in 2018 and 2019.

Infrastructure initiatives are market drivers in Norway and Sweden. The Norwegian market is forecast to grow 9 percent annually up to and including 2019 and the Swedish market by about 5 percent. The civil engineering market in Finland is expected to report zero growth in 2018 and shrink in 2019. Low growth is forecast in Denmark in 2018 and 2019 on account of restrictive government investments.

The Nordic market for new production is expected to normalize in 2018, following with a slight decline forecast in 2019. The Swedish construction market is expected to grow by a full 5 percent in 2018 with a decline of 3 percent expected in 2019. The Norwegian market is expected to post zero growth in new production for 2018 and decline slightly in 2019; growth is largely occurring in the Oslo region.

In Finland, the market is expected to grow 2 percent in 2018 and then to decline 3 percent in 2019 due to lower housing production. In Denmark, an 8-percent annual increase in new production of housing up until 2019 will contribute to estimated growth exceeding 5 percent in 2018. Growth is expected to turn downwards in 2020.

A strong civil engineering market in 2018-2019 is expected to drive growth in demand for asphalt and stone materials in the Nordic region, with a normalization expected thereafter. The market for stone materials is expected to grow, primarily driven by infrastructure and housing projects in Sweden and Norway, while lower growth is expected in Denmark and negative growth in Finland.

Within asphalt, the most significant market growth is anticipated in Sweden, with the annual figure expected to approach 5-10 percent in 2018-2019. The Swedish market is expected to grow, driven by major projects in metropolitan areas. In Norway, large-scale infrastructure projects in 2018 and 2019 are expected to generate growth of 5–10 percent.

For the foundation engineering companies, lower residential investments in 2018 are expected to result in a reduced market in 2019.

The market for commercial properties is expected to be stable in the next few years. In Denmark, production of offices and retail premises is forecast to grow by about 5 percent annually up to 2020. Vacancies in the Helsinki CBD (Central Business District) are showing a slight decline. The property market is expected to remain active as Brexit shifts investor interest to the eurozone. In Oslo, the office market will grow moving forward as growth once again gains momentum in the country.

NEW ACCOUNTING REGULATIONS FOR NCC PROPERTY DEVELOPMENT

NCC is analyzing and investigating how the transition of control to customers should be interpreted according to IFRS 15, given the legal and commercial conditions in the Nordic property development market. IFRS 15 stipulates that gradual transition of control to the buyer of a property development project may, from an accounting viewpoint, be considered to occur. In such cases, revenue recognition should occur in the same way as in the construction contract business, meaning by means of percentage-of-completion profit recognition. In NCC's opinion, actual control is transferred to the buyer when a property development project is completed and handed over to the customer. NCC's aim is that the forthcoming application of IFRS 15 will coincide with when actual control is transferred and that it will also match the way it is applied by other major listed companies. Inquiry and analysis are still in progress and NCC will communicate its conclusion as soon as possible. Regardless of the conclusion, NCC Property Development in its segment reporting will continue to recognize the revenue on completion and handover to the customer.

NOMINATION WORK

Ahead of the 2018 Annual General Meeting, NCC's Nomination Committee comprises Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB) and Johan Strandberg (Analyst at SEB Fonder), as well as Anders Oscarsson (equity manager AMF/AMF Fonder), with Viveca Ax:son Johnson as Chairman. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2017 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 114–117.

PARENT COMPANY

Commission agreement

The commission relationship between NCC AB and NCC Sverige AB was discontinued on January 1, 2017. Up until 2016, NCC Sverige AB was included in the Parent Company's annual accounts, when it conducted operations on a commission basis on behalf of NCC AB. The Parent Company currently consists primarily of head office functions plus branches in Norway and Finland.

Net sales and earnings

Parent Company invoicing amounted to SEK 188 M (20,873) and was much lower due to the termination of the commission relationship with NCC Sverige AB. Profit after financial items was SEK 411 M (1,129).

The average number of employees was 74 (6,569). In connection with the termination of the commission relationship, the employees' employment was also transferred from NCC AB to NCC Sverige AB.

Appropriations pertaining to the operations no longer conducted in the Parent Company were reversed to NCC AB during the first quarter of 2017.

Total dividends to the shareholders in 2017 amounted to SEK 865 M. Dividends from subsidiaries have been received in an amount of SEK 629 M.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend for the 2017 fiscal year of SEK 8.00 per share. The dividend will be divided into two payment occasions. April 13, 2018 is proposed as the record date for the first payment of SEK 4.00 and November 5, 2018 for the second payment of SEK 4.00. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 18 and the second dividend on November 8, 2018. The Board's statement regarding the proposed dividend and the buyback of NCC's own shares will be available on the company's website and be distributed to shareholders at the AGM.

AMOUNTS AND DATES

Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to is January 1 – December 31 for income-statement items and December 31 for balance-sheet items. Rounding-off differences may arise.

REMUNERATION

Guidelines for salary and other remuneration of the CEO and other members of the company's Executive Management Group (EMG), as resolved by the 2017 AGM, are presented in Note 5, Number of employees, personnel expenses and remuneration of senior executives, pp. 69-72.

The proposed guidelines correspond with what was resolved by the 2017 AGM, except that in the motion to the 2018 AGM the short-term variable remuneration for the CEO is capped at 65 percent of fixed salary (assuming that the long-term performance-based incentive program is adopted by the 2018 AGM), compared with the 50 percent stated in the guidelines adopted by the 2017 AGM. For other members of the Executive Management Group, the short-term variable remuneration will be capped at 40 percent of fixed salary, compared with the previous level of 30 or 40 percent of fixed salary (assuming that the long-term performance-based incentive program is adopted). Should the AGM resolve not to adopt a long-term performance-based incentive program, remuneration of the CEO will be capped at 75 percent of fixed salary, compared with 60 percent in the motion to the 2017 AGM. For other members of the Executive Management Group, the corresponding level will be capped at 50 percent of fixed salary, compared with 40 or 50 percent in the motion to the 2017 AGM.

The Board of Directors' motion concerning guidelines for determining salary and other remuneration of the Chief Executive Officer and other members of the company's management (Executive Management Group):

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's EMG, as resolved by the 2017 AGM, and the applicable remuneration structures and remuneration levels in the company.

Due to the evaluation of the total remuneration package for the company's EMG, the Board proposes to the AGM that the long-term performance-based incentive program be repeated for 2018 and, accordingly, that the short-term variable remuneration be reduced by 10 percentage points from the basic level. The guidelines encompass Group Management, including the CEO, currently totaling nine people.

The objective of the guidelines for salary and other remuneration of the EMG is to enable NCC to offer market-based remuneration that facilitates the recruitment and retention of the best possible competencies within the NCC Group. The aim is that the total remuneration package will support NCC's long-term strategy. The amount payable to the EMG comprises fixed remuneration, variable remuneration and the long-term performance-based incentive program as well as pension and other benefits.

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

Short-term variable remuneration. The short-term variable remuneration must be capped and related to the fixed salary, as well as based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term operational and financial objectives.

Assuming that the long-term performance-based incentive program is adopted by the 2018 AGM, the short-term variable remuneration for the CEO will be capped at 65 percent of fixed salary. For other members of the EMG, it will be capped at 40 percent of fixed salary. The variable short-term remuneration is to be revised annually. It is estimated that the company's undertakings in relation to the executives concerned will cost the company a maximum of about SEK 21 M including social security fees.

Should the AGM not vote in favor of a long-term perfomance-based incentive program, the variable remuneration payable to the CEO will be capped at 75 percent of fixed salary and that for other members of the EMG will be capped at 50 percent of fixed salary, which at maximum outcome is expected to correspond to a cost of about SEK 23 M including social security fees.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's remuneration. Members of the EMG who are active in Sweden and have an employment contract subject to Swedish terms and conditions, are entitled, in addition to basic pension, which is normally based on the ITP plan (the collectively bargained agreement on pension for white collar workers), to receive a defined-contribution supplementary pension of 30 percent of pensionable salary increments exceeding 30 income base amounts. Pensionable salary is defined in accordance with ITP, Department 2. The income base amount for 2018 is SEK 62,500. Members of the EMG who have an employment contract subject to terms and conditions in another country are covered by pension solutions in accordance with local practices.

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

Other benefits. NCC provides other benefits to members of the EMG in accordance with local practices. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the costs normally arising in the market.

Periods of notice and severance pay. A member of the EMG who terminates employment at NCC's initiative is normally entitled to a 12-month period of notice combined with severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new executive. The period of notice is normally six months if employment is terminated on the initiative of the employee.

These guidelines may be disapplied by the Board if there is special reason to do so in individual cases.

Long-term performance-based incentive plan

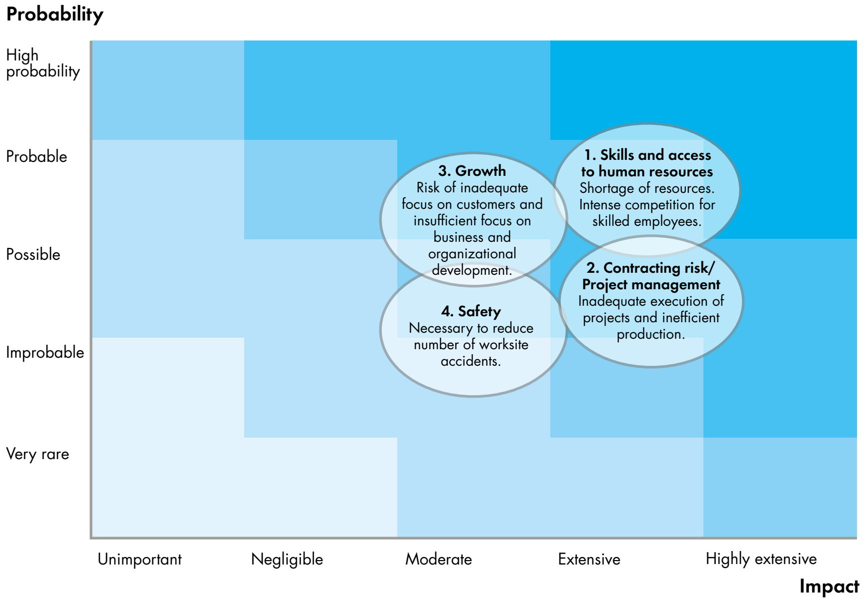
The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2018). The proposal essentially matches the long-term performance-based incentive programs adopted by the AGM in April 2017. A total of 172 executives are included in LTI 2017. The Board is of the opinion that incentive programs of this type benefit the company's long-term development. The purpose of LTI programs is to ensure a focus on the company's long-term profitability and to minimize the number of worksite accidents. It is proposed that LTI 2018 encompass a total of approximately 180 participants within the NCC Group.

More detailed information on the proposal and earlier long-term incentive programs is available at www.ncc.se. Also refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives, on pp. 69-72.

Significant risks and uncertainties

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

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



SENSITIVITY AND RISK ANALYSES
The figures are based on the outcome in 2017.

	Change	Profit after net financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC BUILDING					
Volume	+/–5%	86	1.2	0.9	For NCC Building, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/–1 percentage point	247	3.5	2.6	
NCC INFRASTRUCTURE					
Volume	+/–5%	38	0.5	0.4	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/–1 percentage point	186	2.6	2.0	
NCC INDUSTRY					
Volume	+/– 5%	50	0.7	0.5	NCC Industry's operations are affected by such factors as price levels and the volume of produced and paved asphalt. An extended season due to favorable weather conditions increases volumes and, because the proportion of fixed costs is high, the effect on the margin is considerable.
Operating margin	+/–1 percentage point	124	1.8	1.3	
Capital rationalization	+/– 10%	9	0.1	0.7	
NCC PROPERTY DEVELOPMENT					
Sales volume, projects	+/–10%	77	1.1	0.8	NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell property projects are largely affected by the leases signed with tenants, whereby an increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of projects in progress could change the value of such projects.
Sales margin, projects	+/–1 percentage point	25	0.4	0.3	
GROUP					
Changed interest rate, net indebtedness[1)]	+/–1 percentage point	1	0.0	0.0	The NCC Group had a healthy financial position in 2017. Net indebtedness on December 31, 2017 was SEK 149 M (222), which was lower than in 2016.
Volume change, net indebtedness	SEK 1,000 M	20	0.3	1.6	
Change in equity/assets ratio	–5 percentage points		5.6		

1) Excluding pension debt according to IAS 19.

RISK AREA	DESCRIPTION	PROBABILITY	IMPACT	CONTROL ACTIVITIES
OPERATIONAL RISKS				
1. SKILLS AND ACCESS TO HUMAN RESOURCES	To a considerable extent, construction operations constitute a service activity, whereby the employees are a success factor. The competition for human resources is intensive and effective personnel provision is a prerequisite for achieving growth and profitability. From a strategic perspective, human resources provision is considered a risk factor in respect of achieving financial objectives.	Probable	Extensive	The business areas have identified key competencies and work continuously to retain, recruit and develop employees in these areas. NCC takes a Group-wide approach to strategic resource planning and to being an attractive employer, and sees opportunities to broaden the recruitment base.
2. CONSTRUCTION CONTRACT AND PROJECT MANAGEMENT RISK	Within contracting operations, the main operational risks are project selection and project management/production efficiency. In a growing market, there is a risk that a sharp increase in orders received will lead to a shortage of project management capacity.	Possible	Extensive	NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operational risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.
3. GROWTH AND ORGANIZATIONAL RISKS	In a decentralized project operation that has undergone an organizational change, there is a risk of losing customer focus and efficiency.	Probable	Moderate	A customer-focused organization is created through decentralized responsibility for profit and leadership.
4. SAFETY RISKS	Construction projects include many dangerous aspects, such as work at heights, tools requiring the right handling and the lifting of heavy elements.	Possible	Moderate	NCC works systematically to eliminate accidents in order to realize its vision zero and to promote a safety culture, where everyone reacts and responds to vulnerabilities in the work environment and to disruptive or unsafe behaviors.
SUSTAINABILITY, CSR				
TRANSGRESSION OF THE CODE OF CONDUCT	NCC is a player in society with a broad customer and supplier base. NCC employees have historically breached internal rules and restricted competition on a few occasions.	Improbable	Extensive	NCC has been focusing continuously and actively for the past few years on the company's values and provides training in the Code of Conduct, NCC Compass, as well as in competition law within relevant operations.
SUPPLIER AND MATERIALS RESPONSIBILITY	The supply chains in the construction sector represent a risk of having inadequate control of, for example, the employment conditions of subcontractors and suppliers.	Possible	Moderate	NCC works systematically to assess and expand its control of the supply chain. Meanwhile, NCC is working to increase the number of projects in which logbooks and environmental certification systems are used.
SUSTAINABLE BUSINESS MODELS	The business environment and NCC's customers are demanding and will continue to demand renewable material and climate-compatible infrastructure and building solutions.	Improbable	Moderate	By systematically developing offerings that satisfy the current and future sustainability requirements of customers and public authorities, NCC works to safeguard a long-term responsibility as well as profitability.
FINANCIAL RISKS & REPORTING				
INTEREST-RATE, CURRENCY, LIQUIDITY AND CUSTOMER CREDIT RISK		Very rare	Moderate	NCC's finance policy has been decided by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks.
PERCENTAGE-OF-COMPLETION PROFIT RECOGNITION	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is recognized at the pace of completion, meaning before the project has been completed.	Possible	Moderate	By means of project control and continuous monitoring of production calculations, reconciliation of performed work and final status forecasts, it is possible to ascertain that the information is correct.

Consolidated income statement
with comments

SEK M	Note	2017	2016
Net sales	1, 2, 3, 19, 36	54,608	52,934
Production costs	5, 6, 8, 15, 16, 25	–50,460	–48,484
Gross profit		**4,148**	**4,450**
Selling and administrative expenses	5, 6, 7, 15, 16	–2,933	–2,912
Result from sales of owner-occupied properties	16	1	–10
Impairment loss and reversal of impairment losses, fixed assets	8, 15, 16	–7	–97
Result from sales of Group companies	9	21	2
Result from participations in associated companies and joint ventures		11	20
Operating profit	3, 10	**1,242**	**1,453**
Financial income		39	26
Financial expense		–130	–138
Net financial items	12	**–91**	**–112**
Profit after financial items		**1,150**	**1,341**
Tax on net profit for the year	24	–141	–225
Net profit for the year from continuing operations	13	**1,009**	**1,116**
DISCONTINUED OPERATIONS			
Discontinued operations, net after taxes.	40		6,867
Net profit for the year from discontinued operations			**6,867**
REMAINING AND DISCONTINUED OPERATIONS			
Net profit for the year from remaining and discontinued operations		**1,009**	**7,983**
Attributable to:			
NCC's shareholders		1,004	7,980
Non-controlling interests		5	3
Net profit for the year		**1,009**	**7,983**
Earnings per share			
Before and after dilution			
Profit after tax, SEK		9.29	73.81
Earnings per share			
Before and after dilution, remaining operations			
Profit after tax, SEK		9.29	10.30
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before and after dilution during the year		108.1	108.1
Total number of shares outstanding before dilution at year-end		108.1	108.1

NET SALES

The NCC Group's net sales totaled SEK 54,608 M (52,934) during 2017. The higher net sales were mainly due to an increase in net sales in NCC Infrastructure and NCC Industry. Groundworks and roads jointly accounted for just over half of NCC Infrastructure's sales and sales increased in Sweden.

Within NCC Industry, sales from stone materials operations were higher in all markets during the year. Asphalt operations reported higher sales in Sweden, Norway and Finland but marginally lower sales in Denmark. Hercules' sales increased in all markets.

NCC Building's net sales declined compared with 2016. The decrease was due to lower sales from operations in Norway, Denmark and Finland. In Sweden, the business area's largest operation, a sales increase was noted for the corresponding period.

NCC Property Development's net sales declined year-on-year. Similar to the preceding year, five projects were recognized in profit.

OPERATING RESULTS

The NCC Group's operating profit for 2017 amounted to SEK 1,242 M (1,453). All business areas, except for NCC Infrastructure, reported higher earnings compared with 2016. For the second year in a row, NCC Industry achieved its best ever operating profit.

NCC Buildings' operating profit and operating margin were higher than in 2016. Profit for the Swedish operations improved.

NCC Infrastructure's operating profit was lower year-on-year, primarily due to impairment losses on projects and risk provisions.

NCC Industry's operating profit was higher than in 2016 as a result of improved profit in the stone materials and foundation engineering divisions, but was lower in asphalt operations.

NCC Property Development's operating profit was higher than in the preceding year. During the year, a total of five projects (5) were recognized in profit. The Torsplan 2 project in Sweden accounted for the largest share of profit.

Other and eliminations amounted to an expense of SEK 314 M (expense: 57). This item included an expense of SEK 134 M (expense: 280) for NCC's Head Office and losses from minor subsidiaries and associated companies, whereof SEK 88 M in the preceding year pertained to the halt in development and implementation of a joint HR system. It also included SEK 10 M (109) for eliminations of inter-company gains and other Group adjustments, essentially comprising the difference in accounting policies for Swedish pensions between the segments and the Group (in part for pensions) as well as an expense of SEK 190 M (revenue: 114) for provisions for restructuring,

Profit after financial items was SEK 1,150 M (1,341).

Consolidated statement of comprehensive income
with comments

SEK M	Note	2017	2016
Net profit for the year		**1,009**	**7,983**
Items that were transferred or can be transferred to profit for the year[1)]			
Translation differences during the year in translation of foreign operations		25	165
Hedging of exchange-rate risk in foreign operations		–7	–34
Tax attributable to hedging of exchange-rate risk in foreign operations	24	1	7
Fair value changes for the year in cash flow hedges		–19	95
Fair value changes in cash flow hedges transferred to net profit for the year		16	8
Tax attributable to cash flow hedges	24	1	–22
		17	**219**
Items that cannot be transferred to profit for the year			
Revaluation of defined-benefit pension plans	31	–250	–590
Tax attributable to items that cannot be transferred profit for the year		55	130
		–195	**–460**
Other comprehensive income during the year		**–178**	**–242**
Comprehensive income for the year		**831**	**7,742**
Attributable to:			
NCC's shareholders		826	7,738
Non-controlling interests		5	3
Total comprehensive income during the year		**831**	**7,742**

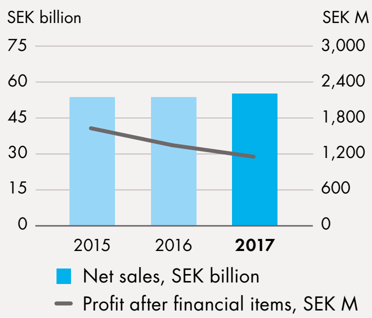
1) Also refer to the specification of the item Reserves in shareholders' equity, p. 55.

NET FINANCIAL ITEMS
Net financial items amounted to an expense of SEK 91 M (expense: 112). The improvement was mainly due to lower loans and lower interest rates. In the preceding year, net financial items were impacted by a capital contribution to Bonava paid in April 2016.

TAXATION
The effective tax rate for NCC was 12 (17) percent. Refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

COMPREHENSIVE INCOME FOR THE YEAR
The change in other comprehensive income derived mainly from net profit for the year, and a revaluation of defined-benefit pension plans, for which a reduction in the discount interest rate and higher inflationary assumptions resulted in an increase in the pension liability in 2017. Any tax effects from the above transactions are recognized separately; refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

NET SALES AND EARNINGS
Net sales increased somewhat, while profit was charged with such items as project impairment losses in the Norwegian market, lower sales in construction operations and provisions and restructuring costs. Actions were taken in the fourth quarter that will enable an improvement in margins moving forward.



Consolidated balance sheet
with comments

SEK M	Note	2017	2016
ASSETS	1, 19, 36		
Fixed assets			
Goodwill	15	1,848	1,851
Other intangible assets	15	335	275
Owner-occupied properties	16	880	814
Machinery and equipment	16	2,712	2,569
Long-term holdings of securities	18, 21	129	125
Long-term interest-bearing receivables	23	575	361
Other long-term receivables		26	62
Deferred tax assets	24	239	97
Total fixed assets	39	**6,743**	**6,154**
Current assets			
Properties held for future development	25	1,696	1,780
Ongoing property projects	25	1,039	1,440
Completed property projects	25	870	808
Properties held for future development, housing	25		16
Materials and inventories	26	764	713
Tax receivables		241	42
Accounts receivable	39	8,882	7,682
Worked-up, non-invoiced revenues	27	1,671	1,737
Prepaid expenses and accrued income		1,170	1,061
Current interest-bearing receivables		167	152
Other receivables	23	687	446
Short-term investments	21, 38	41	190
Cash and cash equivalents	38	3,063	3,093
Total current assets	39	**20,292**	**19,161**
TOTAL ASSETS		**27,035**	**25,315**

FIXED ASSETS

Goodwill
NCC impairment tests goodwill annually or when there are indications of changes in value. No impairment losses were recognized in 2017. The change from the preceding year pertains to exchange-rate differences. Refer also to Note 15, Intangible assets.

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

CURRENT ASSETS

Property projects
The value of property projects declined year-on-year due to projects recognized in profit and a lower work-up rate in ongoing projects. Refer also to Note 25, Properties classified as current assets.

Accounts receivable
Accounts receivable increased, primarily in NCC Building and NCC Industry.

Cash and cash equivalents
Cash and cash equivalents were on par with the preceding year.

LONG-TERM LIABILITIES

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

Provisions for pensions and similar obligations
Provisions for pensions increased during the year. When calculating the pension liability, assumptions were reduced regarding the discount interest rate and increased regarding inflation, resulting in a negative change in the debt.

CURRENT LIABILITIES

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

Accounts payable
Accounts payable increased compared with 2016, mainly within NCC Infrastructure and NCC Industry.

Invoiced revenues, not worked up
Invoiced revenues, not worked up increased compared with 2016, mainly within NCC Infrastructure.

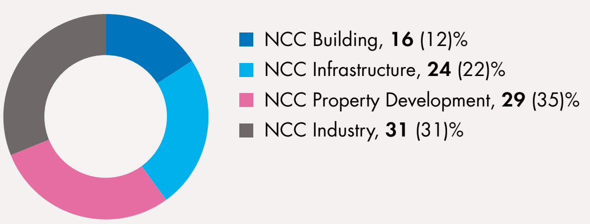
Other current liabilities
Other current liabilities declined during the year.

Consolidated balance sheet, Cont.

SEK M	Note	2017	2016
SHAREHOLDERS' EQUITY	1		
Share capital	28	867	867
Other capital contributions		1,844	1,844
Reserves		–113	–125
Earnings brought forward including profit for the year		2,919	2,967
Shareholders' equity		**5,516**	**5,553**
Non-controlling interests		12	13
Total shareholders' equity		**5,528**	**5,566**
LIABILITIES			
Long-term liabilities	1		
Long-term interest-bearing liabilities	29, 35	1,669	2,288
Other long-term liabilities	32	54	54
Provisions for pensions and similar obligations	31	1,407	1,008
Deferred tax liabilities	24	438	407
Other provisions	30	1,889	1,687
Total long-term liabilities	39	**5,456**	**5,443**
Current liabilities			
Current interest-bearing liabilities	29, 35	919	723
Accounts payable		5,179	4,427
Tax liabilities		95	115
Invoiced revenues, not worked up	27	5,574	4,355
Accrued expenses and deferred income	34	3,207	3,205
Provisions	30	24	21
Other current liabilities	32	1,052	1,460
Total current liabilities	39	**16,051**	**14,306**
Total liabilities		**21,507**	**19,749**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**27,035**	**25,315**

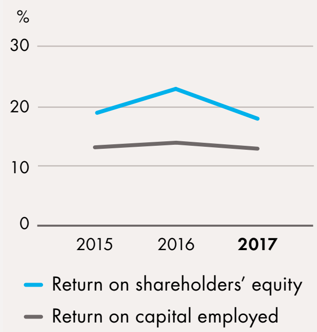
CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

Compared with 2016, NCC Property Development had less tied-up capital while NCC Building and NCC Infrastructure had more tied-up capital.



PROFITABILITY

The return on equity declined in 2017 due mainly to impairment losses and provisions during the year.



Parent Company income statement
with comments

SEK M	Note	2017	2016
Net sales	1, 2, 33	188	20,873
Production costs	5, 6, 8		–19,167
Gross profit		**188**	**1,706**
Selling and administrative expenses	5, 6, 7	–403	–1,244
Impairment losses	8		–88
Operating profit		**–215**	**374**
Result from financial investments			
Result from participations in Group companies	9	629	823
Result from participations in associated companies			30
Result from other financial fixed assets		12	1
Result from financial current assets		4	9
Interest expense and similar items	11	–19	–109
Profit after financial items		**411**	**1,129**
Appropriations	14	582	287
Tax on net profit for the year	24	–90	–110
NET PROFIT FOR THE YEAR		**903**	**1,306**

Parent Company statement of comprehensive income

SEK M	2017	2016
Net profit for the year	903	1,306
Total comprehensive income during the year	**903**	**1,306**

COMMISSION AGREEMENT

The commission relationship between NCC AB and NCC Sverige AB was discontinued on January 1, 2017. In the past, the Parent Company comprised the operations of NCC AB and NCC Sverige AB, which conducted their operations on a commission basis on behalf of NCC AB. The Parent Company currently consists primarily of head office functions plus branches in Norway and Finland. The Parent Company income statement differs from the consolidated income statement in terms of presentation and designations of certain items, because the Parent Company's income statement is compiled in accordance with the Annual Accounts Act while the Group complies with IFRS.

NET SALES AND EARNINGS

Parent Company invoicing amounted to SEK 188 M (20,873) and was much lower, due to the termination of the commission relationship with NCC Sverige AB. Net sales pertain to charges to Group companies. Net profit for the year mainly comprises dividends from subsidiaries and a reversal of appropriations due to the termination of the commission relationship.

The average number of employees totaled 74 (6,569). In connection with the termination of the commission relationship, the employees' employment was also transferred from NCC AB to NCC Sverige AB.

Parent Company balance sheet
with comments

SEK M	Note	2017	2016
ASSETS	1, 36		
Fixed assets			
Intangible fixed assets			
Goodwill	15		1
Development expenses	15	38	107
Total intangible fixed assets		**38**	**108**
Tangible fixed assets			
Owner-occupied properties	16		11
Machinery and equipment	16	8	75
Total tangible fixed assets		**8**	**86**
Financial fixed assets			
Participations in Group companies	17	4,678	4,407
Participations in associated companies	20		7
Other long-term holdings of securities		45	46
Deferred tax assets	24	6	124
Other long-term receivables			12
Total financial fixed assets	22, 39	**4,729**	**4,595**
Total fixed assets		**4,774**	**4,789**
Current assets			
Materials and inventories	26		57
Total inventories, etc.			**57**
Current receivables			
Accounts receivable		1	3,133
Receivables from Group companies		222	771
Receivables from associated companies			2
Other current receivables		1	104
Tax receivables		160	
Prepaid expenses and accrued income		18	328
Total current receivables		**402**	**4,338**
Cash and bank balances	38	1,100	2
Balance in NCC Treasury AB	38	863	5,833
Total current assets	**39**	**2,365**	**10,231**
TOTAL ASSETS	36	**7,139**	**15,020**

SEK M	Note	2017	2016
SHAREHOLDERS' EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted shareholders' equity			
Share capital	28	867	867
Statutory reserve		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Earnings brought forward		1,824	1,330
Net profit for the year		903	1,306
Total unrestricted shareholders' equity		**2,727**	**2,636**
Total shareholders' equity		**3,768**	**3,677**
Untaxed reserves	**14**		**527**
Provisions			
Provisions for pensions and similar obligations	31	1	1
Other provisions	30	8	568
Total provisions		**9**	**569**
Long-term liabilities			
Liabilities to Group companies		1,044	1,054
Other liabilities[1)]	29	1,004	1,018
Total long-term liabilities	39	**2,049**	**2,072**
Current liabilities			
Advances from customers			154
Work in progress on another party's account	33		3,972
Accounts payable		33	1,871
Liabilities to Group companies	29	1,192	591
Liabilities to associated companies			3
Tax liabilities		7	101
Other liabilities		5	416
Accrued expenses and deferred income	34	76	1,067
Total current liabilities	39	**1,313**	**8,175**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36	**7,139**	**15,020**

1) Of which, SEK 1,000 M pertains to reloaning from the pension foundation.

The Parent Company balance sheet differs from the consolidated balance sheet in terms of presentation and certain designations of items, because the Parent Company's balance sheet is prepared in accordance with the Annual Accounts Act while the Group complies with IFRS.

During 2017, dividends to the shareholders amounted to SEK 865 M and shareholder contributions of NOK 304 M were paid to NCC Norge AS. Dividends from subsidiaries have been received in an amount of SEK 629 M.

The lower current assets of SEK 2,365 M (10,231) and the lower current liabilities of SEK 1,313 M (8,175) were due to the termination of the commission relationship between NCC AB and NCC Sverige AB in 2017. NCC Sverige AB no longer conducts its operations on a commission basis on behalf of NCC AB.

Changes in shareholders' equity
with comments

GROUP

SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Non-controlling interests	Total shareholders' equity
	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS						
Opening balance, Jan 1, 2016	**867**	**1,844**	**–344**	**7,324**	**9,691**	**23**	**9,714**
Net profit for the year				7,980	7,980	3	7,983
Other comprehensive income			219	–460	–241		–241
Total comprehensive income			**219**	**7,520**	**7,739**	**3**	**7,742**
Acquisition of non-controlling interests				3	3		3
Dividend costs				–63	–63		–63
Sale/Acquisition of company shares				60	60		60
Performance-based incentive program				8	8		8
Dividend, cash				–324	–324	–13	–337
Dividend, Bonava				–11,563	–11,563		–11,563
Total transactions with the Group's shareholders				**–11,878**	**–11,878**	**–13**	**–11,891**
Shareholders' equity on Dec 31, 2016	**867**	**1,844**	**–125**	**2,967**	**5,553**	**13**	**5,566**
Net profit for the year				1,004	1,004	5	1,009
Other comprehensive income			17	–195	–180		–178
Total comprehensive income			**17**	**812**	**826**	**5**	**831**
Sale/Acquisition of company shares				–4	–4		–4
Performance-based incentive program				5	5		5
Dividend				–865	–865	–6	–871
Total transactions with the Group's shareholders				**–863**	**–863**	**–6**	**–869**
Shareholders' equity on Dec 31, 2017	**867**	**1,844**	**–113**	**2,919**	**5,516**	**12**	**5,528**

If the policies for recognition of pensions according to IAS 19 that had been applied prior to January 1, 2013 had been applied, shareholders' equity would have been SEK 2,186 M higher and net indebtedness SEK 1,407 M lower at December 31, 2017.

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

CHANGE IN SHAREHOLDERS' EQUITY
The change in shareholders' equity derives primarily from comprehensive income for the year, transactions with non-controlling interests and dividends to shareholders.

In the Parent Company, the changes are in all significant respects attributable to comprehensive income for the year and dividends to shareholders.

SHARE CAPITAL
On December 31, 2017, the registered share capital amounted to 13,386,268 Series A shares and 95,049,554 Series B shares, including 353,323 held in treasury. The shares have a quotient value of SEK 8.00 each. Series A shares carry ten votes each and Series B shares one vote each.

OTHER CAPITAL CONTRIBUTIONS
Pertains to shareholders' equity contributed by the owners.

TRANSLATION RESERVE
The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented, in NCC's case, SEK. The translation reserve also includes exchange-rate differences that arise from the revaluation of liabilities and currency forward contracts entered into as instruments to hedge net investments in foreign operations.

FAIR VALUE RESERVE
The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time that such assets have been sold or their value impaired.

HEDGING RESERVE
The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash-flow hedging instruments attributable to hedging transactions that have not yet occurred.

REVALUATION RESERVE
The revaluation reserve arises from gradual acquisitions, multi-stage acquisitions, meaning an increase in the fair value of previously owned portions of net assets resulting from gradual acquisitions.

EARNINGS BROUGHT FORWARD INCLUDING NET PROFIT FOR THE YEAR
This item includes funds earned by the Parent Company and its subsidiaries, associated companies and joint operations.

PARENT COMPANY

	RESTRICTED SHAREHOLDERS' EQUITY		UNRESTRICTED SHAREHOLDERS' EQUITY		
SEK M	Share capital	Statutory reserves	Earnings brought forward	Net profit for the year	Total shareholders' equity
Opening balance, Jan 1, 2016	**867**	**174**	**5,585**	**1,411**	**8,038**
Appropriation of profits			1,411	–1,411	
Total comprehensive income during the year				1,306	1,306
Dividend costs			–63		–63
Sale/Acquisition of company shares			60		60
Dividend, cash			–324		–324
Dividend, Bonava			–5,352		–5,352
Performance-based incentive program			10		10
Shareholders' equity on Dec 31, 2016	**867**	**174**	**1,330**	**1,306**	**3,677**
Appropriation of profits			1,306	–1,306	
Total comprehensive income during the year				903	903
Merger gain			53		53
Sale/Acquisition of company shares			–4		–4
Dividend, cash			–865		–865
Performance-based incentive program			5		5
Shareholders' equity on Dec 31, 2017	**867**	**174**	**1,824**	**903**	**3,768**

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	2017	2016
Translation reserve		
Translation reserve, January 1	–128	–267
Translation differences during the year in translation of foreign operations	25	165
Gain/loss on hedging of exchange-rate risk in foreign operations	–7	–34
Tax attributable to hedging of exchange-rate risk in foreign operations	1	7
Translation reserve, December 31	**–109**	**–128**
Fair value reserve		
Fair value reserve, January 1	5	5
Fair value changes on available-for-sale financial assets recognized in profit/loss	–5	
Fair value reserve, December 31	**0**	**5**
Hedging reserve		
Hedging reserve, January 1	–4	–84
Fair value changes for the year in cash flow hedges	–19	95
Fair-value changes in cash flow hedges transferred to profit or loss	16	8
Tax attributable to cash flow hedges	1	–23
Hedging reserve, December 31	**–7**	**–4**
Revaluation reserve		
Revaluation reserve, January 1	2	2
Revaluation reserve, December 31	**2**	**2**
Total reserves		
Reserves, January 1	–125	–344
Change in reserves during the year		
– Translation reserve	19	138
– Fair value reserve	–5	
– Hedging reserve	–2	81
Reserves, December 31	**–113**	**–125**

CAPITAL MANAGEMENT

The aim of the NCC Group's strategy is to generate a healthy return to shareholders under financial stability. The strategy is reflected in the financial objectives, which were as follows in 2017:

- A return on equity of 20 percent. In 2017, the return on equity was 18 percent.
- Net indebtedness of less than 2.5 times EBITDA. At December 31, 2017, net indebtedness was minus 0.6 times EBITDA.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical reserves for own account. In 2017, these requirements were fulfilled. Otherwise, there were no other Group companies subject to external capital requirements.

For further information on the NCC Group's financial objectives and dividend policy, see pp. 10-11.

Cash-flow statements
with comments

SEK M	Note	GROUP 2017	GROUP 2016	PARENT COMPANY 2017	PARENT COMPANY 2016
OPERATING ACTIVITIES					
Profit after financial items, remaining operations		1,150	1,341	411	1,129
Profit after financial items, discontinued operations	40		6,902		
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	628	637	1	69
– Impairment losses and reversal of impairment losses	8	7	100		99
– Exchange-rate differences		131	–319		
– Result from sales of fixed assets		–82	–6,814	73	
– Changes in provisions		419	53	1	45
– Group contributions	14			–55	–373
– Other		10	7	–1	–1
Total items not included in cash flow		**1,112**	**–6,336**	**21**	**–161**
Tax paid		–432	–401	–351	–177
Cash flow from operating activities before changes in working capital		**1,830**	**1,506**	**81**	**791**
Cash flow from changes in working capital					
Sales of property projects		1,630	2,118		
Investments in property projects		–1,152	–1,612		
Sales of housing projects			2,548		
Investments in housing projects			–3,154		
Reversal of commission relationship				–1,284	
Other changes in working capital		–150	–237	–125	1,156
Cash flow from changes in working capital		**328**	**–336**	**–1,409**	**1,156**
Cash flow from operating activities		**2,158**	**1,170**	**–1,328**	**1,947**
INVESTING ACTIVITIES					
Acquisition of operations/shareholder contributions	4, 38	–96		–305	–5,511
Divestment of operations	38		–653		302
Acquisition of buildings and land	16	–52	–100		–1
Sale of buildings and land		14	89		10
Acquisition of other financial fixed assets		–5	–52		–41
Sale of other financial fixed assets		6	210		7
Acquisition of other fixed assets		–825	–977	–10	–230
Sale of other fixed assets		160	302		2
Cash flow from investing activities		**–797**	**–1,181**	**–315**	**–5,461**
Cash flow before financing		**1,361**	**–11**	**–1,643**	**–3,514**
FINANCING ACTIVITIES					
Dividend paid		–865	–324	–865	–324
Acquisition/sale of company shares		–4	60	–4	60
Listing expenses, paid			–74		–74
Group contributions received				373	238
Loans raised		52	549	999	381
Amortization of loans	38	–488	–1,235		–520
Increase(–)/Decrease(+) in long-term interest-bearing receivables		–214	–7		4
Increase(–)/Decrease(+) in current interest-bearing receivables		134	–45	895	769
Dividends to non-controlling interests		–6	–11		
Cash flow from financing activities		**–1,392**	**–1,087**	**1,399**	**534**
Cash flow for the year		**–31**	**–1,099**	**–245**	**–2,981**
Cash and cash equivalents, January 1	38	**3,093**	**4,177**	**5,835**	**8,817**
Less cash and cash equivalents on January 1 due to the terminated commission relationship				–3,628	
Cash and cash equivalents on January 1, excluding commission relationship				2,207	
Exchange-rate difference in cash and cash equivalents		1	15		
Cash and cash equivalents, December 31	38	**3,063**	**3,093**	**1,963**	**5,835**
Short-term investments with a maturity exceeding three months		41	190		
Total cash and cash equivalents at year-end		**3,104**	**3,283**	**1,963**	**5,835**

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities totaled SEK 2,158 M (1,170) in 2017. Cash flow was positively impacted by earnings from operations and the profit recognition and handover of five projects in NCC Property Development. Other changes in working capital were on a par with the preceding year. Positive adjustments for non-cash items essentially comprise higher provisions, exchange-rate differences and reversals of depreciation.

OTHER CHANGES IN WORKING CAPITAL

	GROUP	
SEK M	2017	2016
Increase (–) / Decrease (+) in inventories	–77	4
Increase (–) / Decrease (+) in receivables	–2,372	–1,056
Increase (+) / Decrease (–) in liabilities	2,299	815
Other changes in working capital	**–150**	**–237**

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to a negative SEK 797 M (neg: 1,181). Investments in machinery and equipment primarily occurred in NCC Industry.

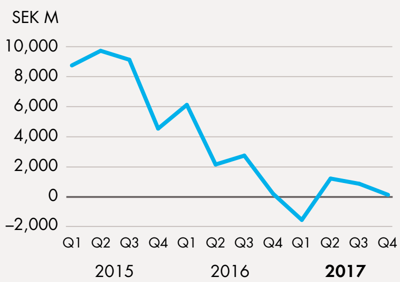
CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing was a negative SEK 1,392 M (neg: 1,087). The year-on-year deterioration was primarily due to a decrease in loans raised during the year, lower repayment of loans and a higher dividend to NCC's shareholders. The dividend paid to the shareholders affected cash flow negatively by SEK 865 M (neg: 324).

Cash and cash equivalents including short-term investments with a maturity exceeding three months totaled SEK 3,104 M (3,283).

TREND IN NET INDEBTEDNESS, PER QUARTER

Net indebtedness is normally affected by seasonal variations. More capital is normally tied up during the second and third quarters due to high activity in asphalt and aggregates operations, as well as in parts of NCC Building. The spinoff of Bonava during the second quarter of 2016 reduced the debt in remaining operations. Net indebtedness on December 31 amounted to SEK 149 M (222).



NET INDEBTEDNESS

Net indebtedness (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31, 2017 amounted to SEK 149 M (222). The year-on-year improvement was mainly attributable to an improved cash flow in 2017, which was partly offset by a higher cash dividend to NCC's shareholders. The average maturity period for interest-bearing liabilities, excluding pension debt according to IAS 19, was 34 months (33) at year-end. NCC's unutilized committed lines of credit at the end of the year amounted to SEK 3.5 billion (3.4), with an average remaining maturity of 44 (55) months.

NET INDEBTEDNESS TREND

GROUP, SEK M	2017 Jan–Dec	2016 Jan–Dec
Net indebtedness, January 1	–222	–4,552
Cash flow before financing	1,361	–11
Acquisition/sale of company shares	–4	60
Change in pension debt	–399	–670
Dividend costs		–76
Exchange-rate difference in cash and cash equivalents	–20	15
Dividend paid	–865	–324
Dividend, Bonava		5,336
Net indebtedness, December 31	**–149**	**–222**

PARENT COMPANY

Cash flow before financing in the Parent Company was higher than in 2016 and was a negative SEK 1,643 M (neg: 3,514). In 2016, Bonava received a capital contribution from the Parent Company which, due to the spinoff of Bonava, affected the Parent Company's cash flow from investing activities negatively.

Notes

CONTENTS NOTES

Note 1 Accounting policies

The NCC Group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretive statements issued by the IFRS Interpretations Committee (IFRIC). The Group also applies the Swedish Annual Accounts Act (1995:1554), recommendation RFR 1, Additional Accounting Regulations for Groups and statements issued by the Swedish Financial Reporting Board. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 8, 2018. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 11, 2018 for adoption.

NEW IFRSS AND AMENDMENTS TO IFRSS THAT ARE APPLIED FROM 2017

Amendment of IAS 7 Statement of Cash Flows is to be applied as of January 1, 2017. Disclosures have been added to Note 38, where the year's change in liabilities attributable to financing activities are reconciled with a specification of such items as new loans, repayments, changes associated with divestment/acquisition of subsidiaries and currency exchange effects. Disclosures are provided for both changes that have an impact on cash flow and changes that do not have an impact on cash flow. Since the amendment will be applied prospectively, no disclosures are presented for the comparative year.

Other amendments of IFRSs that are to be applied as of January 1, 2017 have had no material impact on the consolidated financial statements.

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

The following new IFRSs do not become effective until the 2018 and 2019 fiscal years and have not been applied in the preparation of the financial statements for 2017.

IFRS 16 Leases will be applied as of January 1, 2019 and will replace IAS 17 Leases and associated interpretations. This requires that the lessee recognizes assets and liabilities attributable to all leases, with the exception of contracts shorter than 12 months and/or those pertaining to minor amounts. In all material respects, recognition by the lessor will remain unchanged. NCC has not yet assessed the effect of this standard on the company's financial statements.

IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers are being applied as of January 1, 2018. A description of the amendments and their estimated impact is described on p. 66.

Other amended IFRSs that will start to be applied from 2018 and later years are expected to have no or only a minor impact on NCC's financial statements.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, as well as statements issued by the Swedish Financial Reporting Board. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accord with the alternative rule in RFR 2. For tax reasons, the Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must report certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from reporting certain financial instruments at fair value.

The accounting policies presented below differ from those used in the consolidated financial statements:

- Subsidiaries
- Associated companies
- Joint arrangements
- Construction contracts and similar assignments
- Leasing
- Income tax
- Financial instruments
- Pensions
- Borrowing costs

The differences are presented under the respective headings below.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and the companies and operations in which the Parent Company, directly or indirectly, has a controlling interest, as well as joint arrangements and associated companies.

Purchase method

Business combinations are recognized in accordance with the purchase method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

In the event of a business combination in which transferred compensation, any non-controlling interests and the fair value of previously owned interests (in connection with gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognized directly in profit or loss.

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

Subsidiaries

Companies in which the Parent Company has a controlling influence, in practice through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling influence is defined as power over the investee, exposure or the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Shares in subsidiaries are recognized in the Parent Company at acquisition value (cost). Should the recoverable value of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue. For information on NCC's subsidiaries, refer to Note 17, Participations in Group companies.

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognized as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's shareholders' equity. Non-controlling interests are recognized in profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction with the consolidated income statement.

The effects of transactions with non-controlling interests are recognized in shareholders' equity if they do not give rise to a change in controlling influence.

Associated companies

Associated companies are defined as companies in which the Group controls 20–50 percent of the voting rights. Companies in which the Group owns less than 20 percent of voting rights but exercises a significant influence are also classified as associated companies. Refer to Note 18 for information about the Group's participations in associated companies, and Note 20 for the Parent Company's participations in associated companies.

Participations in associated companies are consolidated in accordance with the equity method.

NCC's share in associated companies relates to their operations and its share in the results of associated companies is recognized in profit or loss as "Result from participation in associated companies," which is part of operating profit. Amounts are recognized net after taxes.

In the Parent Company, associated companies are recognized at acquisition value less any impairment losses. Dividends received are recognized as revenue.

Joint arrangements

Joint arrangements are defined as projects conducted in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. Joint arrangements are divided into joint ventures, which are consolidated according to the equity method, or into joint venture, which are consolidated according to the proportional method. For additional information, see Note 18, Participations in associated companies and joint ventures, and Note 19, Participations in joint operations.

In the Parent Company, joint arrangements are recognized at acquisition value less any impairment losses. Dividends received are recognized as revenue.

Elimination of intra-Group transactions

Receivables, liabilities, revenues and costs, as well as unrealized gains and losses, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there are no impairment requirements. This also applies to joint arrangements and associated companies, in an amount corresponding to the Group's holding. Refer to Note 36, Related-party transactions.

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

Foreign subsidiaries, associated companies and joint arrangements are recognized using the functional currency and are translated to the reporting currency. For NCC, the functional currency is defined as the local currency used in the reporting entity's accounts. The Parent Company's functional currency is SEK. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK.

REVENUES

With the exception of contracting assignments, the Group recognizes revenues in profit or loss when, among other factors, the material risks and rewards associated with ownership have been transferred to the purchaser.

Construction contracts and similar assignments

Percentage-of-completion income recognition of construction projects

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

- Project revenue – Revenues related to the construction contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (worked-up rate) – Recognized costs in relation to estimated total assignment costs.

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

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated. As soon as this is possible, the project switches to the percentage-of-completion method.

Provisions posted for potential 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 revenues" and "project invoicing not yet worked up" are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. Refer to Note 27 Construction contracts.

The following example illustrates how the percentage-of-completion method is applied. On January 1 of Year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is 100 and the anticipated profit from the project is 5. On December 31 of year 1, NCC's costs for the project amount to 47.5, in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC recognizes half of the anticipated profit of 5, that is 2.5, 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.

Profit	Year 1	Year 2
Income recognition on completion	0	5
According to percentage-of-completion	2.5	2.5

Contracts connected to operation and maintenance agreements with a central government, county council or municipality

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. Depending on how the payment is to be made, NCC may either receive a financial asset in accordance with a predetermined payment plan or an intangible asset providing the right to possible payment. The payments must be discounted.

The part that pertains to the contract-related service is recognized on a percentage-of-completion basis. Due to the above classification, the operation and maintenance part is recognized as revenue on an even basis over the term of the contract or when the benefits are transferred to NCC.

Work in progress in the Parent Company

NCC does not apply percentage-of-completion profit recognition in the Parent Company. Projects that are not completed on the balance-sheet date are recognized in the Parent Company accounts 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:

- Cost of installation materials, consumption materials and work aids.
- Wages, salaries and remuneration, including social security fees, for supervisors and other staff on site.
- Cost 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. Due to this accounting method, this entry may include profits not entered as income. When a project is expected to incur a loss, a provision is posted for such a loss. For details, refer to Note 33, Work in progress for a third party and net sales. As of January 1, 2017, there was no work in progress in the Parent Company due to the terminated commission relationship.

Result from sales of development properties

NCC's sales include revenues from sales of properties classed as current assets. Sales also include rental revenues from properties classed as current assets.

Property sales are recognized at the time when material risks and rewards are transferred to the purchaser, which normally coincides with the transfer of ownership rights. Property projects sold before construction is completed may, if certain conditions have been met, be recognized as profit in two separate transactions when the property (land or land with ongoing construction) is sold and, at the same time, a separate agreement is signed with the purchaser concerning the construction of a building or completion of the ongoing construction. The first transaction – sale of a property project – which is recognized in NCC Property Development, 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. This value accumulation is finally confirmed by means of the sale. The second transaction is the contracting assignment, meaning implementation of construction work on the sold property. The first transaction is recognized as profit, provided that the material risks and rewards are deemed to have been transferred, in the manner stated above, and the second transaction is recognized as profit within NCC's Building units in pace with the degree of completion of the project. It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain leasing rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as rental activity progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Result from sales of owner-occupied properties

These items include the realized result of sales of owner-occupied properties. Selling and administrative expenses include costs for the company's own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See the income statement.

DEPRECIATION/AMORTIZATION

Straight-line depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value in those cases when the asset does not have an indefinite life. Goodwill and other assets that have an indefinite life are not amortized but subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of their particular useful life.

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

Intangible fixed assets Usufructs	In line with confirmed depletion of net asset value
Software	12.5–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	1,4–10 percent
Land improvements	3,7–5 percent
Pits and quarries	In line with confirmed depletion of net asset value
Fittings in leased premises	14–20 percent
Plant and equipment	5–33 percent

The distribution of the depreciation/amortization posted in profit or loss and balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 15, Intangible assets and Note 16, Tangible fixed assets.

IMPAIRMENT LOSSES

This section does not apply to impairment of inventories, assets that arise during the course of a construction assignment, deferred tax assets, financial instruments, assets connected to pensions or assets classified as investments available for sale, since the existing standards for these types of assets contain specific requirements regarding recognition and valuation.

When necessary, although at least once a year, NCC conducts impairment testing.

An impairment requirement arises when the recoverable amount is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement, Note 8, Impairment losses and reversed impairment losses, Note 15, Intangible assets, and Note 16, Tangible fixed assets.

The term impairment is also used in connection with revaluations of properties classed as current assets. Valuations of these properties are based on the lowest value principle and comply with IAS 2 Inventories.

LEASING

In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing.

Financial leasing

Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet as of the date on which the agreement was concluded and the asset delivered. Corresponding obligations are entered as long-term and current liabilities.

Operating leases

Operational leasing is recognized in profit or loss. Leasing fees are distributed on the basis of use, which could differ from the leasing fee paid during the year under review. For further information on leasing, refer to Note 35. In the Parent Company, all leasing agreements are recognized according to the rule for operational leasing.

TAXES

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the transactions are recognized in other comprehensive income, with the relating tax effect recognized in comprehensive income. Current tax is tax that is to be paid or received during the current fiscal year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognized on the basis of temporary differences between recognized and taxable values of assets and liabilities. For information on tax on current-year profit and deferred tax assets and liabilities, refer to Note 24.

Deferred tax assets and liabilities are calculated based on the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognized in profit or loss in the consolidated financial statements.

In the Parent Company, untaxed reserves are recognized that consist of the taxable temporary difference arising because of the relationship between reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in profit or loss, as an appropriation. Group contributions received and paid are recognized in the Parent Company's profit or loss as appropriations.

RECOGNITION OF OPERATING SEGMENTS
An operating segment is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by the chief operating decision maker, who in NCC's case is the President, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the President. Also refer to Note 3 Recognition of operating segments.

EARNINGS PER SHARE
The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. The calculation of earnings per share is not affected by preferred shares or convertible debentures, since the Group has no such items. Share awards in the long-term incentive program, LTI, can give rise to dilution.

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

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rates prevailing on the balance-sheet date.

Usufructs consist primarily of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. For the distribution of value, also refer to Note 15 Intangible assets.

TANGIBLE FIXED ASSETS
NCC's property holdings are divided into:
- Owner-occupied properties
- Properties classed as current assets

Properties classed as current assets are held for development and sale as part of operations. The principles applied for the categorization, valuation and profit recognition of properties classed as current assets are presented under the Current assets section below.

Owner-occupied properties
Owner-occupied properties are held for use in the Company's own operations for the purpose of production, the provision of services or administration. Also refer to Note 16, Tangible fixed assets.

Machinery and equipment
Machinery and equipment is recognized at acquisition value less accumulated depreciation and any impairment losses.

FINANCIAL FIXED ASSETS
Financial fixed assets are recognized at fair value or accrued acquisition value. Impairment losses are posted if the fair value is less than the acquisition cost. Also see the Financial instruments section on p. 62. For information on the value and type of assets, refer to Note 22 Financial fixed assets. The Parent Company recognizes shares in Group companies at acquisition cost and, where applicable, taking into account write-ups or impairment losses.

CURRENT ASSETS
Properties classed as current assets
Group property holdings recognized as property projects are valued as inventories when the intention is to sell the properties on completion.

Property projects are measured at the lower of acquisition value (cost) and net realizable value. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

Property projects
Property projects within NCC Property Development are divided as follows:
- Properties held for future development
- Ongoing property projects
- Completed property projects

For a distribution of values, refer to Note 25, Properties classed as current assets.

Properties held for future development, property development
Properties held for future development consist of NCC's holding of land and development rights intended for future property development and sale. Properties comprising leased buildings are classified as properties held for future development in cases where the intention is to demolish or refurbish the buildings.

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

Ongoing property projects include properties under construction, extension or refurbishment.

Ongoing property projects are reclassified as completed property projects when the property is ready for occupancy, excluding adjustments to tenant requirements in those properties whose premises are not fully leased. The reclassification is effective not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Completed property projects
Completed property projects can only be derecognized from the balance sheet due to a sale or, if they remain unsold, by being reclassified as managed properties.

Valuation of commercial property projects
The acquisition value of commercial property projects includes expenditure for the acquisition of land and for building design/property development, as well as expenditure for construction, extension or refurbishment. Expenditure for borrowing costs related to ongoing projects is capitalized. Other borrowing costs are expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, leasing and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

Commercial property projects are recognized continuously in the balance sheet at the lower of acquisition value and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs.

The market value of completed property projects is calculated in accordance with the yield method, which means that the continuous yield (operating net) on the property at full leasing is divided by the project's estimated yield requirement. Unleased space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed leasing rate.

The market value of ongoing property projects is calculated as the value in completed condition, as described above, less the estimated remaining cost of completing the project.

Properties held for future development that are included in the project portfolio, meaning ones that are held for development and sale, are normally valued in the same manner as ongoing projects, as described above. Other properties held for future development are valued on the basis of a value per square meter of development right or a value per square meter of land.

Properties classed as current assets transferred from subsidiaries
Due to the commission relationship between NCC AB and NCC Sverige AB, certain properties included in housing projects are recognized in NCC AB's accounts, even if the ownership right remains with NCC Sverige AB until the properties are sold to customers. As of January 1, 2017, no such properties are recognized in NCC AB's accounts due to terminated commission relationship.

INVENTORIES
Inventories are measured at the lower of acquisition value and net realizable value. For a distribution of inventory values, refer to Note 26 Materials and inventories.

FINANCIAL INSTRUMENTS

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. Accounts payable are recognized when invoices have been received.

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

Financial instruments are classified in the following categories for measurement: Financial assets at fair value through profit or loss, Investments held to maturity, Loan receivables and accounts receivable and Available-for-sale financial assets, Financial liabilities at fair value through profit or loss and Other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as short-term investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation.

Financial assets at fair value through profit or loss

This category includes the Group's derivative instruments with a positive fair value and short-term investments. Changes in fair value are recognized among net financial items in profit or loss. All financial instruments in this category are available for sale. Derivative instruments that function as identified and effective hedging instruments are not included in this category. For an account of hedging instruments, see Hedge accounting below.

Held-to-maturity investments

Investments intended to be held to maturity comprise interest- bearing securities with fixed or calculable payments and a determined maturity that were acquired with the intention and possibility of being held to maturity. Investments intended to be held to maturity are measured at amortized cost. Assets with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as fixed assets. Other assets are recognized as current assets.

Loans and accounts receivable

Loans and accounts receivable are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognized.

Accounts receivable are measured on an ongoing basis. As soon as it is doubtful that an invoice will be paid, a provision is made for the amount. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply.

Available-for-sale financial assets

This category includes financial assets that do not fall into any of the other categories, or those assets that the company has elected to classify into this category. Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value. Impairment losses are posted when testing shows that impairment is required.

Financial liabilities at fair value through profit or loss

This category includes the Group's derivative instruments with a negative fair value, with the exception of derivative instruments that function as identified and effective hedging instruments. Changes in fair value are recognized among net financial items.

Other financial liabilities

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

Hedge accounting

NCC applies hedge accounting in the following categories: Hedging of exchange-rate risk in transaction flows, hedging of net investments and hedging of the Group's interest maturities, as well as hedging of the price risk associated with bitumen and electricity.

Hedging of exchange-rate risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in other comprehensive income, after taking tax effects into account. Any ineffectiveness is recognized in profit or loss. When the hedged flow is recognized in profit or loss, the value change of the currency forward contract is moved from other comprehensive income to profit or loss, where it offsets the exchange-rate effect of the hedged flow. The hedged flows can be both contracted and forecast transactions.

Hedging of net investments

Group companies have currency hedged their net investments in foreign subsidiaries within NCC Property Development. In the consolidated financial statements, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to other comprehensive income, insofar as they are matched by the year's translation differences within other comprehensive income. Any surplus amount, so-called ineffectiveness, is recognized among net financial items. NCC uses currency loans and currency forward contracts to hedge net investments.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest-rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value are recognized in other comprehensive income, after income tax considerations. Any ineffectiveness is recognized in net financial items. What NCC achieves by hedging interest rates is that the variable interest on parts of the Group's financing becomes fixed interest.

Hedging of price risk associated with bitumen and electricity

By entering into oil futures, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of the order. These oil futures are classified as cash flow hedges and fulfill effectiveness requirements, whereby all changes resulting from changed prices are recognized in other comprehensive income.

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

Embedded derivatives

An embedded derivative is a part of either a financial agreement or a commercial put or call contract that is equivalent to a financial derivative instrument. An embedded derivative must be recognized separately only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics and risks of the host contract's cash flow, and
- a separate "stand alone" derivative with the same terms as the embedded derivative meets the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value in the balance sheet, except where changes in its fair value are recognized in profit or loss.

If the contractual terms and conditions meet the criteria for an embedded derivative, this, in common with other financial derivatives, is measured at fair value, with changes in value recognized in profit or loss.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are restated at the exchange rates prevailing on the balance-sheet date. Exchange differences arising from the translation of operational receivables and liabilities are recognized in operating profit, while exchange differences arising from the translation of financial assets and liabilities are recognized in net financial items.

Financial instruments in the Parent Company

All financial instruments in the Parent Company are recognized at amortized cost less any impairment losses and taking into account earnings effects accrued up to fiscal year-end. In respect of the qualitative and quantitative risk information, reference is made to the disclosures made for the Group above, since Group-wide risk management is applied for the Group.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and short-term investments with a maturity of less than three months at the date of acquisition.

SHAREHOLDERS' EQUITY

Recognition of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are recognized in accordance with their financial impact. Group contributions received and granted are recognized as appropriations. Group contributions granted are recognized as a part of the investment in the subsidiary and are thus subject to customary impairment testing.

Repurchase of shares

The repurchase of shares (treasury shares), including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. Refer to Note 28 Share capital, for more information on treasury shares.

DISCONTINUED OPERATIONS

A discontinued operation is a part of an entity's operations that represents a separate major line of business or a material operation within a geographic area, or is a subsidiary that was acquired solely with the purpose of subsequently being sold. Classification as a discontinued operation occurs on divestment or at an earlier point in time when the operation meets the criteria for being classified as held for sale.

Profit/loss after tax from discontinued operations is recognized on its own line in profit or loss and in other comprehensive income When an operation is classified as discontinued, the presentation of the comparative year's income statement and other comprehensive income is changed so that the item is recognized as if the discontinued operation had been discontinued at the beginning of the comparative year. The presentation of the balance sheet for the current and preceding year is not changed in a corresponding manner.

On June 7, 2016, Bonava was spun off and has been recognized according to the rule concerning discontinued operations (IFRS 5) as explained above. Bonava's earnings up to the spinoff date and the capital gain generated by the spinoff of Bonava have been recognized on the line Discontinued operations after tax. Bonava has been excluded from the comparative years in notes on the income statement.

EMPLOYEE BENEFITS

Share-based remuneration

Instrument issued under the NCC Group's share-based remuneration plan comprise share awards and synthetic (cash-settled) shares.

The fair value of allotted share awards is recognized as a personnel cost accompanied by a corresponding increase in shareholders' equity. The fair value is estimated at the date of allotment by means of an adjustment of the discounted value of the future dividends for which the plan participants will not qualify.

Synthetic shares give rise to an undertaking to the employee, which is measured at fair value and recognized as a cost accompanied by a corresponding increase in liabilities. The fair value of the synthetic shares comprises the market price of the Series B NCC share at the particular financial report occasion adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

At each financial report occasion, the Parent Company makes an assessment of the probability of whether the performance targets will be achieved. Costs are calculated on the basis of the number of shares and synthetic shares that are estimated to be settled at the close of the vesting period.

When settlement of the share awards and synthetic shares occurs, social security fees have to be paid for the value of the employees' benefit. These vary in the different countries in which NCC is active. During the period in which the services are performed, provisions are also posted for these calculated social security fees based on the fair value of the share awards and the synthetic shares, respectively, on the reporting date.

To satisfy NCC AB's undertakings in accordance with the option programs, NCC AB has bought back Series B shares. These are recognized as treasury shares and thus reduce shareholders' equity.

For a description of the NCC Group's share-based remuneration program, refer to Note 5 on p. 71.

Post-employment remuneration

NCC differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined-benefit plans.

Country	Defined-benefit pension obligations	Defined-contribution pension obligations
Sweden	●	●
Denmark		●
Finland		●
Norway	●	●
Other countries		●

There are several defined-contribution and defined-benefit pension plans in the Group, some of which are secured through assets in dedicated foundations or similar funds. The pension plans are financed through payments made by the various Group companies. Calculations of defined-benefit pension plans are based on the Projected Unit Credit Method, whereby each term of employment is considered to create a future unit of the total final obligation. All units are computed separately and, combined, represent the total obligation on the balance-sheet date. The intention of the principle is to expense pension payments straight line during the term of employment. The calculation is made annually by independent actuaries. When there is a difference between how pension costs are established in the legal entity and in the Group, a provision or receivable for Swedish pension plans is recognized for the payroll tax based on this difference. Accordingly, the value of the defined-benefit liability is the present value of anticipated future disbursements using a discount rate that corresponds to the interest stated in Note 31 Pensions. The interest rate on first-class housing bonds is used as the basis for calculating the discount interest rate. Swedish defined-benefit pension obligations are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed obligation. Changes in plan assets and obligations stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

This reporting method is applied for all identified defined-benefit pension plans in the Group. The Group's disbursements related to defined-benefit pension plans are recognized as an expense during the period in which the employees perform the services covered by the fee.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. The difference, compared with the principles applied by the Group, pertains mainly to how the discounting rate is determined, the fact that the calculation of defined-benefit obligations is based on the current salary level without assuming future pay rises and the fact that all actuarial gains and losses are recognized in profit or loss when they arise.

Severance payments

In conjunction with notice of employment termination, a provision is posted only if the company is contractually obliged to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as is a time schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after fiscal year-end, such payments are discounted.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision. Provisions are recognized in the balance sheet when a legal or informal commitment exists due to an event that has occurred, it is probable that an outflow of resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

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

Other provisions

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

A provision for restructuring is recognized when a detailed or formal restructuring plan has been established and the restructuring has either started or been announced publicly. No provisions are posted for future operating expenses.

BORROWING COSTS

Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's acquisition value when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale, which in NCC's case is more than a year. For NCC, the capitalization of borrowing costs is most relevant in the construction of property and housing projects. Other borrowing costs are expensed on current account in the period in which they are incurred. In the Parent Company, borrowing costs are expensed in their entirety in the period in which they are incurred.

PLEDGED ASSETS

NCC recognizes collateral pledged for company or Group liabilities and/or obligations as pledged assets. These may be liabilities, provisions included in the balance sheet or obligations not included in the balance sheet. The collateral may be related to assets entered in the balance sheet or mortgages. Assets are recognized at the carrying amount and mortgages at nominal value. Shares in Group companies are recognized at their value in the Group.

For information on types of collateral, refer to Note 37 Pledged assets, guarantees and guarantee obligations.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, pursuant to IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow from acquired and divested subsidiaries, refer to Note 38 Cash flow statement.

CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting records have been made on the basis of what is known when the Annual Report was issued. The estimates and assessments may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this during economic conditions characterized by major uncertainty in terms of the construction market and the global financial market, which has been the case during recent years. The assessments that are most critical to NCC are reported below.

Percentage-of-completion profit recognition

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills.

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion. At year-end, recognized revenues amounted to SEK 65.0 billion (58.9); refer to Note 27 Construction contracts.

Profit recognition of property development projects

Property sales are recognized as of the time when significant risks and rewards are transferred to the purchaser. The actual timing of profit recognition depends on the agreement with the purchaser and could occur when signing the agreement, at a certain leasing rate, on completion or when the right of ownership is transferred, and it could also depend on a combination of these variables. This is determined from agreement to agreement and is subject to elements of estimations and assessments, and also applies to both direct sales of a property and indirect sales via the sale of companies.

Valuation of properties classed as current assets

NCC's properties classed as current assets are recognized at the lower of acquisition value and net realizable value. In 2017, impairment losses on properties classed as current assets amounted to SEK 0 M (0), and their year-end carrying amount corresponded to SEK 3.6 billion (4.0).

The assessment of net realizable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements plus the possible timing of production start and/or sale. NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis.

In some cases, the difference between the carrying amount and the estimated net realizable value is of a minor value. A change in the assumptions made could give rise to an additional impairment requirement.

Valuation of goodwill

Goodwill is measured at the lower of cost and recoverable amount. Goodwill in the Group is valued at SEK 1.8 billion (1.9).

Several assumptions and estimations are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and weighted average cost of capital. If these assumptions change, the value of the remaining goodwill could be affected; refer to Note 15 Intangible assets, for information on the assumptions and estimations made.

Valuation of receivables

NCC's accounts receivable, including receivables for sold property projects, total SEK 9.9 billion (8.0); refer to Note 39 Financial instruments and financial risk management.

The receivables are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. The value is affected by several assessments, of which the one that is most important to NCC is credit risk and thus any need to post provisions for doubtful receivables. Although each receivable must be valued individually, special circumstances are generally required for a provision not to be posted in full or in part for receivables exceeding 60 days past due.

Guarantee commitments

At year-end, the guarantee provision was SEK 1.1 billion (1.2); refer to Note 30 Provisions. Provisions for future costs due to guarantee commitments are recognized in the amount expected to be required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experiences gained from past transactions.

Pension obligations

NCC's net pension obligation is SEK 1.4 billion (1.0).

Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the plan assets and pension obligations. These actuarial assumptions are described in Note 31 Pensions, as is a sensitivity analysis.

Guarantee obligations, legal disputes, etc.

Within the framework of its regular business operations, NCC occasionally becomes a party to legal disputes. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In one or two cases, these are difficult assessments and the final outcome could differ from the estimation made.

ESTIMATED IMPACT OF TRANSITION TO IFRS 9 FINANCIAL INSTRUMENTS AND IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS, AS WELL AS ACCOUNTING POLICIES APPLIED AS OF JANUARY 1, 2018

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 entails changes in how financial assets are classified and measured, introduces an impairment model based on expected loan losses rather than incurred losses and results in changes in policies for hedge accounting with aims including simplifying and increasing harmonization with the company's internal risk management strategies. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification of financial instruments and financial liabilities

Financial assets

The Group's assessment is that the new categories of financial assets introduced with IFRS 9 will not have material impact on the recognition of accounts receivable, loan receivables, investments in securities and shares managed on the basis of fair value. Effective December 31, 2017, the Group had available for sale financial assets with a fair value of SEK 91 M, which were held for long-term purposes. According to IFRS 9, these assets are classified in the category fair value through other comprehensive income (FVOCI). Accordingly, all remeasurements are recognized in other comprehensive income, no impairment losses are recognized in profit or loss and no remeasurements are reclassified to profit or loss upon divestment. Upon transition to IFRS 9 (January 1, 2018), the carrying amount of the Group's financial assets will thus not be impacted by the transition to the new categories in IFRS 9.

Financial liabilities

The Group's assessment is that no material effects in the classification of financial liabilities will arise on January 1, 2018.

Impairment of financial assets and contract assets

IFRS 9 replaces the incurred loss model with an expected credit loss model. The new impairment model is to be applied for financial assets measured at amortized cost or at FVOCI, apart from investments in equity instruments (shares) and contract assets.

According to IFRS 9, a net measurement loss reserve is established in one of the following ways:

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

A loss risk reserve for the entire life of the asset is established if, on the balance sheet date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months. However, a loss risk reserve for the entire life of the asset is always established for accounts receivable and contract assets with no significant financing component. The Group has chosen to also apply this model for accounts receivable and contract assets with a significant financing component.

Based on the method for establishing a loss risk reserve according to IFRS 9, NCC has arrived at the conclusion that IFRS 9 will not result in any material additional impairment losses. As a result, there is no need to change comparative figures in connection with the transition.

Hedge accounting

Upon transition to IFRS 9, NCC will be able to choose to continue to apply the rules for hedge accounting according to IAS 39 or to apply the rules according to IFRS 9. The Group has chosen to apply the new IFRS 9 rules.

IFRS 9 requires that the Group ensures that the hedging relationship complies with the Group's risk management objectives and strategy and that a more qualitative and prospective approach is applied when assessing the effectiveness of hedges. IFRS 9 also introduces a ban on voluntarily ceasing to apply hedge accounting and an opportunity to recognize the forward component of currency-forward contracts in other comprehensive income as a cost of hedging.

The Group uses currency forward contracts to hedge changes in cash flow resulting from exchange rate fluctuations connected to sales and purchases of inventories and for hedging net assets in foreign subsidiaries. The Group applies hedge accounting for these hedges. At present, only a change in the spot price is identified as a hedged risk, which means that changes in the fair value of forward contracts value that are attributable to the forwards dates are recognized directly in profit or loss rather than in the hedging reserve through other comprehensive income.

Under IFRS 9, in respect of hedges of net assets in foreign subsidiaries, the Group has chosen to recognize the forward component (forward dates) as a cost for hedging in new hedging relationships that are taken up as of January 1, 2018. This means that the changes in the forward component will be recognized in other comprehensive income and accumulated in a reserve for hedging costs as a separate component of shareholders' equity. In the event of changes in cash flow resulting from exchange rate fluctuations connected to sales and purchases of inventories, the forward dates will be included in new hedging relationships taken up as of January 1, 2018. Accordingly, transition to IFRS 9 will have no impact.

The types of hedging relationships that the Group currently identifies as fulfills the requirements of IFRS 9 and complies with the company's risk management strategy and objectives.

ACCOUNTING POLICIES FOR FINANCIAL INSTRUMENTS ACCORDING TO IFRS 9 AS OF JANUARY 1, 2018

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. Accounts payable are recognized when invoices have been received.

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

Classification

The company classifies its financial assets in the following measurement categories:

- Those that will be measured at fair value (either through other comprehensive income or through profit or loss), and
- Those that will be measured at amortized cost.

The classification depends on the company's business model for managing financial assets and contractual terms and conditions for cash flows.

For assets measured at fair value, gains and losses are recognized either through profit or loss or through other comprehensive income. For investments in debt instruments, this depends on the company's business model and the characteristics of the instrument. For investments in equity instruments, this depends on whether, upon initial recognition, the company made an irrevocable choice to recognize equity instruments at FVOCI.

The company reclassifies investments in debt instruments when and only when the business model for managing these assets is changed.

Measurement

Upon initial recognition, NCC measures a financial asset at its fair value plus, for a financial asset not measured at fair value through profit or loss, transaction expenses that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets recognized at fair value through profit or loss are expensed through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when assessing whether their cash flows only constitute payment of capital and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model and the characteristics of the instrument. There are three measurement categories in which the company classifies its debt instruments:

- Amortized cost: the objective of the holding is to receive contractual cash flows and the contractual cash flows solely comprise interest payments and repayment of loans
- Fair value through other comprehensive income (FVOCI): the objective of the holding is to both receive and sell contractual cash flows and the contractual cash flows solely comprise interest payments and repayment of loans, and for sale
- Fair value through profit and loss: Assets that do not fulfil the criteria for Amortized cost or FVOCI

Equity instruments

The company measures equity instruments at FVOCI.

Impairment

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

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

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

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

Hedge accounting

NCC applies hedge accounting in the following categories: hedging of currency risk in transaction flows, hedging of net investments and hedging of the Group's interest maturities.

Hedging of exchange-rate risk in transaction flows
Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in other comprehensive income, after taking tax effects into account. Any ineffectiveness is recognized in profit or loss. When the hedged flow is recognized in profit or loss, the value change of the currency forward contract is moved from other comprehensive income to profit or loss, where it offsets the exchange-rate effect of the hedged flow. The hedged flows can be both contracted and forecast transactions.

Hedging of net investments
Group companies have currency hedged their net investments in foreign subsidiaries within NCC Property Development. In the consolidated financial statements, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to other comprehensive income, insofar as they are matched by the year's translation differences within other comprehensive income. Any surplus amount, so-called ineffectiveness, is recognized among net financial items. NCC uses currency loans and currency forward contracts to hedge net investments.

Hedging of the Group's interest maturities
Interest-rate derivatives are used to manage the interest-rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value are recognized in other comprehensive income, after income tax considerations. Any ineffectiveness is recognized in net financial items. By hedging interest rates, the variable interest rate on parts of NCC's financing becomes a fixed rate.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency are restated at the exchange rates prevailing on the balance-sheet date. Exchange differences arising from the translation of operational receivables and liabilities are recognized in operating profit, while exchange differences arising from the translation of financial assets and liabilities are recognized in net financial items.

Financial instruments in the Parent Company
Financial instruments in the Parent Company are recognized at acquisition value less any impairment losses and taking into account earnings effects accrued up to fiscal year-end. In respect of the qualitative and quantitative risk information, reference is made to the disclosures made for the Group above, since Group-wide risk management is applied for the Group.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS
As of 2018, IFRS 15 Revenue from Contracts with Customers replaces existing standards governing revenue recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 15 Agreements for the Construction of Real Estate. IFRS 15 is based on revenue being recognized when control over the good or service is transferred to the customer, which differs from the existing starting point of the transfer of risks and benefits.

IFRS 15 introduces new ways of determining how and when revenues should be recognized. NCC has two material revenue flows that could be impacted by IFRS 15.

REVENUES FROM CONTRACTING OPERATIONS
Revenues from construction contracts in the Building and Infrastructure business areas are currently recognized by means of percentage-of-completion profit recognition in accordance with IAS 11 Construction Contracts, assuming that certain conditions are met.

According to IFRS 15, revenues are to be recognized either by NCC's performance obligations being fulfilled over time (on a percentage-of-completion basis) or at a point in time. Since the construction contracts mean that NCC performs work on land belonging to the customer, NCC creates an asset that is controlled by the customer in pace with the asset's completion. In turn this means that NCC can continue to recognize revenues from construction contracts by applying percentage-of-completion profit recognition.

However, IFRS 15 differs from IAS 11 in one respect that will impact NCC's revenue recognition. This applies to contract modifications related to alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. According to IAS 11, revenues in such cases are to be recognized when it is regarded as probable that they will be approved by the customer.

According to IFRS 15, a contractual modification may exist if the parties dispute the scope and/or the price of the modification. When assessing whether the modifications are enforceable, NCC must take all relevant facts and circumstances into account. If the parties fail to agree on the price, the revenue is only to be recognized insofar as it is highly probable that a significant reversal of accumulated recognized revenues will not arise when the parties reach agreement.

Requirements to recognize revenue in the aforementioned situations are higher under IFRS 15 than under IAS 11. NCC has estimated the effect of these stricter requirements at SEK 450 M for contracts that were not completed on January 1, 2018 (which results in a decrease in equity at January 1, 2018 of SEK 346 M net after tax), of which contracts amounting to SEK 282 M were not completed on January 1, 2017. In total, this entails a reduction in operating profit for 2017 of SEK 168 M and a reduction in equity on January 1, 2017 of SEK 216 M, net after tax.

REVENUES FROM COMMERCIAL PROPERTY DEVELOPMENT
The Property Development business area sells commercial buildings, including land, to various types of investors. At present, revenue is normally recognized on completion of the property and handover to the customer. This complies with IFRIC 15 which, since the buyer has limited power to influence the design of the building, states that IAS 18 is to be applied and thus that the revenue is to be recognized upon handover to the customer.

According to IFRS 15, the revenue is to be recognized over time (percentage-of-completion) in connection with a gradual transition of control, unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work performed at a point in time. If any of these criteria is not fulfilled, the revenue, like today, is to be recognized at a point in time – on completion and handover to the customer. Since NCC always agrees on delivery of a certain property to the customer, and it cannot be sold to anyone else, NCC, according to the definition in IFRS 15, never has an alternative use for the sold property. Whether or not NCC is entitled to payment from the customer for work performed at a point in time depends on the contractual conditions and on legislation at the point in time, and this is an assessment that has to be made from contract to contract. NCC is analyzing and investigating how the transition of control to customers should be interpreted according to IFRS 15, given the legal and commercial conditions in the Nordic property market. In NCC's opinion, actual control is transferred to the buyer when a property development project is completed and handed over to the customer. NCC's aim is that the forthcoming application of IFRS 15 will coincide with when actual control is transferred and that it will also match the way it is applied by other major listed companies. Inquiry and analysis are still in progress and NCC will communicate its conclusion as soon as possible.

Should the conclusion be that NCC Property Development's revenues have to be recognized over time (percentage-of-completion), the transition to IFRS 15 will not impact equity at December 31, 2017 but it will result in a decrease in operating profit for 2017 by slightly more than SEK 500 M and a corresponding increase of 1 January 2017 shareholders equity. Regardless of the conclusion, NCC Property Development in its segment reporting will continue to recognize the revenue on completion and handover to the customer.

ACCOUNTING POLICIES FOR REVENUES ACCORDING TO IFRS 15 AS OF JANUARY 1, 2018
With the exception of contracting assignments, the Group recognizes revenues in profit or loss when, among other factors, control that is associated with ownership has been transferred to the purchaser.

Construction contracts and similar assignments
Percentage-of-completion income recognition of construction projects
Application of the percentage-of-completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the construction contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- Project cost – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total assignment costs, which reflects how the control is transferred to the purchaser.

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

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated. As soon as this is possible, the project switches to the percentage-of-completion method.

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

Contract modifications covering alterations and supplementary works, compensation for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable; meaning when there is a legal right to payment for them.

Balance-sheet items such as “worked up, non-invoiced revenues” and “project invoicing not yet worked up” are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. Refer to Note 27 Construction contracts.

The following example illustrates how the percentage-of-completion method is applied. On January 1 of Year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is 100 and the anticipated profit from the project is 5. On December 31 of year 1, NCC’s costs for the project amount to 47.5, in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC recognizes half of the anticipated profit of 5, that is 2.5, 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.

PROFIT	Year 1	Year 2
Income recognition on completion	0	5
According to percentage-of-completion	2.5	2.5

Contracts connected to operation and maintenance agreements with a central government, county council or municipality

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. Depending on how the payment is to be made, NCC may either receive a financial asset in accordance with a predetermined payment plan or an intangible asset providing the right to possible payment. The payments must be discounted.

The part that pertains to the contract-related service is recognized on a percentage-of-completion basis. Due to the above classification, the operation and maintenance part is recognized as revenue on an even basis over the term of the contract or when the benefits are transferred to NCC.

Result from sales of development properties

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

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

Property sales are recognized at the point in time when control is transferred to the purchaser. Control is transferred over time unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work performed at a point in time, in which case the revenue is recognized by applying percentage-of-completion profit recognition. If one of the above criteria is not fulfilled, the revenue is to be recognized at a point in time – on completion and handover to the customer. Since NCC always agrees on delivery of a certain property to the customer, and the property cannot be sold to anyone else, NCC never has an alternative use for the sold property. Whether or not NCC is entitled to payment from the customer for work performed at a point in time depends on the contractual conditions and on legislation at the point in time, and this is an assessment that is made from contract to contract.

It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain leasing rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as rental activity progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Note 2 Distribution of external net sales

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Construction and civil engineering	41,753	40,948		20,873
Industrial operations	10,343	9,230		
Property development projects	2,505	2,756		
Other	7		188	
Total	**54,608**	**52,934**	**188**	**20,873**
Sales distributed by business segment[1)]				
NCC Building				12,606
NCC Infrastructure				8,267
Total				**20,873**

1) For the distribution of consolidated sales, refer to Note 3.

Note 3 Reporting by operating segments

NCC’s business operations are divided into four operating segments based on the parts of the organization monitored by the President and CEO, who is the chief operating decision maker. Each operating segment has a president who is responsible for the daily operations and regularly reports on the results of the segment’s performance to the Executive Management Group. The following segments were identified based on this reporting procedure:

NCC Building primarily builds housing and offices, but also constructs such public premises as schools and hospitals and such commercial premises as stores and warehouses.

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

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

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland.

All transactions between the various segments were conducted on a purely commercial basis.

The segment report also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in “Other and eliminations”. Occasionally “Other and eliminations” may also recognize certain items, primarily impairment losses and provisions, attributable to the activities conducted in the segments.

Note 3 Reporting by operating segments, cont'd

GROUP, 2017	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	23,639	18,115	10,343	2,505	54,601	7	54,608
Internal net sales	1,089	437	2,050	62	3,638	–3,638	
Total net sales	24,727	18,552	12,393	2,567	58,239	–3,631	54,608
Depreciation/amortization	–37	–225	–403	–4	–669	–49	–718
Impairment losses and reversal of impairment losses	–1		–6		–7		–7
Result from participations in associated companies and joint ventures	3	0	10	–2	11		11
Operating profit	515	–137	577	601	1,556	–314	1,242
Net financial items							–91
Profit after financial items							1,150
Capital employed			4,400	4,086			

GROUP, 2016	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	24,467	16,481	9,230	2,756	52,934		52,934
Internal net sales	1,214	526	1,530	67	3,337	–3,337	
Total net sales	25,681	17,007	10,760	2,823	56,271	–3,337	52,934
Depreciation/amortization	–48	–218	–398	–3	–667	–59	–726
Impairment losses and reversal of impairment losses		1	–10		–9	–88	–97[1]
Result from participations in associated companies and joint ventures	1	–6	10	–1	5	15	20
Operating profit	489	162	533	327	1,510	–57	1,453
Net financial items							–112
Income after financial items							1,341
Capital employed			3,975	4,450			

[1] 2016 includes impairment losses on a Group-wide HR support system totaling SEK 88 M.

OTHER AND ELIMINATIONS	EXTERNAL NET SALES		OPERATING PROFIT	
	2017	2016	**2017**	**2016**
NCC's Head office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International [1]	7		–134	–280
Eliminations of inter-company gains			10	109
Other Group adjustments (essentially comprising the difference in accounting policies pertaining to Swedish pensions between the segments and the Group)[2]			–190	114
Total	**7**		**–314**	**–57**

[1] 2016 includes impairment losses on a Group-wide HR support system totaling SEK 88 M.

[2] 2017 includes provisions for restructuring.

GEOGRAPHIC AREAS

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		FIXED ASSETS [1]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Sweden	38,291	35,324	34,628	29,397	33,797	29,177	2,365	2,173
Denmark	6,582	6,550	6,224	5,968	6,646	7,179	1,507	1,472
Finland	6,030	7,164	5,001	5,620	7,264	8,793	360	336
Norway	6,050	7,369	5,953	6,955	6,864	7,688	1,496	1,476
St. Petersburg	36	99			36	97	47	52

[1] Pertains to fixed assets that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

Note 4 Acquisition of operations

NCC Industry AS acquired the Franzefoss Group's asphalt operations in the Oslo region effective September 1, 2017. NCC is a leading asphalt producer in Norway and the acquisition resulted in a strengthened position in the growing Oslo market.

On November 1, 2017, NCC Industry AS acquired NFT AS, Peab's foundation engineering operations in Norway with about 80 employees. Through its Hercules division, NCC will thus become one of Norway's leading foundation engineering companies with nationwide coverage.

On December 1, 2017, NCC Industry AB acquired the rock blasting operations of Voglers Sverige AB. The business is specialized in rock blasting for the ballast industry and has about 25 employees. The transaction strengthens NCC Industry's position in southern and western Sweden and complements NCC's existing rock-blasting operations in the stone materials division in Sweden.

The acquisitions had no significant impact on the Group's earnings or financial position.

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

AVERAGE NO. OF EMPLOYEES

	2017		2016	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	74	40	6,569	5,834
Subsidiaries				
Sweden	10,804	9,666	3,065	2,827
Norway	2,431	2,222	2,530	2,311
Finland	1,939	1,599	2,093	1,726
Denmark	2,259	1,967	2,336	2,036
Russia	6	0	75	47
Estonia and Latvia	4	4	0	0
Poland	243	235	125	122
Other countries	2	1	0	0
Total in subsidiaries	**17,688**	**15,694**	**10,224**	**9,069**
Group total	**17,762**	**15,734**	**16,793**	**14,903**

Percentage of women, %	2017	2016
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	47.0	41.1
– Other senior executives	13.8	12.5

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

	2017	2016
Parent Company		
– Board of Directors	40.0	33.3
– AGM-elected Board members	57.0	50.0
– Other senior executives	40.0	25.0

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

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

	2017			2016		
	Board of Directors and senior executives (of which, bonus)	Other employees	Total	Board of Directors and senior executives (of which, bonus)	Other employees	Total
Parent Company						
Sweden	48	51	99	34	3,067	3,101
	(0.3)			(2.3)		
Social security expenses			70			1,344
– of which, pension costs	8	32	39	8	273	281
Pension commitment	7			10		
Group	**86**	**9,116**	**9,202**	**75**	**8,575**	**8,650**
	(4.8)			(8.0)		
Social security expenses			2,724			2,695
– of which, pension costs			715			694
Pension commitment	14			17		

1) The senior executives category comprises six individuals 6 (6) in the Parent Company and 23 individuals (26) in subsidiaries.

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

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

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Executive Management Group (EMG) is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term "other senior executives" refers to the people who together with the CEO constitute the EMG.

FIXED REMUNERATION OF THE CEO
Håkan Broman took up the position as Acting CEO on October 30, 2017. During the time that Håkan Broman serves as Acting CEO, he receives a monthly salary supplement on top of the monthly salary that he earned as Chief Legal Counsel. The salary supplement is not pensionable and does not serve as a basis for bonus payments.

VARIABLE REMUNERATION
For Acting CEO Håkan Broman, variable remuneration was capped at 30 percent of his fixed salary, excluding the salary supplement in his capacity as Acting CEO. The short-term variable remuneration was based on financial targets established by the Board. No short-term variable remuneration was expensed in respect of the 2017 fiscal year. In 2016, SEK 1,125,000 was expensed for the former CEO. Short-term variable remuneration for other senior executives in 2017 was capped at 40 percent of fixed remuneration and was based on the outcome of established, primarily financial, targets. The maximum percentages above for the acting CEO and other senior executives are adjusted downward by 10 percentage points for participation in LTI 2017. The provision posted for other senior executives in 2017 corresponded to 0-28 percent (8-24) of basic remuneration.

PENSION CONDITIONS FOR THE CEO
Like other senior executives, Acting CEO Håkan Broman is covered by a defined-benefit ITP pension plan which, in accordance with NCC's policy for senior executives, is supplemented by a defined-contribution pension agreement, for which premiums amount to 30 percent of pensionable remuneration exceeding 30 income base amounts. The monthly salary supplement received in the capacity as Acting CEO is not pensionable. Håkan Broman's retirement age is 65. The departing CEO Peter Wågström was covered by a defined-contribution pension pledge during the year corresponding to 35 percent of his agreed fixed monthly remuneration.

PENSION CONDITIONS FOR OTHER SENIOR EXECUTIVES
Other senior executives employed in Sweden are covered by a defined-benefit ITP plan with a retirement age of 65, and, in accordance with the current policy, of a supplementary defined-contribution pension obligation of 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

TERMINATION TERMS
During 2017, severance payments in the form of six months' termination salary and 18 months of severance pay plus compensation for pensions and LTI were expensed for the former CEO. NCC and Acting CEO Håkan Broman have agreed to a period of notice 12 months from NCC and of six months if Håkan Broman would resign at his own request. Severance pay is payable for 12 months. Other senior executives are normally subject to 12 months' notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

Other senior executives are normally entitled to 12 months of severance pay, if their employment is terminated by NCC. Remuneration will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without NCC's written consent.

SHARE-BASED REMUNERATION
The prerequisites and conditions for allotment are listed below.

LONG-TERM INCENTIVE PROGRAM
The AGM in April 2017 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive plan for senior executives and key personnel within the NCC Group (LTI 2017). The purpose of LTI 2017 is to ensure a focus on NCC's long-term profitability and growth, to minimize the number of worksite accidents and create prerequisites for retaining and recruiting key personnel.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2017

SEK 000s	Total remuneration and benefits 4)	of which, benefits	of which, variable remuneration 5)	of which, provision for share-based payment 6)	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,225					
Member of the Board Geir Magne Aarstad 2)	370					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	500					
Member of the Board Sven-Olof Johansson 1)	130					
Member of the Board Mats Jönsson 2)	495					
Member of the Board Ulla Litzén	675					
Member of the Board Birgit Nørgaard 2)	370					
Member of the Board Christoph Vitzthum 1)	130					
Acting CEO Håkan Broman 8)	2,305	7		23	190	
Former CEO Peter Wågström	6,322	71			2,219	719
Former CEO Peter Wågström's severance package	17,476			1,550	1,313	
Other senior executives (five individuals) 7)	17,783	376	278	613	4,052	5,875
Total Parent Company	**48,281**	**454**	**278**	**2,186**	**7,774**	**6,594**
Other senior executives employed by subsidiaries (three individuals)	13,988	243	1,586	514	2,857	709
Total senior executives	**62,269**	**697**	**1,864**	**2,700**	**10,631**	**7,303**

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

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2016

SEK 000s	Total remuneration and benefits 4)	of which, benefits	of which, variable remuneration 5)	of which, provision for share-based payment 6)	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,100					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	500					
Member of the Board Olof Johansson3)	183					
Member of the Board Sven-Olof Johansson	500					
Member of the Board Ulla Litzén	500					
Member of the Board Christoph Vitzthum	500					
CEO Peter Wågström	11,366	65	1,125	2,605	2,625	660
Other senior executives (five individuals)	19,309	191	1,199	3,185	5,021	9,577
Total Parent Company	**34,458**	**256**	**2,324**	**5,790**	**7,646**	**10,237**
Other senior executives employed by subsidiaries (three individuals)	15,000	231	1,939	2,212	2,474	429
Total senior executives	**49,458**	**487**	**4,263**	**8,002**	**10,120**	**10,666**

1) Sven-Olof Johansson and Christoph Vitzthum stepped down at the AGM on April 5, 2017.

2) Geir Magne Aarstad, Mats Jönsson and Birgit Nørgaard (new electiion) were elected at the AGM on April 5, 2017.

3) Olof Johansson stepped down at the AGM on April 12, 2016.

4) Remuneration and benefits pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay. Director fees were raised following a resolution at the 2015 AGM. The amounts in the tables are subject to accrual accounting.

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

6) Amount reserved during the year for the ongoing LTI programs 2014, 2015, 2016 and 2017.

7) Håkan Broman was included as Senior Legal Counsel through October 30, 2017, following which Ann-Marie Hedbeck is included as Senior Legal Counsel. Svante Hagman is included as Business Area Manager for NCC Infrastructure through September 24, 2017. Göran Landgren took office as acting Business Area Manager on a consultancy basis on September 25, 2017.

8) NCC's pension commitments for Håkan Broman are recognized on the row Other senior executives because Håkan Broman will not retire in the capacity of Acting CEO.

	GROUP		PARENT COMPANY	
	Share awards	Synthetic options	Share awards	Synthetic options
Outstanding at the beginning of the period	239,207	239,207	123,506	123,506
Allocated during the period	100,009	100,009	21,402	21,402
Exercised during the period	–25,144	–25,144	–6,512	–6,512
Transferred to Group companies			5 217	5,217
Less termination of commission relationship			–76,564	–76,564
Allotted replacement shares LTI 2015	33,661	33,661	7,040	7,040
Forfeited during the period	–60,852	–60,852	–10,743	–10,743
Outstanding at the end of the period	**286,881**	**286,881**	**63,346**	**63,346**
Puttable at the end of the period	0	0	0	0

All shares and synthetic options have a redemption price of SEK 0.

Outstanding share awards and synthetic shares have a remaining contract term of two and a half years to a half year.

FAIR VALUE AND ASSUMPTIONS SHARE AWARDS LTI 2015

	2017		2016	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, KSEK	5,340	1,139	4,358	2,196
Share price, SEK	184.77	184.77	286.40	286.40
Redemption price, SEK	0	0	0	0
Options duration, year	0.5	0.5	1.5	1.5
Risk-free interest rate, %	1.72	1.72	1.70	1.70

SHARE AWARDS LTI 2016

	2017		2016	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, KSEK	4,348	1,013	2,575	1,316
Share price, SEK	195.23	195.23	195.23	195.23
Redemption price, SEK	0	0	0	0
Options duration, year	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.72	1.72	1.70	1.70

SHARE AWARDS LTI 2017

	2017	
	Group	Parent Company
Fair value on date of valuation, KSEK	2,995	646
Share price, SEK	225.48	225.48
Redemption price, SEK	0	0
Options duration, year	2.5	2.5
Risk-free interest rate, %	1.72	1.72

Dividend has been calculated as a five-year average of NCC AB's dividends.

All fair values and assumptions are the same for all participants in the program.

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS

	2017		2016	
	Group	Parent Company	Group	Parent Company
Share awards	4	1	10	5
Synthetic shares	1	0	17	9
Social security expenses	1	0	9	6
Total personnel expenses for share-based remunerations	**7**	**2**	**35**	**19**
Total carrying amount pertaining to liability for synthetic shares	**19**	**7**	**40**	**20**
Total real value of the liability pertaining to vested benefits	19	7	40	20

LTI 2017 is a three-year performance-based plan under which the participants will be allotted, free of charge, performance-based share awards providing entitlement to Series B shares and to performance-based synthetic shares providing entitlement to cash remuneration. In view of the introduction of LTI 2017, the maximum short-term variable remuneration payable to the participants will be adjusted downwards by five or ten percentage points of their basic salary. LTI 2017 will run parallel in all significant respects to the LTI program adopted by the 2016 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved in the performance period (January 1, 2017 through December 31, 2019). The targets that have been set for LTI 2017 comprise profitability and growth during the vesting period, and a reduction in the number of worksite

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

accidents as at the end of 2019. In respect of the financial objective, 100 percent is awarded/disbursed if the overall operating margin reaches or exceeds 4.0 percent, while annual growth reaches or exceeds 5.0 percent. Target fulfillment is measured for a three-year period (2017-2019). 0 percent is awarded/disbursed if target fulfilment does not reach an overall operating margin of 3.5 percent or annual growth of 2.0 percent. Within the target range, allotment/payment will occur linearly. For assessment of the second target, an established benchmark figure for the industry will be used based on the number of worksite accidents resulting in one day's absence or more from ordinary work per million working hours. At the end of 2017, NCC's benchmark was 7.5. Allotment/disbursement of 100 percent will occur if the ratio for 2019 is less than 4.5, while 0 percent will be allotted/disbursed if the ratio is exceeds 7.0. Within the range of 4.5 and 7.0, allotment/payment will occur linearly. Another prerequisite for any payment from LTI 2017 is that the NCC Group reports a pretax profit during the program period of 2017-2019 and during the final year of the program (meaning 2019).

Allotment

The participants are divided into three categories: CEO; other members of the Executive Management Group, business area management; and other key personnel. The allotment value is 50 percent of annual salary for the CEO, 30 percent of annual salary for other members of the Executive Management Group and either 15 percent or a maximum of 30 percent of annual salary for other key personnel.

The share price that is to form the basis for calculating the number of share awards and synthetic shares is to correspond to the average last price paid during a period of the first ten trading days after the AGM.

Scope and costs of the program

Assuming a share price of SEK 225,40 and the maximum outcome in accordance with LTI 2017, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2017, including costs for social security fees, will be SEK 74.1 M, corresponding to approximately 0.4 percent of the total number of shares.

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

Buyback of company shares

In order to cover commitments in accordance with LTI 2017, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees and payments on the basis of the synthetic shares, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 867,487 Series B shares. The shares are to be acquired on NASDAQ Stockholm and may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash. The Board decided to buy back Series B shares to cover obligations under the company's long-term incentive program, whereby 54,232 Series B shares were bought back during the second quarter of 2017.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2017, the Board proposed that the AGM resolve to permit the transfer of no more than 300,000 Series B shares to the participants of LTI 2017. The prerequisites and conditions for allotment are listed below, according to which all share awards will be regulated through physical delivery of the shares.

LTI 2014

The performance period for LTI 2014 expired on December 31, 2016. Shares and synthetic shares were delivered as planned in May 2017 to the remaining participants in the program. A total of 25,144 shares were delivered/disbursed, 25,144 synthetic shares, as well as SEK 7,201,242 as compensation for the spinoff of Bonava shares, were delivered during the program period. Delivery was made to 99 participants. The share price on the exercise date was SEK 235.50.

LTI 2015

The performance period for LTI 2015 was from January 1, 2015 through December 31, 2017. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2018 AGM.

The allotment of shares and synthetic shares to participants of this program was settled due to the spinoff of Bonava (formerly Housing). The allotment is indexed upwards proportionately by the decease in the price of the NCC Series B share that occurred as a consequence of the NCC share being traded ex Bonava.

LTI 2016

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

LTI 2017

A new LTI program was launched in 2017 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. For the financial performance objective, the overall operating margin and annual growth for the period is used rather than accumulated operating profit (EBIT), which was used for LTI 2016. The performance period for LTI 2017 is from January 1, 2017 through December 31, 2019.

Note 6 Depreciation/amortization

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Intangible assets	–65	–82		–33
Owner-occupied properties	–31	–24		–1
Machinery and equipment [1]	–621	–620	–1	–35
Total depreciation/amortization	**–718**	**–726**	**–1**	**–69**

[1] of which, depreciation of leased equipment in the Group amounted to SEK 89 M (98).

Note 7 Fees and remuneration to audit firms

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Audit firms				
PwC				
Auditing assignments	14		4	
Other statutory assignments	0		0	
Taxation services	0			
Other services	1		0	
EY				
Auditing assignments		13		4
Audit in addition to the audit assignment		6		4
Other assignments		0		0
Other auditors				
Auditing assignments	0	0		0
Tax consultations	0			
Total fees and remuneration to auditors and audit firms	**15**	**19**	**4**	**8**

During 2017, PricewaterhouseCoopers AB received nearly SEK 1 M for non-audit services. The services pertained to other statutory assignments, taxation services and other services but not valuation services.

Note 8 Impairment losses and reversal of impairment losses

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Financial expense				
Other securities		–2		
Result from participations in subsidiaries				
Shares in subsidiaries				–12
Impairment loss and reversal of impairment losses, fixed assets				
Owner-occupied properties	–3	25		
Machinery and equipment	–1	–31		
Other intangible assets	–3	–91		–88
Total impairment losses and reversal of impairment losses, fixed assets	**–7**	**–97**		**–88**
Total	**–7**	**–99**	**0**	**–100**

Note 9 Result from participations in Group companies

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Dividend			629	834
Capital gain/loss on sale	21	2		
Impairment losses				-12
Total	**21**	**2**	**629**	**823**

Note 10 Operating expenses by type of cost

GROUP	**2017**	2016
Production-related goods and services, plus raw materials and supplies	40,691	39,209
Change in inventories	51	17
Personnel costs	11,926	11,345
Depreciation/amortization	718	726
Impairment losses	7	130
Reversal of impairment losses		-31
Total cost of production, and selling and administration costs	**53,393**	**51,396**

Note 11 Interest expense and similar items

PARENT COMPANY	**2017**	2016
Interest expense, Group companies	–1	–2
Interest expense to credit institutions	–18	–33
Financial portion of pension cost	–2	–95
Interest expense, others	–1	–2
Exchange-rate differences		3
Other financial items	3	21
Total	**–19**	**–109**

Note 12 Net financial items

GROUP	**2017**	2016
Interest income on financial assets held for trading	2	2
Interest income on investments held to maturity		5
Interest income on loans and accounts receivable	17	11
Interest income on bank balances	1	1
Net gain on financial assets available for sale	14	1
Net profit on financial assets/liabilities available for sale	3	6
Other financial income	2	1
Financial income	**39**	**26**
Interest expense on financial liabilities measured at amortized cost	–94	–88
Interest expense on financial liabilities held for trading	–16	–33
Net loss on financial assets/liabilities held for trading	–1	–1
Impairment loss on financial investments		–3
Net exchange-rate changes	–4	
Other financial expenses	–15	–14
Financial expense[1)]	**–130**	**–138**
Net financial items	**–91**	**–112**
Of which, changes in value calculated using valuation techniques	2	5

1) Interest payments of SEK 15 M (33) have been capitalized

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

GROUP	2017 exchange rates 2016[1)]	**2017**	Exchange-rate effect
Net sales	54,278	54,608	330
Operating profit	1,249	1,242	–7
Profit after financial items	1,160	1,150	–10
Net profit for the year	1,017	1,009	–8

1) Figures for 2017 converted at 2016 exchange rates.

			AVERAGE EXCHANGE RATE JAN–DEC		YEAR-END RATE	
Country	SEK	Currency	**2017**	2016	**2017**	2016
Denmark	100	DKK	129.53	127.14	132.05	128.73
EU	1	EUR	9.64	9.47	9.83	9.57
Norway	100	NOK	103.30	101.91	100.14	105.35
Russia	1	RUR	0.15	0.13	0.14	0.15

Note 14 Appropriations and untaxed reserves

	APPROPRIATIONS		UNTAXED RESERVES	
PARENT COMPANY	**2017**	2016	**2017**	2016
Accumulated depreciation in excess of plan				
– machinery and equipment	50	-50		50
Reserve in work in progress	477	-36		477
Group contributions received	55	373		
Total	**582**	**287**	**0**	**527**

Note 15 Intangible assets

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

2016	GROUP ACQUIRED INTANGIBLE ASSETS Goodwill	Usufructs	Other	GROUP Total other	PARENT COMPANY Goodwill	Development expenses
Recognized cost on January 1	**2,049**	**265**	**489**	**754**	**2**	**231**
Investments		8	100	108		44
Divestment and scrappage	–21	–6	–14	–20		
Discontinued operations	–71		–127	–127		
Reclassifications		11	–5	6		
Translation differences during the year	86	9	5	14		
Recognized cost on December 31	**2,043**	**287**	**448**	**735**	**2**	**275**
Accumulated amortization on January 1	**–2**	**–136**	**–167**	**–303**	**–1**	**–48**
Divestment and scrappage	2	2	14	15		
Discontinued operations			26	26		
Reclassifications			–3	–3		
Translation differences during the year	–1	–5	–4	–9		
Amortization according to plan during the year		–18	–67	–85		–33
Accumulated amortization on December 31	**–1**	**–157**	**–201**	**–358**	**–1**	**–81**
Accumulated impairment losses on January 1	**–255**	**–11**		**–11**		
Divestment and scrappage	19					
Discontinued operations	49					
Reclassifications		–2	1	–1		
Translation differences during the year	–3					
Impairment losses for the year			–91	–91		–88
Accumulated impairment losses on December 31	**–191**	**–13**	**–90**	**–103**	**0**	**–88**
Residual value on January 1	**1,792**	**118**	**321**	**439**	**2**	**182**
Residual value on December 31	**1,851**	**117**	**158**	**275**	**1**	**107**

Note 15 Intangible assets, cont'd

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill totaling SEK 1,848 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2017	2016
NCC Building	557	564
NCC Infrastructure	286	288
NCC Industry	1,005	999
NCC Group	**1,848**	**1,851**

Every year impairment requirement testing for goodwill is conducted. Impairment testing is based on the future cash-flow of the units, taking into account the market's yield requirement and their risk profile.

Cash flow was based on forecasts established by company management. When deemed necessary, the forecasts have been established with a greater emphasis on the immediate period ahead (five years). The following key assumptions were used:

Long-term growth: In all cases, a long-term sustainable growth rate of 2.0 (2.0) percent has been assumed when the forecast period is over, which reflects anticipated long-term growth in the market. Subject to the exceptions specified below, it is assumed that the growth rate also applies to sales during the forecast period.

Operating margin: The forecast operating margin has been assumed to equal the average for the past three years.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2017, with a growth rate equal to the sustainable long-term growth rate.

*Discount interest rate:*The weighted average cost of capital (WACC) is calculated for the various units on the basis of beta value, and local conditions in respect of market interest rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. Although the after-tax discount interest rates vary among the different cash-generating units, in NCC's scenario it totals 9.7 percent (8.3) percent before and 7.6 percent (6.4) after tax.

NCC's impairment testing reveals no impairment requirement for goodwill.

Risk analyses: The difference between the value in use and the carrying amount is lowest for NCC Infrastructure. The sensitivity analysis of the assumptions used in impairment testing shows that reasonable changes in sales growth, operating margin and discount interest rate would not result in any impairment. The table illustrates the sensitivity of the value in use to changes in certain important variables.

IMPACT ON VALUE IN USE

	2017			2016		
	Building	Infrastructure	Industry	Building	Infrastructure	Industry
Value in use – carrying amount (SEK M)	11,386	3,112	12,011	11,218	4,885	7,193
Discount rate, WACC (%)	7.6	7.6	4.6	7.9	8.1	4.6
Impact on value in use (negative amounts)						
0.5-percentage-point decrease in operating margin during the forecast period	–2,275	–1,632	–2,618	–2,232	–1,403	–2,060
One-percentage-point decrease in long-term growth	–1,879	–573	–3,979	–1,770	–798	–2,429
0.5-percentage-point increase in discount rate (WACC)	–726	–307	–2,737	–694	–391	–1,724

OTHER INTANGIBLE ASSETS

Usufructs include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to long periods.

Amortization of quarries occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel. The Other item consists mainly of software and licenses.

The periods of use range from three to five years and amortization is applied on a straight-line basis.

AMORTIZATION IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	GROUP	
	2017	2016
Production costs	–65	–51
Selling and administrative expenses		–33
Total	**–65**	**–85**

Note 16 Tangible fixed assets

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

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

2016	GROUP Owner-occupied properties	Machinery and equipment	Total	PARENT COMPANY Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	1,386	7,602	8,988	27	524	551
Investments	49	882	931	1	28	29
Divestment and scrappage	–43	–565	–608	–9	–25	–34
Discontinued operations	–71	–228	–299			
Reclassifications	3	24	27			
Translation differences during the year	55	279	334			
Recognized cost on December 31	1,379	7,994	9,373	19	527	547
Accumulated impairment losses and depreciation on January 1	–560	–5,186	–5,746	–10	–437	–447
Divestment and scrappage	19	447	466	2	20	22
Discontinued operations	20	129	149			
Reclassifications	–24	–6	–30			
Translation differences during the year	–19	–174	–193			
Reversed impairment losses	31		31			
Impairment losses for the year[1]	–6	–31	–37			
Depreciation during the year	–25	–625	–650	–1	–35	–36
Accumulated impairment losses and depreciation on December 31[1]	–564	–5,446	–6,010	–9	–452	–461
Accumulated write-ups at beginning of the year		1	1			
Divestment and scrappage		20	20			
Accumulated write-ups at end of year		21	21			
Residual value on January 1	826	2,417	3,243	17	88	105
Residual value on December 31	814	2,569	3,383	11	75	86
Carrying amount of financial leasing		362[2]	362			
[1] Accumulated impairment losses on December 31	–15	–44	–60			

[2] Of which, acquisition value of SEK 670 M, accumulated amortization of SEK neg: 308 M.

Note 17 Participations in Group companies

PARENT COMPANY

Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	No. of participations2)	Carrying amount 2017	Carrying amount 2016
Real estate companies:				
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	962	962
Total participations in real estate companies			**962**	**962**
Other companies:				
Anjo Bygg AB, 556317-8515, Halmstad				1
Byggs Sprutbetong AB, 556378-5269, Malung				15
Däldehög AB, 556268-5700, Gothenburg				1
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
Ekängens Handelsträdgård AB, 556188-6903, Solna				4
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		
Luzern AB, 556336-4727, Lund				3
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm				1
NCC Danmark A/S, 69 89 40 11, Denmark	100	400	117	116
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	625	321
NCC Sverige AB, 556613-4929, Solna	100	500	63	61
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	41	41
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Purchasing Group AB, 556104-9932, Stockholm	100	2	1	1
NCC Suomi Oy, 1765514-2, Finland	100	4	94	94
NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,641	1,640
NCC Skakt Aps, 36 95 64 88, Denmark	5[3]	3		
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
Nybergs Entreprenad AB, 556222-1845, Gotland				11
Tipton Ylva AB, 556617-6326, Stockholm				1
Total participations in other companies			**3,716**	**3,445**
Total participations in Group companies			**4,678**	**4,407**

1) The ownership share corresponds to the shareholding.
2) Number of shares in thousands.
3) The remaining shares are held by subsidiaries of the NCC Group.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the purchase method. NCC's assessment is that it has no controlling influence over any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 133 (114). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

Note 18 Participations in associated companies and joint ventures

GROUP

Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	No. of participations2)	Carrying amount 2017	Carrying amount 2016
Asfalt & Maskin AS, 960,585,593, Norway	50		6	7
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	9	6
Oraser AB 556293-2722, Stockholm	50	1	5	5
Sjaellands Emulsionsfabrik I/S, 18004968, Roskilde	50		6	4
SHH Hyresproduktion AB, 556889-3746, Stockholm	50	1	8	5
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 12 (18)			1	1
Total			**37**	**30**

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

Note 19 Participations in joint operations

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

GROUP	2017	2016
Revenue	116	79
Expenses	–104	–86
Profit	**12**	**–7**
Fixed assets	1	1
Current assets	377	165
Total assets	**378**	**166**
Long-term liabilities	3	
Current liabilities	215	38
Total liabilities	**218**	**38**
Net assets	**160**	**128**

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

SPECIFICATION OF JOINT VENTURES

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Entreprise 23 konsortiet	50
Entreprise 26 konsortiet	50
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
GR2012 Konsortiet I/S	50
Handelsbolag NCC-DPR Data Centre	50
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Langebro 2	50
M11-Entreprenør	50
Milman Miljömuddring	50
NCC Norge AS (E18 Knapstad)	50
NCC-LHR Gentofte Konsortiet	65
NCC-MJEkonsortie I/S	50
NCC-OHL Lund-Arlöv, four tracks	50
NCC-SMET konsortiet	50
NCC-SMET konsortiet Østerbro Tunnel Konsortiet	50
NFO konsortiet I/S	50
Norviksudd, consortium	50
Polaris Business Park Oy	50
Ørestad Down Town P/S	60

Note 20 Participations in associated companies

PARTICIPATIONS IN ASSOCIATED COMPANIES INCLUDED IN FINANCIAL FIXED ASSETS

PARENT COMPANY			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, %1)3)	No. of participations2)	2017	2016
Oraser AB, 556293-2722, Stockholm				6
Other 0 (1)				1
Total				**7**

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.
3) See Note 17 for a description of controlling influence.

Companies for which ownership shares and number of shares have not been specified were divested during the year.

Note 21 Financial investments

GROUP	2017	2016
Financial investments classified as fixed assets		
Available-for-sale financial assets		
Unlisted securities	91	95
Total	**91**	**95**
Short-term investments classified as current assets		
Financial assets at fair value through profit or loss		
Interest-bearing securities	10	99
Investments held to maturity		
Interest-bearing securities	30	91
Total	**41**	**190**

Investments held to maturity had an established interest rate ranging from negative 0.4 percent (neg: 0.7) to plus 1.7 percent (1.7), and had due dates ranging from 3 (6) months to 4 (4) years. Financial investments are also presented in Note 23.

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

Note 22 Financial fixed assets

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

PARENT COMPANY, 2016	Participations in Group companies	Participations in associated companies and joint ventures	Other long-term securities	Other long-term receivables[1]	Total
Recognized cost on January 1	**17,359**	**26**	**11**	**84**	**17,480**
Assets added	513			55	568
Transferred within the Group	–365				–365
Reclassifications	332		41		373
Assets removed	–5,526	–7			–5,533
Recognized cost on December 31	**12,313**	**19**	**52**	**139**	**12,523**
Accumulated write-ups at beginning of the year	**268**				**268**
Reclassifications	–268				–268
Accumulated write-ups at end of year	**0**				**0**
Accumulated impairment losses on January 1	**–7,983**	**–12**	**–6**	**–2**	**–8,003**
Transferred within the Group	65				65
Assets removed	173				173
Reclassifications	–149				–149
Impairment losses for the year	–12				–12
Accumulated impairment losses on December 31	**–7,906**	**–12**	**–6**	**–2**	**–7,926**
Residual value on December 31	**4,407**	**7**	**46**	**136**	**4,595**

1) The item also includes deferred tax assets.

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

GROUP	2017	2016
Long-term interest-bearing receivables classified as fixed assets		
Receivables from associated companies and joint ventures	429	278
Interest-bearing securities[1]	131	63
Other long-term receivables	15	20
Long-term interest-bearing receivables classified as fixed assets	**575**	**361**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	15	10
Receivables from divested property and housing projects	102	85
Advance payments to suppliers	1	5
Derivative instruments held for hedging	80	106
Other current receivables	489	240
Other receivables classified as current assets	**687**	**446**

1) For due dates, refer to Note 21.

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

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Tax on net profit for the year				
Current tax cost	–194	–265	–91	–169
Deferred tax revenue/cost	53	40	1	59
Total recognized tax on net profit for the year	**–141**	**–225**	**–90**	**–110**

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

	GROUP				PARENT COMPANY			
	2017		2016		2017		2016	
Effective tax	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		1,150		1,341		993		1,416
Tax according to company's current tax rate	–22%	–253	–22%	–295	–22%	–218	–22%	–311
Effect of other tax rates for non-Swedish companies	1%	10	1%	19				
Changed tax rate in Norway in 2017 and 2016	–1%	–15		–4				
Other non-tax-deductible costs	–3%	–33	–1%	–11		–4		–4
Non-taxable revenues	15%	175	6%	78	14%	143	13%	189
Tax attributable to prior years	–2%	–25	–1%	–14	–1%	–11	1%	17
Other				2				–1
Recognized tax	**–12%**	**–141**	**–17%**	**–225**	**–9%**	**–90**	**–8%**	**–110**

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

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2017	2016
Current tax in hedging instruments	1	7
Deferred tax on cash flow hedging	1	–22
Deferred tax attributable to the revaluation of defined-benefit pension plans	55	130
Total	**57**	**115**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRY-FORWARDS

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening carrying amount	–310	–117	124	66
Deferred tax in discontinued operations		–338		
Less termination of commission relationship			–119	
Recognized tax on net profit for the year	68	44	1	59
Changed tax rate in Norway in 2017 and 2016	–15	–4		
Tax items recognized in other comprehensive income	2	–22		
Tax item, revaluation of defined-benefit pension plans recognized in other comprehensive income	55	130		
Translation differences	–17	2		–1
Other	18	–5		
Closing carrying amount	**–199**	**–310**	**6**	**124**

	ASSETS		LIABILITIES		NET	
Group	2017	2016	2017	2016	2017	2016
Tangible fixed assets			–32	–28	–32	–28
Financial fixed assets			–1		–1	
Non-completed projects			–901	–750	–901	–750
Properties held for future development			–34	–23	–34	–23
Untaxed reserves			–206	–201	–206	–201
Provisions	263	254			263	254
Personnel benefits/pension provisions	323	203			323	203
Tax loss carryforwards	352	224			352	224
Other	73	62	–36	–51	37	11
Deferred tax assets/Deferred tax liabilities	**1,011**	**743**	**–1,210**	**–1,053**	**–199**	**–310**
Offsetting	–772	–646	772	646		
Net deferred tax assets/deferred tax liabilities	**239**	**97**	**–438**	**–407**	**–199**	**–310**

	ASSETS		LIABILITIES		NET	
Parent Company	2017	2016	2017	2016	2017	2016
Provisions	5	105			5	105
Personnel benefits/pension provisions		5				5
Other	1	14			1	14
Net deferred tax asset/tax liability	6	124			6	124

Temporary differences between the carrying amount and the taxable value of directly owned participations do not normally arise for participations held as business assets in Swedish companies. Nor is this the case for the other participations owned by NCC companies in other countries.

Note 25 Properties classed as current assets

GROUP, 2017	Properties held for future development, housing	Ongoing property projects	Completed property projects	Total property projects [1]	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects	Total
Recognized cost on January 1	**1,777**	**1,440**	**853**	**4,070**	**16**		**148**	**164**	**4,234**
Investments	183	951	18	1,152					1,152
Divestment and scrappage	–57	–1,123	–422	–1,602	–4		2	–2	–1,604
Reclassifications	–218	–229	463	16	–16			–16	
Translation differences during the year	8	1	4	13	3			3	16
Recognized cost on December 31	**1,693**	**1,039**	**916**	**3,649**	**–1**	**0**	**150**	**148**	**3,797**
Accumulated impairment losses on January 1	**3**		**–45**	**–42**	**0**		**–148**	**–148**	**–190**
Divestment and scrappage					3			3	3
Translation differences during the year			–1	–1	–2		–2	–4	–6
Accumulated impairment losses on December 31	**3**	**0**	**–46**	**–43**	**1**	**0**	**–150**	**–149**	**–193**
Residual value on January 1	**1,780**	**1,440**	**808**	**4,028**	**16**	**0**	**0**	**16**	**4,044**
Residual value on December 31	**1,696**	**1,039**	**870**	**3,605**	**0**	**0**	**0**	**0**	**3,605**

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

GROUP, 2016	Properties held for future development, housing	Ongoing property projects	Completed property projects	Total property projects [1]	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects [2]	Total
Recognized cost on January 1	**2,047**	**2,013**	**410**	**4,470**	**4,914**	**7,004**	**736**	**12,654**	**17,124**
Investments	114	1,442	1	1,557	1,006	2,192	10	3,208	4,765
Divestment and scrappage	–283	–1,801	–7	–2,091	–75	–2,158	–377	–2,610	–4,701
Decrease through divestments	–8			–8					–8
Discontinued operations					–6,185	–7,350	–286	–13,821	–13,821
Reclassifications	–160	–247	413	6	–6			–6	
Translation differences during the year	67	33	36	136	362	312	65	739	875
Recognized cost on December 31	**1,777**	**1,440**	**853**	**4,070**	**16**	**0**	**148**	**164**	**4,234**
Accumulated impairment losses on January 1	**3**		**–43**	**–40**	**–196**	**–17**	**–152**	**–366**	**–406**
Discontinued operations					199	18	8	226	226
Translation differences during the year			–2	–2	–3	–1	–4	–8	–10
Accumulated impairment losses on December 31	**3**	**0**	**–45**	**–42**	**0**	**0**	**–148**	**–148**	**–190**
Residual value on January 1	**2,050**	**2,013**	**367**	**4,430**	**4,718**	**6,987**	**583**	**12,288**	**16,718**
Residual value on December 31	**1,780**	**1,440**	**808**	**4,028**	**16**	**0**	**0**	**16**	**4,044**

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

Note 26 Materials and inventories

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Stone materials	438	419		
Building materials	170	149		57
Other	156	145		
Total	**764**	**713**		**57**

Note 27 Construction contracts

WORKED-UP, NON-INVOICED REVENUES

GROUP	2017	2016
Worked-up revenues from ongoing contracts	26,202	23,595
Invoicing for ongoing contracts	–24,531	–21,858
Total	**1,671**	**1,737**

INVOICED REVENUES, NOT WORKED UP

GROUP	2017	2016
Invoicing for ongoing contracts	44,337	39,678
Worked-up revenues from ongoing contracts	–38,763	–35,323
Total	**5,574**	**4,355**

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 64,965 M (58,918). Advance payments received amounted to SEK 142 M (466). Amounts withheld by the customer amounted to SEK 649 M (276).

Note 28 Share capital

Changes in share capital		Number of shares	Share capital, SEK M
1988	Start of year	6,720,000	672
	Split, 1:4	20,160,000	
	Directed placement in connection with the acquisition of ABV	16,259,454	407
1991	Conversions of debentures	1,449,111	36
1993	Conversions of debentures	468,928	11
	Directed placements in connection with purchase of minority-held NK shares	1,838,437	46
1994	New issue	19,841,991	496
	Conversions of debentures	13,394,804	335
1997	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital[1]		–1,844
2017	**End of year**	**108,435,822**	**867**

1) The quotient value was changed from SEK 25.00 to SEK 8.00.

Holding of Series B shares		Number of shares
2000	Repurchases	2,775,289
2001	Repurchases	699,300
2002	Repurchases	2,560,800
2003	Repurchases	3
2005	Sales	–4,840,998
2006	Sales	–843,005
2007	Sales	–330,251
2011	Sales	–21,138
2012	Repurchases	415,500
2013	Repurchases	177,000
2015	Repurchases	68,000
2015	Distribution of shares to participants in incentive programs	–92,446
2016	Sales	–483,947
2016	Distribution of shares to participants in incentive programs	–84,107
2016	Repurchases	362,222
2017	Sales	–37,987
2017	Distribution of shares to participants in incentive programs	–25,144
2017	Repurchases	54,232
2017	**End of year**	**353,323**

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8.00 each. During the year, 1,105,635 Series A shares (11,031,194) were converted to Series B shares.

The shares are distributed into the following classes:

	Series A	Series B	Total
Number	13,386,268	95,049,554	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right. A specification of changes in shareholders' equity is presented on p. 54.

SERIES A AND B SHARES	Series A	Series B	Total Series A and Series B
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares 2000-2015	–37,588,585	37,588,585	
Share buybacks 2000-2015		–6,695,892	–6,695,892
Sale of treasury shares 2005-2014		6,035,392	6,035,392
Distribution of shares to participants in incentive programs, 2015		92,446	92,446
No. of shares on Dec. 31, 2015	**25,523,097**	**82,344,671**	**107,867,768**
Conversion of Series A to Series B shares 2016	–11,031,194	11,031,194	
Share buybacks 2016		–362,222	–362,222
Sale of treasury shares 2016		483,947	483,947
Distribution of shares to participants in incentive programs, 2016		84,107	84,107
No. of shares on Dec. 31, 2016	**14,491,903**	**93,581,697**	**108,073,600**
Conversion of Series A to Series B shares 2017	–1,105,635	1,105,635	
Sale of treasury shares 2017		37,987	37,987
Distribution of shares to participants in incentive programs, 2017		25,144	25,144
Share buybacks 2017		–54,232	–54,232
No. of shares on Dec. 31, 2017	**13,386,268**	**94,696,231**	**108,082,499**
Number of voting rights	133,862,680	94,696,231	228,558,911
Percentage of voting rights	59	41	100
Percentage of share capital	12	88	100
Closing price, Dec. 31, 2017	157.00	157.30	
Market capitalization, SEK M	2,102	14,896	16,997

Note 29 Interest-bearing liabilities

GROUP	2017	2016
Long-term liabilities		
Liabilities to credit institutions and investors[1]	1,374	1,976
Financial lease liabilities	272	228
Other long-term loans	23	84
Total	**1,669**	**2,288**
Current liabilities		
Current portion of liabilities to credit institutions and investors	588	457
Liabilities to associated companies	31	14
Financial leasing, current portion	146	134
Other current liabilities	154	118
Total	**919**	**723**
Total interest-bearing liabilities	**2,588**	**3,011**

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

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

Interest-bearing long-term liabilities pertaining to pensions recognized in the balance sheet under Provisions for pensions and similar obligations.

Note 29 Interest-bearing liabilities, cont.

FINANCIAL LEASING

For information on payment schedules for financial leasing liabilities, also see Note 35 Leasing.

PARENT COMPANY	2017	2016
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,000	1,000
Total	**1,000**	**1,000**
Current liabilities		
Group companies	1,192	349
Other current liabilities		57
Total	**1,192**	**406**
Total interest-bearing liabilities	**2,192**	**1,406**

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

Note 30 Other provisions

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

GROUP, 2016	Guarantees	Other	Total
On January 1	**1,377**	**651**	**2,028**
Provisions during the year	356	177	533
Amount utilized during the year	–223	–211	–434
Reversed, unutilized provisions	–91	–4	–95
Discontinued operations	–254	–119	–373
Translation differences	34	15	49
On December 31	**1,199**	**509**	**1,709**

PARENT COMPANY, 2017	Guarantees	Other	Total
On January 1	**540**	**28**	**568**
Provisions during the year		1	1
Less termination of commission relationship	–540	–21	–561
On December 31		**8**	**8**

PARENT COMPANY, 2016	Guarantees	Other	Total
On January 1	**504**	**38**	**542**
Provisions during the year	161	27	188
Amount utilized during the year	–124	–36	–160
Via acquired companies		–1	–1
On December 31	**540**	**28**	**568**

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Restoration reserve	164	161		
Restructuring costs	65	21		
Other	606	327	8	28
Other provisions	**835**	**509**	**8**	**28**
Guarantee commitments	1,078	1,199		540
Total	**1,913**	**1,709**	**8**	**568**

GUARANTEE COMMITMENTS

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

RESTORATION RESERVE

The restoration reserve is attributable to NCC Industry. The provisions are intended to cover future costs for restoring quarries used to mine aggregates and stone. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration occurs.

OTHER

The provisions comprise additional costs plus uncertainty in projects as well as outstanding disputes and legal matters. Part of the provisions is intended to cover losses arising in operations and is utilized gradually as the project is worked up.

Note 31 Pensions

The NCC Group has defined-benefit pension plans in Sweden and Norway.

In Sweden, NCC's pension commitment comprise largely the ITP plan that covers employees born prior to 1979. The plan provides retirement pension based on the final salary and is funded in NCC Group's Pension Foundation. The number of paid-up holders and pensioners is about 70 percent of the total portfolio. In addition, there are five small defined-benefit plans, of which several are blocked from new earnings. Four of these plans are funded in NCC Group's Pension Foundation and the fifth is insured in a life insurance company.

The Board of Directors of NCC Group Pension Foundation consists of an equal number of representatives for the NCC Group and employees covered by the ITP plan. The Board holds meetings four times per year and addresses the Foundation's quarterly accounts, investment strategy, reference portfolio and sensitivity analyses. Under certain conditions, the NCC Group can request compensation from the Foundation for pension payments. There are no minimum funding requirements for the IPT2 plan.

The risks associated with the Swedish pension plans are:

- Interest-rate risks; that with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk: that the debt will increase with higher salary increases.
- Volatility of assets; the portfolio contains mostly share funds, whose prices can rise and fall sharply in the short term, but the long-term aim of the portfolio is to generate the best possible return.
- Useful life assumption; the longer the individuals covered by the plan live, the higher the commitment.

In Norway, the commitment comprises two small pension systems pertaining to supplementary pensions that are not funded and where no new vesting occurs. Since the plans are small, with no new vesting, the risks in these plans are significantly smaller than described above.

Note 31 Pensions, cont'd.

PENSION COST

GROUP	2017	2016
Defined-benefit plans:		
Current service cost	204	184
Interest expense	148	157
Estimated return on plan assets	–126	–147
Total cost of defined-benefit plans	**226**	**194**
Total cost of defined-contribution plans	489	500
Payroll taxes and yield tax	–77	–126
Total cost of post-employment remuneration	**638**	**568**

Current service cost is recognized in operating profit and the interest-rate component, with the anticipated return on plan assets, in net financial items.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Swedish Financial reporting Board, UFR 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2017 fiscal year, NCC did not have access to the type of information required for reporting its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to report these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.19 percent (0.19).

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 percent. If Alecta's collective solvency rate falls below 125 percent or exceeds 155 percent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be to raise the agreed price for new subscriptions and for increasing existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2017, Alecta's surplus in the form of its collective solvency rate was 154 percent (148).

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2017	2016
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	6,388	5,856
Fair value of plan assets	5,254	5,043
Net value of obligations funded in full or in part	**1,134**	**813**
Special payroll tax/employer contributions	272	195
Net amount in balance sheet (obligation +, asset –)	**1,407**	**1,008**
Net amount is recognized in the following balance-sheet items:		
Provisions for pensions and similar obligations	1,407	1,008
Net amount in balance sheet (obligation +, asset –)	**1,407**	**1,008**
Net amount is distributed among plans in the following countries:		
Sweden	1,395	996
Norway	11	12
Net amount in balance sheet (obligation +, asset –)	**1,407**	**1,008**

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS

GROUP	2017	2016
Obligation for defined benefit plans on January 1	**5,855**	**5,176**
Benefits paid	–183	–173
Current service cost plus interest expense	352	341
Actuarial gains and losses on changed demographic assumptions	131	29
Actuarial gains and losses on changed financial assumptions	234	481
Exchange-rate differences	–1	1
Obligation for defined benefit plans on December 31	**6,388**	**5,855**

The weighted average maturity for the plans is 22 years (26).

CHANGE IN PLAN ASSETS

GROUP	2017	2016
Fair value of plan assets on January 1	**5,043**	**4,902**
Contribution by employer	2	12
Compensation	–81	–54
Estimated return	126	147
Actuarial gains and losses	164	35
Exchange-rate differences		1
Fair value of plan assets on December 31	**5,254**	**5,043**
The plan assets comprise:		
Swedish stock market, listed	671	785
International stock market, listed	1,286	1,187
Hedge funds, listed	807	688
Interest-bearing securities, listed	1,476	1,033
Interest-bearing securities, unlisted	1,014	1,350
Fair value of plan assets on December 31	**5,254**	**5,043**

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

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2017	2016
Discount interest rates, %	2.45	2.50
Future salary increases, %	3.00	3.0
Anticipated inflation, %	1.75	1.5
Useful life assumption at 65 years, years	22.4	22.4

The actuarial assumptions pertain only to calculation of the pension liability in Sweden, because the amounts in Norway are not material.

SENSITIVITY ANALYSIS; PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2017

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	–9.4	8.3
Future salary increases, 0.5 percentage points change	3.3	–3.3
Anticipated inflation, 0.5 percentage points change	7.0	–6.4
Useful life assumption at 65 years, 1 year change	3.8	–3.8

The above sensitivity analysis does not constitute a forecast from the company but only a mathematical calculation.

The sensitivity analysis is based on a change in an assumption, while all other assumptions remain constant. In practice, it is not probable that this will occur and any changes in the assumptions could be correlated. When calculating the sensitivity analysis, the same method is used as in the calculation of the pension liability in the balance sheet.

The Group estimates that SEK 37 M will be paid in 2018 to funded and unfunded defined-benefit plans.

Note 31 Pensions, cont'd.

PENSION COSTS

PARENT COMPANY	2017	2016
Proprietary pension payments		
Proprietary costs, excluding interest expense	185	156
Interest expense	2	94
Cost of proprietary pension payments	**187**	**250**
Pension payments through insurance		
Insurance premiums	23	165
Subtotal	**210**	**415**
Special payroll tax on pension costs	8	66
Pension costs during the year	**218**	**481**

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2017	2016
Capital value of pension obligations pertaining to proprietary pension payments on January 1	3,378	3,274
Cost, excluding interest expense, charged against profit	185	156
Interest expense	2	94
Pension payments	–10	–146
Benefits/obligations transferred to NCC Sverige AB	–3,378	
Capital value of pension obligations pertaining to proprietary pension on December 31	**177**	**3,378**

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2017	2016
Fair value of especially detached assets on January 1	4,443	4,320
Return on especially detached assets	218	168
Benefits transferred to NCC Sverige AB	–4,443	–45
Fair value of especially detached assets on December 31	**218**	**4,443**
Fair value of especially detached assets distributed as:		
Shares	80	1,727
Funds	33	603
Interest-bearing receivables	105	2,113
Fair value of especially detached assets on December 31	**218**	**4,443**

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 1,000 M (1,000) from NCC AB.

Otherwise, the pension foundations have no financial instruments issued by the company or assets used by the company.

NET PENSION OBLIGATION

PARENT COMPANY	2017	2016
Capital value of pension obligations pertaining to proprietary pension on December 31	177	3,378
Fair value of especially detached assets on December 31	218	4,443
Surplus on especially detached assets	42	1,067
Net recognized pension obligation	**1**	**1**

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

PARENT COMPANY	2017	2016
Discount interest rate on December 31	4.00	4.00

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

Note 32 Other liabilities

GROUP	2017	2016
Other long-term liabilities		
Derivative instruments held for hedging	18	22
Other long-term liabilities	35	32
Total	**54**	**54**
Other current liabilities		
Advances from customers	143	466
Liabilities to associated companies	4	3
Derivative instruments held for hedging	40	27
Liabilities, property acquisitions	14	67
Other current liabilities	850	896
Total	**1,052**	**1,460**

Note 33 Work in progress for a third party and net sales

PARENT COMPANY	2017	2016
Invoicing excluding withheld amount		23,013
Withheld amount		41
Total invoicing	**0**	**23,054**
Costs incurred excluding reserve for losses		–19,142
Reserve for losses		60
Total costs incurred	**0**	**–19,082**
Total work in progress on another party's account	**0**	**3,972**
Profit-recognized invoicing		
Invoicing during the year	188	22,527
Invoiced but not recognized as profit on January 1		21,400
Less: Invoiced but not recognized as profit on December 31		–23,054
Total revenues	**188**	**20,873**

The commission relationship between NCC AB and NCC Sverige AB was discontinued on January 1, 2017. In 2016, NCC Sverige AB was included in the Parent Company, when it conducted operations on a commission basis on behalf of NCC AB. Net sales in 2017 pertain to charges to Group companies.

Note 34 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Payroll-related costs	2,195	2,153	61	920
Financial expense	2	1		
Prepaid rental revenues	9	15		
Prepaid revenues from rental guarantees	13	31		
Project-related costs	626	738		121
Administrative costs	4	25	6	12
Operating and sales costs	304	287	5	2
Other expenses	55	–46	3	11
Total	**3,207**	**3,205**	**76**	**1,067**

Note 35 Leasing

In Sweden, there are framework agreements for the financial leasing of cars and trucks, with some related administrative services. The agreements are based on variable interest rates. NCC recommends purchasers and has the opportunity to extend leasing agreements.

In Finland, Norway and Denmark, framework agreements have been reached for the operational leasing of cars and trucks, including related administrative services. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased objects and the extension of leasing agreements.

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

GROUP	2017	2016
Financial lessee		
Leasing contracts that expire:		
Within one year	58	56
Later than one year but earlier than five years	360	306
Future minimum leasing fees		
Within one year	147	133
Later than one year but earlier than five years	274	230
Present value of future minimum leasing fees		
Within one year	146	133
Later than one year but earlier than five years	272	229
Reconciliation of future leasing fees and their present value:		
Future minimum leasing fees	421	363
Less interest charge	–2	–1
Present value of future minimum leasing fees	**418**	**362**
Variable fees included in net profit for the year:		
Interest on leased machinery and equipment	2	3
Total	**2**	**3**

OPERATING LEASES

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	23	8	46	54
Later than one year but earlier than five years	68	15	107	175
Later than five years	42	7		
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	380	374	52	109
Later than one year but earlier than five years	886	847	122	253
Later than five years	134	219		40
The year's cost for operational leasing amounts to	580	723		49

Note 36 Related-party transactions

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

The Parent Company has a close relationship with its subsidiaries; refer to Note 17, Participations in Group companies. For information on NCC's senior executives, refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions pertaining to NCC Group's Pension Foundation, refer to Notes 31 and 39.

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

GROUP	2017	2016
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	81	261
Purchases from associated companies and joint arrangements	65	19
Dividend from associated companies		15
Long-term receivables from associated companies and joint ventures	429	278
Current receivables from associated companies and joint ventures	42	40
Interest-bearing liabilities to associated companies and joint ventures	31	14
Operating liabilities to associated companies and joint ventures	16	8
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	2,844	1,634
Purchases from the Nordstjernan Group	158	647
Current receivables from the Nordstjernan Group	187	275
Transactions with the Axel Johnson Group		
Sales to the Axel Johnson Group		7
Purchases from the Axel Johnson Group	1	2

PARENT COMPANY	2017	2016
Transactions with Group companies		
Sales to Group companies		2,061
Purchases from Group companies	72	1,308
Interest income from Group companies	4	4
Interest expense to Group companies	1	2
Dividend from Group companies	629	834
Current receivables from Group companies	1,085	6,604
Interest-bearing liabilities to Group companies	1,187	349
Operating liabilities to Group companies	1,050	1,293
Contingent liabilities for Group companies	18,911	11,120
Transactions with associated companies and joint ventures		
Purchases from associated companies and joint ventures		19
Current receivables from associated companies and joint ventures		2
Operating liabilities to associated companies and joint ventures		3
Contingent liabilities for associated companies and joint arrangements		8
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group		1,632
Purchases from the Nordstjernan Group	1	469
Current receivables from the Nordstjernan Group		275
Transactions with the Axel Johnson Group		
Sales from the Axel Johnson Group		7
Purchases from the Axel Johnson Group		2

Note 37 Pledged assets, sureties, guarantees and contingent liabilities

	GROUP		PARENT COMPANY	
	2017	2016	**2017**	2016
Assets pledged				
For own liabilities:				
Assets subject to liens, etc.	418	362		
Restricted bank funds	1	6		
Total	**419**	**368**		
Other pledged assets:	10	9		
Total assets pledged	**429**	**377**	**0**	**0**
Contingent liabilities				
Own contingent liabilities:				
Sureties on behalf of Group companies			18,912	11,128
Other guarantees and contingent liabilities	450	753	368	753
Held jointly with other companies:				
Liabilities in consortiums, trading companies and limited partnerships	60	15		
Total guarantees and guarantee obligations[1]	**510**	**768**	**19,280**	**11,882**

[1] Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group SEK 367 M (688) and for the Parent Company SEK 367 M (688)). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2018. As a result of agreements between NCC AB and Bonava AB, however, NCC AB has been indemnified by Bonava AB for all undertakings. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of Bonava companies.

ASSETS SUBJECT TO LIENS

Pertains to leased equipment in the form of vehicles and trucks.

GUARANTEES ON BEHALF OF GROUP COMPANIES

Sureties on behalf of Group companies have mainly been issued as collateral for:

- utilized guarantee limits with banks and insurance companies,
- NCC Treasury AB's borrowing,
- fulfilment of construction-contract agreements.

CONTINGENT LIABILITIES

In its continuous business operations, NCC occasionally becomes a party to disputes or legal processes. Within the framework of particularly its contracting operations, NCC makes what it considers to be justifiable claims against the client but that the client partially or fully contests. In many cases, the client has made counterclaims. NCC's financial statements reflect NCC's best assessment of the probable outcomes but it cannot be excluded that the final outcome could in certain cases differ significantly from the currently made assessments.

Note 38 Cash-flow statement

CASH AND CASH EQUIVALENTS

GROUP	**2017**	2016
Cash and bank balances	3,063	3,093
Total cash and cash equivalents	**3,063**	**3,093**
Short-term investments with a maturity exceeding three months	41	190

PARENT COMPANY	**2017**	2016
Cash and bank balances	1,100	2
Balance in NCC Treasury AB	863	5,833
Total according to cash flow statement	**1,963**	**5,835**

Short-term investments have been classified as cash and cash equivalents/cash in bank based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of not more than three months from the date of acquisition.

ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Three asset acquisitions were completed during the year. For additional information, refer to Note 4.

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

GROUP	**2017**	2016
Intangible fixed assets	73,445	
Buildings and land	6,416	
Tangible fixed assets	43,369	
Inventories	2,493	
Long-term liabilities	23,398	
Accounts payable and other current liabilities	6,630	
Purchase considerations	**95,695**	
Impact on the Group's cash and cash equivalents	**95,695**	

ACQUISITION OF FIXED ASSET

Group

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 957 M (858), of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 0 M (11), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 0 M (5), of which SEK 0 M (0) had no effect on cash flow. The spinoff of the assets in Bonava resulted in an outflow of cash and cash equivalents of SEK 658 M, corresponding to Bonava's cash assets in the preceding year.

Parent Company

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 10 M (74), of which SEK 0 M (0) was financed through loans.

Since the Parent Company has only insignificant amounts of cash and cash equivalents in foreign currency, no exchange-rate differences in cash and cash equivalents arose during the year.

Note 38 Cash flow statement, cont'd.

INFORMATION ABOUT INTEREST PAYMENTS

Group
Interest received during the year amounted to SEK 21 M (24). Interest paid during the year amounted to SEK 120 M (270). The figures for the preceding year include interest payments in housing companies and tenant-owner association up to the spinoff of Bonava June 7, 2016

Parent Company
Interest received during the year amounted to SEK 4 M (9). Interest paid during the year amounted to SEK 21 M (130).

CASH FLOW DERIVED FROM PARTICIPATIONS IN JOINT VENTURES

GROUP	2017	2016
Operating activities	107	75
Change in working capital	44	120
Investing activities		16
Financing activities	–118	–226
Total cash flow	**33**	**–15**

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	2017	2016
Restricted bank funds	1	6
Cash and cash equivalents in joint operations	47	14
Total cash and cash equivalents unavailable for use	**48**	**20**

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	2017	2016
Acquisition of assets through promissory notes	8	
Acquisition of assets through financial leasing	280	181

CHANGES IN FINANCING ACTIVITIES WITHOUT CASH FLOW IMPACT

GROUP	CB 2016	Cash flow	Acquisition of subsidiaries with interest-bearing loans	New leases	Interest indexing	Exchange-rate differences	CB 2017
Interest-bearing liabilities	2,703	–436	16			–60	2,223
Interest-bearing receivables	–702	–81					–783
Lease liabilities	362			59	–2		419
Total liabilities, financing activities	**2,363**	**–517**	**16**	**59**	**–2**	**–60**	**1,859**

PARENT COMPANY	CB 2016	Cash flow	Less commission relationship	Exchange-rate differences	CB 2017
Interest-bearing liabilities	2,485	999	–194		3,290
Interest-bearing receivables	–731	895	–706	2	–540
Total liabilities, financing activities	**1,754**	**1,894**	**–900**	**2**	**2,750**

Note 39 Financial instruments and financial risk management

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)

Through its business operations, the Group is exposed to financial risks. These financial risks are defined as refinancing, liquidity, interest-rate, exchange-rate, credit, counterparty risks and guarantee capacity risks. NCC's finance policy for managing financial risks has been decided by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to the NCC Group's Finance Department, partly in order to monitor the Group's overall financial risk positions, partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's interest and exchange rates, credit, refinancing, counterparty, liquidity and price risks associated with oil-based products are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electrical products and customer credit risks are handled within each business area.

CONTRACTUAL CONDITIONS

NCC is subject to a debt/equity ratio covenant that is associated with the syndicated credit facility of EUR 325 M (325) that was concluded with a group of banks and had a remaining term to maturity of about four years. NCC satisfies the financial covenants.

REFINANCING RISK

The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. NCC strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the Group's long-term access to borrowed capital.

NCC's policy for its refinancing risk is to ensure that the company's debt portfolio[1] has a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturity periods must be well-diversified over time. The norm concerning distribution is that the weighted average remaining maturity must be at least 18 months. At December 31, the maturity period for loans was 34 months (33) in respect of the company's debt portfolio[1] of SEK 2,588 M (3,011).

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

MATURITY STRUCTURE, TIED-UP CAPITAL[1]

	2017		2016	
	INTEREST-BEARING LIABILITIES			
Matures	Amount	Proportion, %	Amount	Proportion, %
2017			723	24
2018	919	35	761	25
2019	493	19	460	15
2020	105	4	38	1
2021[2]	39	2	1029	34
2022[2]	1,032	40		
Total	**2,588**	**100**	**3,011**	**100**

[1] Excluding pension debt according to IAS 19.
[2] Of which, reborrowing of SEK 1,000 M (1,000) from the NCC Group's pension foundation is included in 2022 (2021).

Note 39 Financial instruments and financial risk management, cont'd.

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

MARKET FINANCING PROGRAMS

	Limit	Utilized norm SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden[1)]	SEK 5,000 M	678
Total		**678**

1) Of which a nominal amount of SEK 478 M listed on Nasdaq Stockholm.

Of NCC's total interest-bearing liability, excluding pension debt according to IAS 19, investor-related loans accounted for 26 percent (33).

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, NCC's finance policy states that the Group's access to funds must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed lines of credit. Access to funds is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed lines of credit, less market financing programs with a remaining maturity of less than three months. At the end of the year, the volume of unutilized committed lines of credit was SEK 3,460 M (3,399), with a remaining average maturity of 3.7 years (4.5). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 3,104 M (3,283). Access to funds on December 31 corresponded to 12 percent (12) of sales.

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance sheet date has been used. Amounts in foreign currency have been translated to SEK based on the exchange rate applying on the balance sheet date. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)[1)]

	2017					2016				
	Total	<3 months	3 months - 1 year	1–3 years	3–5 years	Total	<3 months	3 months - 1 year	1–3 years	3–5 years
Reborrowing from the NCC Group's Pension Foundation	1,085		17	34	1,034	1,087		17	35	1,035
Interest-bearing liabilities	1,188	172	615	396	5	1,695	385	230	1,066	14
Financial lease liabilities	424	1	148	208	67	368	1	135	178	54
Interest-rate swaps	15	2	11	2		34	6	13	15	
Accounts payable	5,179	5,179				4,427	4,427			
Total	**7,891**	**5,354**	**791**	**640**	**1,106**	**7,611**	**4,819**	**395**	**1,294**	**1,103**

1) Excluding pension debt according to IAS 19.

The table below shows the Group's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)

	2017					2016				
	Total	<3 months	3 months - 1 year	1–3 years	3–5 years	Total	<3 months	3 months - 1 year	1–3 years	3–5 years
Currency forward contracts										
- outflow	–6,765	–4,285	–1,771	–709		–5,153	–4,210	–522	–371	–50
- inflow	6,778	4,305	1,772	701		5,233	4,278	523	380	52
Net flow from gross settled derivatives	**13**	**20**	**1**	**–8**		**80**	**68**	**1**	**9**	**2**

INTEREST-RATE RISKS

The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. NCC's finance policy for the interest-rate risk is that the weighted average remaining maturity of borrowing portfolio[1)] when exposure is reduced by the maturity for cash and cash equivalents[2)] should normally be 12 months subject to a mandate to deviate from this figure by +/– 6 months, and that the interest-rate maturity structure of the borrowing portfolio should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest-rate structure for the loan portfolio, interest swaps are the main instruments used to adapt the structure. In the financial statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest-rate swaps.

The average interest-rate maturity of the company's borrowing portfolio[1)] reduced by interest-rate exposure associated with cash and cash equivalents[2)] was 7 months (9), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents[2)] amounted to SEK 3,104 M (3,283) and the average interest-rate maturity for these assets was 0.2 months (1).

At the end of 2017, NCC's interest-bearing gross debt excluding pension debt according to IAS 19 amounted to SEK 2,588 M (3,011) and the average interest-rate maturity was 8 months (10).

On December 31, 2017, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 500 M (1,050). At the same date, the interest-rate swaps had a negative fair value of SEK 14 M (neg: 32) net, comprising assets of SEK 0 M (0) and liabilities of SEK 14 M (32). The interest-rate swaps have expiration dates ranging from 0.7 (0.1) to 1.2 (2.2) years. An increase in interest rates by one percentage point would result in a change of SEK 18 M (15) in net profit for the year, based on the interest-bearing assets and liabilities existing on the balance-sheet date, excluding the pension debt according to IAS 19. An increase in interest rates by one percentage point would result in a change of SEK 0 M (1) in net profit for the year and a positive change of SEK 2 M (6) in other comprehensive income resulting from a change in fair value of the Group's interest-rate swaps.

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

2) Cash and cash equivalents and short-term investments.

Note 39 Financial instruments and financial risk management, cont'd.

MATURITY STRUCTURE, FIXED INTEREST[1]

	2017		2016	
	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS			
Matures	Amount	Proportion, %	Amount	Proportion, %
2017			2,366	79
2018	2,456	95	505	17
2019	100	4	100	3
2020				
2021	33	1	40	1
Total	**2,588**	**100**	**3,011**	**100**

[1] Excluding pension debt according to IAS 19.

EXCHANGE-RATE RISKS
The exchange-rate risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement.

TRANSACTION EXPOSURE
In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known. Contracted and probable forecast flows are hedged, mainly by using currency forward contracts. Contracted gross exposure in each currency is hedged at a rate of 100 percent. Forecast exposure is hedged successively over time, which entails that the quarters that are closest in time are hedged to a greater extent than the following quarters. Accordingly, each quarter is hedged on several occasions and is covered by several hedged contracts that have been entered into at different times. The target is to hedge 90 percent of the forecast for the current quarter and 70 percent of the forecast for the following quarter, followed by 50, 30 and 10 percent, respectively, in the following quarters. In the financial statements, hedge accounting is applied when the requirements for hedge accounting are fulfilled.

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

	2017				2016			
Counter-value in SEK M	Gross in and outflows	Of which, expired hedges	Hedged portion, %	Currency risk 5% after tax on unhedged share	Gross in and outflows	Of which, expired hedges	Hedged portion, %	Currency risk 5% after tax on unhedged share
EUR	1,633	1,119	69	20	1,363	965	71	16
DKK	258	60	23	8	222	134	60	3
NOK	266	118	44	6	137	109	80	1
PLN	153	127	83	1	69	49	72	1
Other	52	25	49	1	68	34	50	1
Total	**2,361**	**1,450**	**61**	**36**	**1,858**	**1,290**	**69**	**22**

The forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. During 2017, no cash-flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

FORECAST CURRENCY FLOWS (NET)
The table below shows forecast currency flows during 2018 (2017) through the first quarter of 2019 (Q1 2018), the outstanding hedge position at year-end and the hedged portion.

COUNTER-VALUE IN SEK M (2017)

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

COUNTER-VALUE IN SEK M (2016)

	Q1 2017			Q2 2017			Q3 2017			Q4 2017			Q1 2018			TOTAL		
Currency	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net out-flow	Hedge position	Hedged portion, %
EUR	165	148	90	206	145	70	217	109	50	150	45	30	116	12	10	855	458	54
Target value %			**90**			**70**			**50**			**30**			**10**			

CONTRACTUAL CURRENCY FLOWS (GROSS)
The table below shows the outstanding hedge position at year-end for the sum total of contractual gross inflows and gross currency outflows.

	2017					2016				
Counter-value in SEK M	Total	<3 months	3 months - 1 year	1-3 years	>3 years	Total	<3 months	3 months - 1 year	1-3 years	>3 years
Hedge position	569	249	44	276	0	603	164	30	359	50

Note 39 Financial instruments and financial risk management, cont'd.

The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The fair value of currency forward contracts used for hedging transaction exposure was a negative SEK 19 M (neg: 2). Of this amount, assets of SEK 14 M (5) and liabilities of SEK 33 M (7) have been recognized in the balance sheet.

According to NCC's Finance Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly through the central treasury unit and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while external financing largely occurs in SEK and EUR. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets.

The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying capital amounts.

INTEREST-BEARING LIABILITIES[1)]

	2017		2016	
Counter-value in SEK M	Amount	Proportion, %	Amount	Proportion, %
EUR	86	3	146	5
NOK	284	11	448	15
SEK	2,218	86	2,418	80
Total	**2,588**	**100**	**3,011**	**100**

1) Excluding pension debt according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES[1)]

Counter-value in SEK M	2017	2016
Sell EUR	–432	–331
Sell NOK	–3,245	–2,509
Sell RUB	–57	–65
Net	**–3,734**	**–2,905**

1) Currency swaps.

TRANSLATION EXPOSURE

The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged. Exceptions are made for the development operations of NCC Property Development. Not more than 90 percent of foreign net assets may be hedged, without taking the tax effect into account. The CEO may decide on the hedging of foreign net assets in selected companies in excess of the above guidelines.

Net assets are hedged through the raising of loans and through currency forward contracts. The carrying amount of loans and currency forward contracts (including underlying capital amounts) used as hedging instruments at December 31, was SEK 556 M (794), of which SEK 0 M (0) for loans and SEK 556 M (794) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate loss of SEK 7 M (loss: 34) before tax has been recognized in other comprehensive income. For more information on hedge accounting, refer to Note 1 Accounting policies, Hedging of net investments. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. At December 31, 2017, unhedged translation exposure resulting from a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 97 M (107) in shareholders' equity and a change of SEK 0 M (0) in net profit for the year.

THE GROUP'S NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The table below shows the Group's net investments in foreign subsidiaries and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

	2017					2016				
Counter-value in SEK M	Net investment	Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %	Net investment	Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	1,523	271	18	211	14	1,536	245	16	191	12
EUR	513	167	33	130	25	708	402	57	314	44
NOK	445	118	27	92	21	659	147	22	115	17
RUB	10					28				
Total	**2,491**	**556**	**22**	**434**	**17**	**2,931**	**794**	**27**	**619**	**21**

PROPERTY DEVELOPMENT NET INVESTMENTS IN FOREIGN SUBSIDIARIES

The table below shows the Group's net investments in NCC Property Development and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

	2017					2016				
Counter-value in SEK M	Net investment	Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %	Net investment	Hedge position before tax	Hedged portion before tax, %	Hedge position after tax	Hedged portion after tax, %
DKK	302	271	90	211	70	297	245	82	191	64
EUR	199	167	84	130	65	388	402	103	314	81
NOK	142	118	83	92	65	165	147	89	115	70
Total	**643**	**556**	**86**	**434**	**67**	**850**	**794**	**93**	**619**	**73**

PRICE RISKS

Price risks associated with bitumen

Since a large part of NCC Industry's sales of paving contracts are subject to indexed prices, NCC Industry is not exposed to any risk in the event of a change in the price of bitumen. However, there are cases of fixed price contracts that are not indexed, whereby NCC Industry is exposed to a risk should the price of bitumen change. The price risk is managed by NCC Treasury through oil forward contracts. The policy is to hedge purchases of bitumen pertaining to larger customer contracts when the work is to be performed later than two months from the ordering date.

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

	2017			2016		
Tons	Purchases bitumen	Of which, past due hedges	Portion hedged via oil forward contracts, %	Purchases bitumen	Of which, past due hedges	Portion hedged via oil forward contracts, %
Bitumen	324,850	57,387	18	320,617	47,509	15

The hedges fulfill effectiveness requirements, meaning that all changes from changed prices are recognized in other comprehensive income. The forward contracts used to hedge forecast purchases of bitumen are classified as cash flow hedges.

Note 39 Financial instruments and financial risk management, cont'd.

The following table shows the Group's forecast volume of purchases of bitumen, the outstanding hedging position at year-end and the portion hedged via oil forward contracts.

	2017				2016			
	Total	<3 months	3 months – 1 year	>1 year	Total	<3 months	3 months – 1 year	>1 year
Forecast volume of purchases of bitumen (tons)	974,551	7,859	316,992	649,700				
Hedge position through oil forward contracts (tons)	44,786	0	28,863	15,923				
Hedged portion, %	5	0	9	2				
Hedge position counter-value, SEK M	65	0	31	34	134	0	87	47

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was SEK 24 M (14). Of this amount, assets of SEK 24 M (14) and liabilities of SEK 0 M (0) have been recognized in the balance sheet.

Given outstanding oil forward contracts on the balance sheet date, a 10-percent increase in the price of bitumen at December 31, 2017 would give rise to a change of SEK 10 M (14) in shareholders' equity and of SEK 0 M (0) in profit. The sensitivity analysis assumes that all other factors remain unchanged.

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to level off price variations occurring in the electricity market. NCC progressively hedges the price for up to three years and is building up the volume of electricity contracts at the particular delivery date.

The hedges fulfill effectiveness requirements, meaning that all changes from changed prices are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

At year-end, the outstanding volume of electricity derivatives amounted to SEK 34 M (30), of which SEK 3 M (2) will fall due within three months, SEK 16 M (16) in three-12 months and SEK 15 M (12) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 5 M (5). Of this amount, assets of SEK 5 M (5) and liabilities of SEK 0 M (0) have been recognized in the balance sheet.

CREDIT RISKS

Credit and counterparty risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and characterized by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 156 M (146) at the end of 2017. The net receivable per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 3,104 M (3,283).

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. For major accounts receivable, the risk of credit losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, Parent Company guarantees and other payment guarantees.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2017		2016	
GROUP	Gross	Reserve for doubtful receivables	Gross	Reserve for doubtful receivables
Not due accounts receivable	7,383		5,898	
Past-due accounts receivable 1-30 days	475		623	
Past-due accounts receivable 31-60 days	91	5	157	5
Past-due accounts receivable 61-180 days	169	8	429	9
Past-due accounts receivable > 180 days	1,768	889	859	140
Total	**9,886**	**902**	**7,966**	**154**

Collateral for accounts receivable was received in an amount of SEK 0 M (0). Receivables expired >180 days are essentially caused by ongoing discussions/disputes with the client and are not connected to a question about the client's creditworthiness.

PROVISION FOR DOUBTFUL RECEIVABLES

GROUP	2017	2016
On January 1	154	180
Provision for the year	854	76
Reversal of previously posted impairment losses	–106	–72
Less Discontinued operations		–35
Translation differences		4
On December 31	**902**	**154**

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are presented in the following table. In NCC's balance sheet, mainly short-term investments held for trading and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement to fair value of currency-forward contracts, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. The measurement of interest-rate swaps is based on forward interest rates based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

For financial instruments recognized at amortized cost – accounts receivables, other receivables and cash and cash equivalents, accounts payable and other current interest-free liabilities – the fair value is deemed to match the carrying amount. For long-term securities holdings and short-term investments held to maturity, the fair value is based on the price listed in a well-functioning secondary market. For short and long-term bond loans listed on Nasdaq Stockholm, the fair value was calculated according to prices listed in a well-functioning secondary market. The fair value for unlisted long-term bonds and long-term liabilities to credit institutions, was calculated by discounting future cash flows with current market rates for similar financial instruments. The assessment is that the fair value of other long- and current interest-bearing liabilities did not materially deviate from the carrying amount.

Note 39 Financial instruments and financial risk management, cont'd.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

1) Held for trading.

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

GROUP, 2016	Financial assets at fair value through profit or loss[1]	Derivatives used in hedge accounting	Accounts and loan receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities					95			95	95
Long-term interest-bearing receivables			298	63				361	361
Other long-term receivables			42					42	42
Accounts receivable			7,682					7,682	7,682
Prepaid expenses and accrued income			1					1	1
Current interest-bearing receivables			152					152	152
Other receivables	70	36	96					202	202
Short-term investments	99			91				190	191
Cash and cash equivalents			3,093					3,093	3,093
Total assets	**169**	**36**	**11,364**	**154**	**95**			**11,819**	**11,820**
Long-term interest-bearing liabilities[2]							2,288	2,288	2,311
Other long-term liabilities		21				1	32	54	54
Provisions for pensions and similar obligations							1,008	1,008	1,008
Current interest-bearing liabilities							723	723	726
Accounts payable							4,427	4,427	4,427
Accrued expenses and deferred income							1	1	1
Other current liabilities		14				13	71	98	98
Total liabilities		**35**				**14**	**8,550**	**8,599**	**8,625**

1) Held for trading.

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

Note 39 Financial instruments and financial risk management, cont'd.

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

PARENT COMPANY, 2016	Accounts and loan receivables	Available-for-sale financial asset	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		46		46	46
Other long-term receivables	10			10	10
Accounts receivable	3,133			3,133	3,133
Current receivables from Group companies	771			771	771
Current receivables from associated companies	2			2	2
Other current receivables	72			72	72
Cash and bank balances	2			2	2
Balance in NCC Treasury AB	5,833			5,833	5,833
Total assets	**9,823**	**46**		**9,869**	**9,869**
Long-term liabilities to credit institutions[1)]			1,000	1,000	1,000
Long-term liabilities to Group companies			1,054	1,054	1,054
Other long-term liabilities			18	18	18
Accounts payable			1,871	1,871	1,871
Current liabilities to Group companies			591	591	591
Current liabilities to associated companies			3	3	3
Other current liabilities			62	62	62
Total liabilities			**4,599**	**4,599**	**4,599**

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

The classification categories Financial assets measured at fair value through profit and loss, Investments held to maturity and Financial liabilities measured at fair value through profit and loss are not applicable for the Parent Company. No reclassification of financial assets and liabilities among the above categories was effected during the year. It has been determined that the fair value of the Parent Company's financial instruments did not materially deviate from the carrying amount.

In the tables below, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognized at fair value in NCC's balance sheet. When determining fair value, assets have been divided into the following three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for the Parent Company.
Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1. This category does not apply for the Parent Company.
Level 3: on the basis of input data that is not observable in the market.

	2017				2016			
GROUP	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets measured at fair value through profit or loss								
– Derivative instruments held for trading		43		43		70		70
– Securities held for trading	10			10	99			99
Derivative instruments used for hedging purposes		45		45		36		36
Available-for-sale financial assets			91	91			95	95
Financial assets not recognized at fair value								
Held-to-maturity investments	161			161	155			155
Total assets	**171**	**88**	**91**	**350**	**254**	**106**	**95**	**455**
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit and loss								
– Derivative instruments held for trading		3		3		14		14
Derivative instruments used for hedging purposes		55		55		35		35
Financial liabilities not recognized at fair value								
Other liabilities (interest-bearing liabilities)	482	2,119		2,601	793	2,244		3,037
Total liabilities	**482**	**2,177**	**0**	**2,659**	**793**	**2,293**	**0**	**3,086**

Note 39 Financial instruments and financial risk management, cont'd.

OFFSETTING FINANCIAL INSTRUMENTS

NCC has binding netting arrangements (ISDA agreements) with all counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting. NCC has not offset any amounts in the balance sheet.

GROUP	2017 Financial assets	2017 Financial liabilities	2016 Financial assets	2016 Financial liabilities
Recognized gross amount[1)]	88	58	105	48
Amount included in the netting agreement	–54	–54	–42	–42
Net amount after netting agreement	**34**	**4**	**63**	**6**

1) The gross carrying amount of financial assets includes SEK 43 M (70) for derivatives measured at fair value through profit or loss in other receivables, SEK 8 M (0) for derivatives used in hedge accounting for other long-term receivables and SEK 37 M (36) in other receivables.

The gross carrying amount of financial liabilities includes derivatives measured at fair value through profit or loss in other long-term liabilities in an amount of SEK 1 M (1), other current liabilities of SEK 2 M (13), derivatives used in hedge accounting of other long-term liabilities of SEK 18 M (21) and other current liabilities of SEK 38 M (14).

The Parent Company has no derivatives outstanding.

Note 40 Discontinued operations

In June 2016, NCC spun off the shares in Bonava to the shareholders. The first day of trading on Nasdaq Stockholm was June 9, 2016, and the final prices paid were SEK 106.50 per Series B share and SEK 107.50 per Series A share, resulting in market capitalization of some SEK 11.5 billion.

The capital gain on the spinoff of Bonava was SEK 6,724 M.

INCOME STATEMENT

	2016 Jan–June 7	2016 Jan–Dec
Net sales	3,243	3,243
Production costs	–2,710	–2,710
Selling and administrative expenses	–231	–231
Operating profit	303	303
Net financial items	–124	–124
Pretax profit	178	178
Tax on net profit for the year	–36	–36
Earnings from discontinued operations, net after tax	**143**	**143**
Capital gains from spinning off the discontinued operation	6,755	6,724
Profit from discontinued operations after tax	6,898	6,867
Other comprehensive income from the discontinued operation	4	4
Earnings per share	1.32	1.32

	2016 Jan–June 7	2016 Jan–Dec
Cash flow was impacted by discontinued operations in the manner shown below:		
Cash flow from operating activities before changes in working capital	105	105
Working capital	–708	–708
Investing activities	–81	–81
Financing activities	754	754
Cash flow for the year from discontinued operations	70	70

Note 41 Information about the Parent Company

NCC AB, Corporation Registration Number 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC AB's shares are listed on the Stockholm Exchange (Nasdaq Exchange Stockholm/Large Cap List).

The address of the head office is NCC AB, Vallgatan 3, SE-170 80 Solna, Sweden

The consolidated financial statements for 2017 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

At December 31, 2017, Nordstjernan AB accounted for 16.3 percent of the share capital and 47.1 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

Note 42 Events after the balance-sheet date

On January 3, 2018, NCC announced that Kenneth Nilsson has been appointed Business Area Manager of NCC Infrastructure and member of the EMG. Kenneth Nilsson will take up his new position in April 2018, replacing Göran Landgren who has been Acting Business Area Manager since September 25, 2017. Kenneth Nilsson has 20 years of experience from various senior positions at Skanska and in management teams, and another ten years of experience as a foreman, project manager and supervisor. During 2017, he took office as head of Skanska Civil East in the US.

Tomas Carlsson was appointed the new President and CEO of NCC on January 12, 2018. Tomas Carlsson has been CEO of the publicly traded Swedish technology company Sweco since the end of 2012. Prior to that, he worked at NCC for nearly 20 years, most recently as Head of NCC's construction operations in Sweden. Tomas Carlsson will take up his new position at NCC by July 2018 at the latest and will replace Acting President and CEO Håkan Broman.

On January 26, 2018, NCC announced that NCC's Nomination Committee will propose that Angela Langemar Olsson be elected to the NCC Board of Directors, which is thus proposed to comprise eight members. Reelection of the other seven members is proposed. Angela Langemar Olsson is Senior Investment Manager at Nordstjernan AB. She has been CFO of Nordstjernan AB for fifteen years.

NCC has secured an order worth SEK 915 M to expand the Ångström Laboratory in Uppsala, which was announced on January 19, 2018. On behalf of Akademiska Hus, NCC will carry out the expansion of the Laboratory at Uppsala University. The order is expected to be registered during the first quarter of 2018 in the NCC Building business area.

Note 43 Appropriation of the company's profit

The Board of Directors proposes that the available funds be appropriated as follows:	2,727,322,986
Ordinary dividend to shareholders of SEK 8 per share[1)]	864,659,992
To be carried forward	1,862,662,994
Total, SEK	2,727,322,986

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 8, 2018.

Appropriations of profits

The Board of Directors proposes that the available funds	2,727,322,986
be appropriated as follows:	
Ordinary dividend to shareholders of SEK 8.00 per share[1)]	864,659,992
To be carried forward	1,862,662,994
Total, SEK	**2,727,322,986**

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 8, 2018.

The Board of Directors and the CEO hereby give their assurance that the Annual Report and the consolidated financial statements have been compiled in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 8, 2018. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 11, 2018 for adoption.

Solna, March 8, 2018

Tomas Billing
Chairman of the Board

Geir Magne Aarstad
Member of the Board

Viveca Ax:son Johnson
Member of the Board

Carina Edblad
Member of the Board

Mats Jönsson
Board member

Ulla Litzén
Board member

Birgit Nørgaard
Board member

Karl-Johan Andersson
Board member
Employee representative

Lars Bergqvist
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Håkan Broman
President and CEO

Our audit report was submitted on March 16, 2018

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor in Charge

Ann-Christine Hägglund
Authorized Public Accountant

Auditor’s report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 38-96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for opinions

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

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

Other matter

The annual accounts and the consolidated accounts for the year 2016 were audited by another auditor who issued an auditor’s report dated 10 March 2017 with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Our audit approach

Audit scope

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

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

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

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

Materiality

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

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

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Percentage-of-completion revenue recognition in NCC Building and NCC Infrastructure NCC Building's and NCC Infrastructure's 2017 net sales amount to MSEK 43 279 and are recognised based on percentage-of-completion according to IAS 11 Construction contracts as in force 2017. This means that recognised revenue and costs in ongoing projects are based on assumptions and estimates as documented in the project forecasts. These forecasts include, as applicable, NCC's best estimate of the probable outcome of claims on customers relating to, e.g, change or additional orders and deficiences in tender conditions. The elements of assumptions and estimates means that final results may deviate from those reported. During 2017 considerable project write-downs were recognised in primarily NCC Infrastructure. As from 1 January 2018 IAS 11 is replaced by IFRS 15 Revenue from contracts with customers and NCC has elected to restate previous periods. NCC has concluded that revenue should continue be recognised using percentage-of-completion. However, IFRS 15 is stricter than IAS 11 when it comes to recognising revenue relating to change or additional orders, compensation for deficient tender conditions etc. Such revenue may therefore be recognised later, or potentially not at all, under IFRS 15. NCC has estimated the transitional impact to be a reduction of shareholders' equity at 1 January 2018 and 1 January 2017 of MSEK 346 and MSEK 216, respectively, and a reduction of 2017 operating profit of MSEK 168. The size of the amounts involved combined with the elements of assumptions and estimates makes this a key audit matter, both under IAS 11 and IFRS 15. *Refer to the sections " Percentage-of-completion income recognition of construction projects", " Critical estimates and assessments" (subsections " Percentage-of-completion profit recognition" and " Guarantee obligations, legal disputes, etc") and "IFRS 15 Revenue from contracts with customers" in note 1 Accounting Policies as well as note 3 Reporting by operating segments, note 27 Construction contracts and note 37 Pledged assets, sureties, guarantees and contingent liabilities (subsection "Contingent liabilities").*	We have evaluated and on a sample basis tested selected key controls in so-called tollgates in NCC's project process, from calculation to current project reporting. We have also evaluated processes, routines and methodology for project completion. We have performed analytical reviews of revenue and margins reported and reviewed management's routines for follow-up of the projects financial results. On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have also tested the mathematical accuracy of the percentage-of-completion profit calculation. We have kept a dialogue with NCC on the principles, methods and assumptions on which estimates are based. For NCC Infrastructure, we have followed-up selected loss projects. We have also obtained opinions from NCC's legal advisers on certain disputes. For certain projects, we have made site visits in both NCC Building and NCC Infrastructure. As regards IFRS 15 we have evaluated NCC's analysis of and conclusion on the standard's conceptual impact on the revenue recognition. We have examined NCC's calculation of the transitional monetary impact by using our previous knowledge of relevant projects and, for significant items, obtained and evaluated supporting documentation prepared by NCC. We have kept a dialogue with management and the audit committee on NCC's estimates and the principles, methods and assumptions on which these are based. Our overall view is that NCC's assumptions and estimates lie within an acceptable range. However, we have communicated that many times these are difficult judgemental matters and that final outcome may deviate from the current assumptions and estimates.
NCC Property Development and IFRS 15 Revenue from contracts with customers Through 2017, NCC Property Development's (PD) revenue from property development projects are recognised at completion and handover to the customer. From 1 January 2018 IFRS 15 shall be applied. As described in the statutory administration report and in note 1, NCC still investigates and analyses if revenue under IFRS 15 should continue to be recognised as described above or if it should instead be recognised over time. NCC will communicate its conclusion as soon as reached. Should the conclusion be that revenue should be recognised over time the transition to IFRS 15 will not impact 1 January 2018 shareholders' equity, but will mean a reduction of 2017 operating profit by slightly more than MSEK 500 and a corresponding increase of 1 January 2017 shareholders' equity. Irrespective or the conclusion reached, in NCC PD's segment reporting revenue will continue to be recognised at completion. This is an area of fundamental importance for NCC's future financial reporting and the potential IFRS 15 transitional impact is considerable. This is therefore a key audit matter. *Refer to the section "New accounting regulations for NCC Property Development" on page 44 in the statutory administration report as well as the section "Revenues from commercial property development" on page 66 in note 1 Accounting policies.*	According to IFRS 15, revenue should be recognised over time if certain criteria are met. If these are not met, revenue should be recognised at a point in time. In our view, the key criterion is whether NCC PD has a right to payment for performance completed to date. Whether or not this is the case is dependent on contract terms and applicable law and must be assessed on a contract by contract basis. We have evaluated NCC PD's business and contract models in relation to IFRS 15's criteria. Vi have paid special attention to the Swedish operations in which the major part of the 2017 profit is made. The evaluation has been made by, e.g., obtaining contracts and memoranda prepared by NCC. We have also discussed with and been provided with facts, reasoning and arguments from NCC's financial, operating and legal officers. We have evaluated the potential transitional impact by agreeing significant amounts in NCC's calculations to supporting documentation prepared by NCC. Based on our examination, we have kept a dialogue with the audit committee and management. In this dialogue, we have expressed that, based on the information available to day, there are factors that point to that there exist conditions for recognising revenue over time, at least in the Swedish operations. We are awaiting the results of NCC's ongoing investigation to be able to obtain NCC's final arguments and reasoning and to be able to form our view on NCC's conclusion.

Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and is found on pages 1-37, 110-113 and 124-125. The Board of Directors and the President are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the President

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

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

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

Auditor's responsibility

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the administration of the Board of Directors and the President of NCC AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Presidents be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the President

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

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

Auditor's responsibility

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

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

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

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

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

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

Stockholm 16 March 2018
PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorised Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016	2017
Net sales	56,005	49,420	52,535	57,227	57,227	57,823	56,867	62,495	53,116	52,934	54,608
Production costs	–50,263	–44,487	–47,721	–51,724	–51,731	–52,027	–51,176	–56,009	–48,683	–48,484	–50,460
Gross profit	**5,742**	**4,933**	**4,814**	**5,503**	**5,495**	**5,796**	**5,691**	**6,486**	**4,432**	4,450	**4,148**
Selling and administrative expenses	–3,035	–2,682	–2,774	–2,978	–2,988	–3,130	–3,117	–3,405	–2,765	–2,912	–2,933
Result from sales of owner-occupied properties	10	2	7	3	3	6	20	7	7	–10	1
Impairment losses on fixed assets	–7	–2	–38	–2	–2	7		–40	–39	–97	–7
Capital gain from sales of Group companies	5		3	6	6		3			2	21
Competition-infringement fee	–95										
Result from participations in associated companies	–1	4	5	5	5	1	8	–9	26	20	11
Operating profit	**2,619**	**2,254**	**2,017**	**2,537**	**2,519**	**2,679**	**2,604**	**3,039**	**1,661**	1,453	**1,242**
Financial income	78	99	76	74	74	75	46	50	39	26	39
Financial expense	–592	–345	–284	–348	–315	–354	–416	–433	–78	–138	–130
Net financial items	**–514**	**–246**	**–208**	**–274**	**–241**	**–279**	**–370**	**–383**	**–39**	–112	**–91**
Profit after financial items	**2,105**	**2,008**	**1,808**	**2,263**	**2,277**	**2,400**	**2,234**	**2,656**	**1,623**	1,341	**1,150**
Tax on profit for the period	–449	–481	– 496	–364	–367	–411	–396	–536	–302	–225	–141
Profit for the period	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	1,116	**1,009**
Attributable to:											
NCC's shareholders	1,654	1,524	1,310	1,894	1,905	1,986	1,835	2,113	1,315	1,113	1,004
Non-controlling interests	1	4	2	5	5	3	3	6	6	3	5
Profit for the period	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	**1,321**	1,116	**1,009**

2013: The construction market strengthened slightly during the second half of 2013 and operating profit for the year improved thanks to more completed and handed over projects in NCC Property Development. The Norwegian operation reported weaker earnings due to impairment losses on projects.

2014: Operating profit was strong but not as high as in 2013. Continued favorable housing sales in NCC Housing, higher earnings in all Construction units and NCC Roads were offset by weaker profit for NCC Property Development. However, activity was lower in our commercial property development operations, particularly compared with 2013, which was somewhat of a record year with several major completed projects.

2015: A strong end to the year enabled NCC to report what was its best ever full-year earnings. Continued favorable housing sales in NCC Housing and profit-recognized property projects in Property Development, at the same time as the trend for Construction Denmark and Construction Finland was positive. The Norwegian operation reported weaker earnings due to impairment losses on projects and NCC Roads noted reduced earnings from its stone materials operations. Net profit for the year was adversely impacted by costs for the cartel case in Norway and costs for NCC's reorganization. Orders received during the year remained buoyant, thus strengthening the order backlog.

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

2017: Operating profit for NCC as a whole declined additionally, primarily because impairment losses on projects and provisions in NCC Infrastructure had a negative impact on profit. Although NCC Building improved its earnings despite impairment losses on projects in Finland and provisions in Denmark, there is some way to go before it attains its financial objectives. NCC Industry delivered its best earning ever thanks to higher sales volumes and improved profitability. NCC Property Development improved its earnings and achieved its financial objectives.

REVISED ACCOUNTING POLICIES – IFRIC 15. COMPARATIVE FIGURES FOR 2009 HAVE BEEN RECALCULATED.

In the Annual Report, comparative figures for 2009 have been recalculated due to the application of IFRIC 15, Agreements for the Construction of Real Estate, as of January 1, 2010. This applies for all tables and figures pertaining to 2009, unless otherwise stated. In brief, the change entails that revenues and earnings from the sale of property and housing projects are normally not to be recognized until the property or the home has been sold, completed and handed over to the customer. This usually results in recognition of a sale being delayed compared with the past. Application of IFRIC 15 also affects assets and liabilities. Among other consequences, tenant owner associations and Finnish housing companies, are recognized, in contrast to the past, in NCC's balance sheet. This primarily increases interest-bearing liabilities but also has an impact on NCC's other key figures.

AMENDED ACCOUNTING POLICY – IAS 19 COMPARATIVE FIGURES FOR 2012 HAVE BEEN RECALCULATED.

Changes have occurred in the reporting of employee benefits, for which the revised IAS 19 has been applied since January 1, 2013. Comparative figures for 2012 have been recalculated. In brief, the amendment of IAS 19 meant that the opportunity to utilize the corridor method has been discontinued, entailing that actuarial gains and losses arising must be recognized directly against Other comprehensive income in the period they arise. Furthermore, the return on plan assets must be calculated using the same rate as the discount rate for the pension commitment. The interest-rate component in the pension commitment and the anticipated return on plan assets is now recognized in net financial items.

BALANCE SHEET, SEK M	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016	2017
ASSETS											
Fixed assets											
Goodwill	1,750	1,613	1,607	1,827	1,827	1,802	1,865	1,792	1,770	1,851	1,848
Other intangible assets	120	115	167	204	204	267	389	439	377	275	335
Owner-occupied properties	647	576	596	662	662	704	774	826	776	814	880
Machinery and equipment	1,910	1,816	2,209	2,395	2,395	2,502	2,487	2,417	2,356	2,569	2,712
Long-term holdings of securities								97	92	125	129
Long-term interest-bearing receivables								354	271	361	575
Other long-term receivables								307	203	62	26
Deferred tax assets								204		97	239
Participations in associated companies	9	7	8	9	9	9	52				
Other long-term holdings of securities	203	182	173	158	158	131	156				
Long-term receivables	1,397	1,431	1,750	1,859	615	496	671				
Total fixed assets	**6,035**	**5,739**	**6,511**	**7,114**	**5,870**	**5,910**	**6,395**	**6,435**	**5,845**	**6,154**	**6,743**
Current assets											
Properties held for future development								2,050	2,050	1,780	1,696
Ongoing property projects								2,013	2,013	1,440	1,039
Completed property projects								367	367	808	870
Properties held for future development, housing								3,749		16	
Capitalized project development costs								969			
Ongoing proprietary housing projects								6,987			
Completed housing units								583			
Property projects	2,835	2,931	4,475	5,321	5,321	5,251	5,059				
Housing projects	10,137	8,745	9,860	11,738	11,738	12,625	13,246				
Materials and inventories	514	537	557	655	655	673	746	696	691	713	764
Tax receivables								33	13	42	241
Accounts receivable	6,340	6,481	7,265	7,725	7,725	7,377	7,178	7,083	6,619	7,682	8,882
Worked-up, non-invoiced revenues	777	804	910	782	782	918	1,066	1,400	1,394	1,737	1,671
Prepaid expenses and accrued income	982	988	1,114	1,544	1,544	1,325	1,415	1,262	936	1,061	1,170
Current interest-bearing receivables								106	1,752	152	167
Other receivables	1,747	1,425	1,151	1,277	1,277	1,024	1,048	1,301	901	446	687
Short-term investments	286	741	285	168	168	143	242	190	190	190	41
Cash and cash equivalents	2,317	2,713	796	2,634	2,634	3,548	2,592	4,177	3,592	3,093	3,063
Total current assets	**25,935**	**25,366**	**26,414**	**31,844**	**31,844**	**32,883**	**32,592**	**32,967**	**20,518**	**19,161**	**20,292**
TOTAL ASSETS	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**
SHAREHOLDERS' EQUITY											
Shareholders' equity	7,470	8,111	8,286	8,974	7,634	8,658	8,847	9,691	4,962	5,553	5,516
Non-controlling interests	18	21	11	15	15	17	20	23	20	13	12
Total shareholders' equity	**7,488**	**8,132**	**8,297**	**8,988**	**7,649**	**8,675**	**8,867**	**9,714**	**4,982**	**5,566**	**5,528**
LIABILITIES											
Long-term liabilities											
Long-term interest-bearing liabilities	2,972	2,712	3,850	7,102	7,102	7,029	6,957	5,887	3,865	2,288	1,669
Other long-term liabilities	558	921	643	841	841	299	548	609	158	54	54
Deferred tax liabilities	641	439	669	725	436	414	268	322	456	407	438
Provisions for pensions and similar obligations	18	1	6	9	393	125	585	338	338	1,008	1,407
Other provisions	2,932	2,722	2,619	2,435	2,435	2,070	2,017	1,970	1,612	1,686	1,889
Total long-term liabilities	**7,121**	**6,796**	**7,788**	**11,113**	**11,208**	**9,937**	**10,376**	**9,126**	**6,429**	**5,443**	**5,456**
Current liabilities											
Current interest-bearing liabilities	1,739	1,546	1,585	2,141	2,141	2,515	2,526	3,154	1,900	723	919
Accounts payable	3,536	3,414	4,131	4,659	4,659	4,096	3,960	4,694	4,176	4,427	5,179
Tax liabilities	38	449	60	122	122	58	117	287	135	115	95
Invoiced revenues, not worked up	4,250	4,092	4,176	4,241	4,241	4,264	4,408	4,244	4,239	4,355	5,574
Accrued expenses and deferred income	3,682	3,336	3,277	3,748	3,748	3,888	3,952	4,012	3,172	3,205	3,207
Provisions								59	59	21	24
Other current liabilities	4,117	3,341	3,611	3,945	3,945	5,360	4,782	4,112	1,270	1,460	1,052
Total current liabilities	**17,361**	**16,177**	**16,839**	**18,855**	**18,856**	**20,181**	**19,745**	**20,562**	**14,951**	**14,306**	**16,051**
Total liabilities	**24,482**	**22,973**	**24,627**	**29,968**	**30,063**	**30,118**	**30,120**	**29,688**	**21,380**	**19,749**	**21,507**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**	**27,035**

2013: Continued investments in housing projects in NCC Housing generated an increase in total assets. Cash and cash equivalents were at a high level thanks to healthy cash flow in the fourth quarter.

2014: Total assets were slightly higher than in 2013. Tied-up capital continued to increase in housing operations through investments in housing projects in NCC Housing. Strong cash flow in the final quarter reduced net indebtedness and the debt/equity ratio was a multiple of 0.8.

2015: During the year, the housing projects item was reduced by the many delivered and profit-recognized housing units. An increase in profit-recognized property projects also reduced capital tied-up. NCC's positive cash flow increased cash and cash equivalents. All financial objectives were achieved and net indebtedness was reduced by a total of SEK 2.3 billion.

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

2017: The Group's total assets increased primarily due to higher accounts receivable within NCC Industry and NCC Building. The item property projects was reduced again this year when an additional five property projects were recognized in profit. The results of the Group's strong cash flow included a further reduction in net indebtedness to debt of SEK 149 M (debt: 222). NCC is essentially debt free and has a solid financial position.

Multi-year review, cont.

KEY DATA	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	2016	2017
Financial statements, SEK M										
Net sales[3]	56,005	49,420	52,535	57,227	57,227	57,823	56,867	53,116	52,934	54,608
Operating profit[3]	2,619	2,254	2,017	2,537	2,519	2,679	2,604	1,661	1,453	1,242
Profit after financial items[3]	2,105	2,008	1,808	2,263	2,277	2,400	2,234	1,623	1,341	1,150
Profit for the year[3]	1,656	1,527	1,312	1,899	1,910	1,989	1,838	1,321	1,116	1,009
Investments in fixed assets	584	667	1,257	1,345	1,345	1,055	987	1,092	1,406	1,238
Investments in property projects	1,215	1,533	2,333	2,692	2,692	3,890	2,255	1,858	1,612	1,152
Investments in housing projects[1]	3,193	3,171	7,529	8,997	8,997	7,912	9,712	9,725	3,154	
Cash flow, SEK M										
Cash flow from operating activities	6,440	2,423	–1,547	–26	–26	2,532	1,345	4,061	1,170	2,158
Cash flow from investing activities	–481	–489	–857	–906	–906	–870	–771	–730	–1,181	–797
Cash flow before financing	5,960	1,935	–2,404	–932	–932	1,661	574	3,331	–11	1,361
Cash flow from financing activities	–5,549	–1,504	491	2,774	2,774	–741	–1,515	–1,713	–1,087	–1,392
Change in cash and cash equivalents	399	396	–1,916	1,838	1,838	914	–956	1,586	–1,084	–30
Profitability ratios										
Return on equity, %[6]	25	20	17	23	28	26	22	26	19	18
Return on equity, %[7]	25	20	17	23	28	26	22	26	118	18
Return on capital employed, %[6]	17	19	16	15	17	15	14	17	13	13
Return on capital employed, %[7]	17	19	16	15	17	15	14	17	63	13
Financial ratios at year-end, SEK M										
EBITDA %[6]				5.6	6	5.9	5.8	6.2	4.7	3.6
EBITDA %[7]				5.6	5.6	5.9	5.8	6.2	17.0	3.6
Interest coverage ratio, multiple[6]	5.0	6.9	7.4	7.0	7.5	7.8	6.4	7.1	6.6	9.8
Interest coverage ratio, multiple[7]	5.0	6.9	7.4	7.0	7.5	7.8	6.4	7.1	31.1	9.8
Equity/assets ratio, %	23	26	25	23	20	22	23	25	22	20
Interest-bearing liabilities/total assets, %	15	14	17	24	26	25	26	24	16	15
Net cash holdings+/Net indebtedness -	–1,784	–431	–3,960	–6,061	–6,467	–5,656	–6,836	–4,552	–222	–149
Debt/equity ratio, multiple	0.2	0.1	0.5	0.7	0.8	0.7	0.8	0.5	0.0	0.0
Capital employed at year-end	12,217	12,390	13,739	18,241	17,285	18,345	18,935	19,093	9,585	9,523
Capital employed, average	15,389	12,033	13,101	16,632	15,755	18,005	18,531	18,672	13,474	9,418
Capital turnover rate, multiple	3.6	4.1	4.0	3.4	3.6	3.2	3.1	3.3	4.1	5.8
Share of risk-bearing capital, %	25	28	27	25	21	23	23	25	24	22
Closing interest rate, %[2]	4.5	4.6	4.2	3.6	3.6	3.3	2.8	2.8	2.6	2.0
Average period of fixed interest, years[2]	1.8	1.5	0.8	1.1	1.1	1.2	1.1	0.9	0.9	0.6
Order status, SEK M										
Orders received[3]	46,475	54,942	57,867	55,759	55,759	56,979	61,379	51,492	56,506	56,990
Order backlog[3]	35,951	40,426	46,314	45,833	45,833	47,638	54,777	41,538	47,940	51,806
Per share data, SEK										
Profit after taxes, before dilution[6]	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	11.61	9.29
Profit after taxes, after dilution[6]	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	11.61	9.29
Profit after taxes, before dilution[7]	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	73.81	9.29
Profit after taxes, after dilution[7]	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	73.81	9.29
Cash flow from operating activities, after dilution	59.39	22.35	–14.27	–0.24	–0.24	23.46	12.47	37.65	10.88	19.97
Cash flow before financing, after dilution	54.96	17.84	–22.17	–8.61	–8.61	15.40	5.32	30.88	–0.05	12.59
P/E ratio, before dilution[6]	8	11	10	8	8	11	15	13	19	17
P/E ratio, before dilution[7]	8	11	10	8	8	11	15	13	3	17
Dividend, ordinary	6.00	10.00	10.00	10.00	10.00	12.00	12.00	3.00	8.00	8.00[4]
Dividend yield, %	5.1	6.8	8.3	7.3	7.3	5.7	4.9	1.1	3.5	5.1
Shareholders' equity before dilution	68.91	74.81	76.41	82.97	70.58	80.24	82.04	89.85	51.39	51.04
Shareholders' equity after dilution	68.90	74.80	76.41	82.97	70.58	80.24	82.04	89.85	51.39	51.04
Share price/shareholders' equity, %	172	198	158	164	193	262	301	293	439	308
Share price at year-end, NCC B	118.25	147.80	121.00	136.20	136.20	209.90	246.80	263.00	225.40	157.30

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

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

3) As of 2015, Bonava is excluded.

4) Dividend for 2017 pertains to the Board of Directors' motion to the AGM.

5) All shares issued by NCC are common shares.

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

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

Figures for 2009 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see p. 125.

KEY DATA	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	2016	2017
Number of shares, millions										
Total number of issued shares[5]	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end				0.4	0.4	0.6	0.6	0.6	0.4	0.4
Total number of shares outstanding before dilution at year-end	108.4	108.4	108.4	108.0	108.0	107.8	107.8	107.9	108.1	108.1
Average number of shares outstanding before dilution for the period	108.4	108.4	108.4	108.2	108.2	107.9	107.8	107.9	108.1	108.1
Market capitalization before dilution, SEK M	12,809	16,005	13,136	14,706	14,706	22,625	26,574	28,369	24,325	16,997
Personnel										
Average number of employees	17,745	16,731	17,459	18,175	18,175	18,360	17,669	17,872	16,793	17,762

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

Figures for 2009 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see p. 125.

Quarterly data

	QUARTERLY AMOUNTS, 2017				FULL YEAR	QUARTERLY AMOUNTS, 2016				FULL YEAR
SEK M	Q1	Q2	Q3	Q4	2017	Q1	Q2	Q3	Q4	2016
Group										
Orders received	11,482	16,431	12,782	16,295	56,990	10,146	17,123	12,578	16,267	56,506
Order backlog	49,404	52,265	52,220	51,806	51,806	39,147	47,177	47,219	47,940	47,940
Net sales	11,806	13,382	13,102	16,318	54,608	9,197	13,646	13,572	16,519	52,934
Operating profit	302	548	390	2	1,242	–284	572	503	661	1,453
Profit after financial items	283	522	365	–19	1,150	–309	548	471	630	1,341
Profit after tax	237	435	303	34	1,009	–243	441	387	532	1,116
Profit for the year from remaining and discontinued operations	237	435	303	34	1,009	–156	7,250	387	501	7,983
Earnings per share after dilution, SEK	2.21	3.99	2.78	0.30	9.29	–1.40	66.81	3.54	4.64	73.81
Cash flow before financing	1,738	–2,064	443	1,245	1,361	–1,213	–1,215	–106	2,521	–11
Equity/assets ratio, %	23	19	19	20	20	23	17	18	22	22
Net cash holdings+/Net indebtedness -	1,519	–1,232	–884	–149	–149	–6,132	–2,166	–2,756	–222	–222
NCC Building										
Orders received	3,750	9,058	5,583	6,701	25,092	5,382	7,843	6,528	8,985	28,738
Order backlog	27,176	30,153	30,403	29,671	29,671	25,293	26,778	27,513	29,159	29,159
Net sales	5,674	6,147	5,346	7,561	24,727	5,389	6,849	6,033	7,411	25,681
Operating profit	56	144	116	198	515	70	150	1	268	489
Operating margin, %	1.0	2.3	2.2	2.6	2.1	1.3	2.2	0.0	3.6	1.9
NCC Infrastructure										
Orders received	5,028	4,483	5,158	7,141	21,810	2,866	6,540	3,968	5,290	18,664
Order backlog	17,957	18,019	18,792	19,711	19,711	13,920	16,490	16,712	16,423	16,423
Net sales	3,404	4,539	4,472	6,137	18,552	3,365	4,250	3,986	5,405	17,007
Operating profit	–27	70	–65	–115	–137	–11	93	3	77	162
Operating margin, %	–0.8	1.5	–1.5	–1.9	–0.7	–0.3	2.2	0.1	1.4	1.0
NCC Industry										
Orders received	3,248	3,614	2,584	3,077	12,522	2,463	3,228	2,760	2,800	11,252
Order backlog	5,053	5,251	3,781	3,059	3,059	3,921	4,160	3,338	2,883	2,883
Net sales	1,087	3,416	4,051	3,839	12,393	888	3,039	3,594	3,240	10,760
Operating profit	–310	336	409	142	577	–324	290	442	126	533
Operating margin, %	–28.5	9.8	10.1	3.7	4.7	–36.5	9.6	12.3	3.9	4.9
Capital employed	3,901	4,855	4,825	4,400	4,400	3,461	4,356	4,442	3,975	3,975
NCC Property Development										
Net sales	2,173	184	168	42	2,567	93	458	781	1,492	2,823
Operating profit	593	65	–9	–48	601	22	71	32	202	327
Capital employed	3,320	3,727	3,836	4,086	4,086	4,893	4,817	5,013	4,450	4,450
Operating margin, %	27.3	35.4	–5.1	–116.7	23.4	23.7	15.5	4.1	13.5	11.6

Bonava is recognized as a discontinued operation and was included in NCC's income statement until June 7, 2016.
The asphalt and civil-engineering operations of NCC Industry and certain activities within NCC Building and NCC Infrastructure are affected by seasonal variations in their production caused by cold weather conditions. The first quarter is normally weaker than the rest of the year.

Sustainability notes

Sustainability runs like a thread throughout NCC's operations and descriptions of the Group's sustainability work has been integrated into the description of operations on pp. 2–35. NCC's sustainability governance and in-depth information on the Group's significant sustainability areas and their impact are reported on the following pages.

Sustainability governance

Sustainability work in NCC is governed by the Group's framework for sustainability, the Code of Conduct and other policies. NCC supports the UN's Global Compact initiative and has thus taken a stance in relation to issues involving human rights, labor conditions, the environment and anticorruption. NCC also complies with the UN's Universal Declaration on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the precautionary approach as defined by the Rio Declaration, which entails that NCC undertakes to work preventively and to minimize risks in the environmental area. Since 2016, has worked to gradually implement a selection of the UN's Global Sustainable Development Goals into its operations.

NCC responds on an annual basis to the CDP's "Climate change program", in which additional details about the Group's energy consumption and emissions are reported.

CODE OF CONDUCT

NCC's new, updated Code of Conduct was implemented during 2017. This describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC's values and the voluntary initiatives undertaken by the Group, such as the World Economic Forum Partnering Against Corruption Initiative (PACI) and the UN Global Compact. Principles for human rights, work methods, the environment and anticorruption are stated in these initiatives.

All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work. NCC's Executive Management Group is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Knowledge of the Code of Conduct at NCC is very high. According to NCC's employee survey, NCC Pulse, employees believe to a great extent that NCC's values and Code of Conduct provide guidance in their work.

NCC COMPASS

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

The Ask Me function was created to assist employees in always making the right decisions. The Ask Me function is managed by 55 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

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

The "Ask Me" function received 52 questions (53) during the year, in line with 2016. Many questions were about business entertainment and gifts. Frequently asked questions are compiled on NCC Compass. In 2017, 16 suspicious matters (23) were reported to the Tell-me function, a decrease compared with 2016. A number of incidents were also reported in other ways, which resulted in a total of 41 cases that warranted investigation. The incidents involved such matter as suspicions of fraud and theft, conflicts of interests or other transgressions from NCC's Code of Conduct. Of the matters that were closed, four led to dismissal and 16 to other measures, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

In recent years, an extensive training initiative has been implemented to establish and facilitate understanding of the issues addressed by NCC Compass. In December 2016, further training was launched in the area in the form of shorter, web-based courses and 5,700 had undergone this training by December 31, 2017.

SUSTAINABILITY ORGANIZATION

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

Stakeholder dialogue and materiality analysis

NCC uses internal analyses of strategic issues, drivers in society and the results of stakeholder dialogs to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. The participants in stakeholder dialogs are selected by the various business areas on the basis of relevance; for example, if they are affected by the Group's work.

In 2016, a Web-based stakeholder survey was conducted to solidify NCC's sustainability framework and enable stakeholders to provide feedback on NCC's significant issues. More than 2,800 stakeholders from Sweden, Denmark, Finland and Norway participated in the survey, jointly representing employees, suppliers, customers, investors and students. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders were healthy and safe workplaces, sound business practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health and environmental properties.

Other types of dialog are also implemented regularly, for example, in the form of a quarterly customer survey (Net Promoter Score) and an employee survey (NCC Pulse). Every third year, NCC measures the Group's reputation among decision-makers, interest organizations and the general public.

Regular checks will continue to be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

NCC'S MATERIAL ASPECTS

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects, which can be grouped according to economic, environmental and social responsibility, pervade every link of the value chain, and their significant impact on the value chain is presented in the table on the right.

MATERIAL TOPICS AND BOUNDARIES

	Significant impact on suppliers	Significant impact on NCC's operations:	Significant impact on customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	
Anti-competitive behavior	●	●	
ENVIRONMENTAL IMPACT			
Materials		●	●
Energy		●	●
Emissions		●	
Effluents and waste[1]		●	
Supplier assessment	●	●	
SOCIAL IMPACT			
Occupational health and safety		●	
Training and education		●	
Diversity and equal opportunity		●	
Supplier assessment	●	●	
Non-discrimination		●	
Marketing and labeling		●	●

[1] Limited to NCC's building and construction operations

ABOUT THE SUSTAINABILITY REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, NCC has been applying the guidelines of the Global Reporting Initiatives (GRI) when compiling the Sustainability Report. This year's Sustainability Report, which pertains to the 2017, has been prepared in accordance with the GRI Standards: Core option.

More detailed sustainability information and key figures, as well as the GRI index, are presented on the following pages. The report in accordance with GRI has not been examined by a third party. The most recent Annual Report was published on March 14, 2017.

Contact: Head of Sustainability Christina Lindbäck, +46 8 585 519 07, christina.lindback@ncc.se

STATUTORY SUSTAINABILITY REPORT

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the annual accounts on the following pages: pp. 2–35, pp. 46–47 and p. 104–113.

NCC's business model and sustainability framework are presented on pp. 6–9, environment on pp. 11–12 and 108–109, social conditions on p. 12, 32–33, 107 and 110, personnel on pp. 11–12 and 106–107, human rights on pp. 12, 104 and 110 and anticorruption on pp. 12, 104 and 110. Risk descriptions are presented on pp. 46–47.

Unless otherwise stated, the information pertains to the entire NCC Group, including subsidiaries.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of the examination
Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.
Stockholm den 16 March 2018

PricewaterhouseCoopers AB

Håkan Malmström
Authorised Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorised Public Accountant

Employees

NCC is a large employer. In all of our markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. 92 percent of NCC's employees are covered by collective agreements.

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

Employee data pertains to the number of employees at the end of 2017 and was collected from the Group's HR and payroll system.

EMPLOYMENT CONTRACTS 2017

	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT	
Number of employees	Men	Women	Men	Women
Sweden	8,115	1,243	322	53
Norway	1,686	182	71	12
Denmark	1,911	276	40	12
Finland	1,321	316	90	15
Total, NCC	**13,033**	**2,017**	**523**	**92**

Health and Safety

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

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

OCCUPATIONAL HEALTH AND SAFETY

Together with NCC's values, NCC's policy for health and safety constitutes the foundation for creating a healthy and safe work environment. The aim for the strategy period is to halve accidents compared with 2015. This is linked to NCC's LTI program as a basis for bonus payments. NCC's long-term objective is to work in a zero accident environment.

Every year, NCC implements a number of activities to increase occupational health and safety, including the Awareness Day and the Health and Safety Week. The aim is to highlight inspiring activities that enhance occupational health and safety awareness. During the Health and Safety Week, each workplace has to implement at least two activities based on its specific nature and needs.

Since January 1, 2017, it is obligatory at all NCC construction sites to use safety goggles and helmets with a chinstrap. A fluorescent yellow warning helmet was also introduced throughout the NCC Group during the year to further enhance visibility at the worksite and thus prevent worksite accidents.

Health and safety incidents are reported to Synergi, the Group's digital system. The system is used to report accidents and close calls, as well as negative and positive observations. By following up all accidents, close calls and their causes, the most common reasons can be identified (such as slips and slides and the use of handheld equipment) and actions can be taken. This information further improves the ability to conduct safety-enhancing efforts and thus to prevent

ABSENTEE RATE[1], NCC EMPLOYEES

	Sick leave, % All types of illness and poor health		Lost day rate[2] Sickness absence due to injuries	
	2017	2016	2017	2016
Sweden	3.7	3.5	27.74	24.45
Norway	5.4	4.9	5.82	16.90
Denmark	3	2.4	23.38	15.84
Finland	2.8	3.4	34.24	10.80
Total	**3.6**	**3.5**	**24.07**	**20.43**

1) Collected through Synergi and payroll systems.
2) Number of lost working days during the year per 100 full-time employees.

CLOSE CALLS AND OBSERVATIONS, NCC EMPLOYEES AND SUBCONTRACTORS

Number of days	2017	2016
Sweden	3,508	2,484
Norway	4,495	4,073
Denmark	7,005	1,445
Finland	19,834	25,870
Total	**34,842**	**33,872**

WORK RELATED INJURIES, RATES OF INJURY AND WORK RELATED FATALITIES

		Work related injuries[1] Injuries resulting in one day or more of sickness absence		Rates of injury Injuries per million worked hours		Work related fatalities	
Number		2017	2016	2017	2016[2]	2017	2016
Sweden	NCC employees	143	159	8.4	9.6	1	0
	Subcontractors	81	47	2.7	–	0	1
Norway	NCC employees	10	24	3.1	7.1	0	1
	Subcontractors	0	0	0	–	0	1
Denmark	NCC employees	26	39	6.9	9.1	0	0
	Subcontractors	27	20	7.7	–	0	0
Finland	NCC employees	25	24	7.7	6.6	0	0
	Subcontractors	51	46	15.5	–	0	0
Total	**NCC**	**204**	**246**	**7.5**	**8.8**	**1**	**1**
	Subcontractors	**164**	**113**	**4.0**	**–**	**0**	**2**

1) Crushing and cuts are the most common injuries.
2) Data is not available for subcontractors.

worksite accidents. Synergi is available as both a web-based system and an app.

According to Synergi, injuries caused by slips and slides and the use of handheld equipment are the most prevalent accidents at NCC. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments. NCC has also identified three high-risk areas for illness among the Group's employees and subcontractors: working with asbestos, strain injuries and working with quartzite dust.

TRAINING

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

Sustainability training is a high-priority area and during the year 3,900 employees completed or started a digital interactive course in sustainability comprising six components within NCC's sustainability framework. NCC is reviewing the potential for making this course available to the Group's blue-collar workers.

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

HOURS OF TRAINING, SWEDEN

	2017				
	Men	Women	Total	2016	2015[1)]
White-collar employees	44.4	30.4	40.8	25.3	42.0
Blue-collar employees	13.7	14.3	13.7	16.1	18.6

1) Due to a reorganization, it was not possible to include all hours of training conducted in 2016 in the statistics.

HOURS OF TRAINING, NORDIC REGION

	2017
White-collar employees	28.8
Blue-collar employees	14.5

Social inclusion

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

NCC is a major operator in the industry and endeavors to be an empowering partner in an inclusive society. By means of cooperation with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe/secure and inclusive environments. One example is NCC's Sustainable Refurbishment concept, which results in profitable synergies between refurbishment, energy-efficiency and maintenance. Read more about Sustainable refurbishment on page 18.

At Group level, NCC is also working to create an inclusive work environment characterized by diversity and equality in line with the diversity policy, which is also reflected in the Group's target in the area for the strategy period. Read more on p. 12. Diversity and equality constitute a key issue in terms of satisfying NCC's substantial recruitment needs.

DIVERSITY AND DISCRIMINATION

NCC supports and respects international conventions on human rights and promotes diversity and equality. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, physical impairments or age.

Diversity is a significant feature of the Group's updated Code of Conduct, which was implemented during 2017. During 2017, diversity issues were also included in NCC Compass, a program that provides guidance to employees in important matters involving business ethics. This means, for example, that the navigators have been trained in the topic and that the most prevalent questions and answers in the area are available on the Group's intranet. Read more about NCC Compass on p. 104.

NCC's HR function formed a Diversity Council in 2017 with the aim of strengthening diversity processes and procedures and bringing about a tangible increase in diversity in the Group. Read more about NCC's diversity efforts on p. 32.

DIVERSITY IN NCC, 2017

	GENDER		AGE		
Proportion, %	Women	Men	<34 years	35-50 years	>50 years
Board of Directors	57	43	0	0	100
Executive Management Group	33	67	0	44	56
Management groups	37	63	–	–	–
Employees	13	87	29	33	38
White-collar employees	25	75	28	35	37
Blue-collar employees	2	98	30	31	39

NCC does not accept any form of discrimination and acts forcefully when incidents are reported. In NCC's employee survey Pulse, 5 percent of respondents answered that they had experienced discrimination (due to gender or age), harassment or bullying during 2017. NCC will increase its actions during the years ahead. The Group's antidiscrimination action plan includes:

- training for employees, including management programs about how to handle cases of discrimination,
- the matter is taken up in employee dialogues,
- logging of discrimination cases for follow-up (in addition to the employee survey Pulse), and
- Increased focus on NCC's values.

Materials and Waste

Material topics under GRI: Materials, Effluents and waste.

Since the construction process is material intensive and considerable resources are required for completing a building or structure, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as designing buildings and constructions prepared for reuse and material recycling. The target for the strategy period is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. Read more on p. 12.

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

In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain.

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has initiated an effort to create a platform that enables projects to share surplus materials in other projects within the Group. Other examples of efforts to contribute to a circular flow include the acclaimed Loop Rocks platform, which contributes to a smarter way of managing building residue, stones, soil and gravel (see p. 30) and NCC Recycling, which operates in a number of areas by recycling and reusing building materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic.

WASTE BY TYPE AND DISPOSAL METHOD

	2017		2016	
	total weight, tons	%	total weight, tons	%
Non-hazardous waste				
Sorting (mixed waste)	13,135	26	14,186	21
Energy recycling (combustible waste)	11,192	22	11,575	17
Landfill	2,987	6	3,546	5
Reuse/materials recycling	22,351	45	31,190	46
Special treatment (hazardous waste)	436	1	8,011	12
Total amount of waste	**50,102**		**68,508**	

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

The total amount of waste was reduced by slightly more than 25 percent compared with 2016. This is due largely to NCC focusing on identifying useful approaches for increased sorting plus qualitative statistics. These measures will be broadened in 2018.

RECYCLED ASPHALT GRANULATE

NCC also continuously improves its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2017, recycled asphalt granulate accounted for 20 percent (19) of hot asphalt production.

Climate and Energy

Material topics under GRI: Energy, Emissions.

Since the construction industry has a considerable environmental impact, the results of which include large emissions of greenhouse gases, NCC works actively to influence social development in a sustainable direction. By using, for example, new technology, emissions from production, finished products and the operational phase are reduced,. This means that NCC also can help its customers to achieve their climate targets.

NCC's long-term objective is to have a climate-neutral operation. In order to achieve this, the company works continuously to reduce its carbon footprint. The target for the strategy period is a 50-percent reduction in carbon emissions from own operations by 2020, compared with emission levels in the base year, 2015. Read more on p. 11. Increasingly efficient energy consumption, internal process improvements, more resource-efficient products and a transition from fossil to renewable energy sources, as well as work to influence external players to improve sustainability work in the sector, such as by supporting efforts involving procurement, lifecycle assessments and training, are high on the agenda in order to reduce the climate impact of operations. These measures also contribute to increased competitiveness and reduced costs for customers. During the year, NCC signed new agreements in Norway to secure purchases of electricity from renewable sources. As a result, the Group now has agreements for purchases of electricity from renewable sources with suppliers in all Nordic countries, which contribute to reduced greenhouse gas emissions during the current and future years.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

MWh	2017	Change compared with base year 2015, %	2016	2015[1]
Electricity from renewable sources[2]	118,754	16	108,927	102,360
Other electricity	55,259	–58	102,861	131,120
Electricity, total	**174,013**	**–25**	**211,787**	**233,480**

[1] Excluding Bonava

[2] Hydroelectric and wind power.

Energy-efficiency and replacing fossil energy with energy from renewable sources are important components of work to halve carbon emissions by 2020.

During the year, a number of new agreements were signed throughout the operations concerning renewable electricity, thus facilitating the transition from fossil to renewable electricity. Total energy usage was also reduced during the year.

NCC Asphalt accounts for approximately 60 percent of the Group's own carbon emissions. A large share of the carbon-dioxide emissions derives from the combustion of fossil fuels. By switching to renewable fuels such as wood pellets, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. NCC is also endeavoring to develop more sustainable products, in part by increasing the portion of recycled asphalt in production. Another example is NCC Green Asphalt®, which is hot asphalt produced by a manufacturing method that generates significantly lower carbon-dioxide emissions than conventional production of hot asphalt. NCC currently has some 60 facilities that can produce NCC Green Asphalt®, which corresponds to nearly 90 percent of the facilities in use.

RISKS AND OPPORTUNITIES

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

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and this could benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers.

In the next few years, stricter legislation regarding the energy efficiency of buildings is expected. NCC welcomes this and works continuously to improve the energy performance of the buildings it constructs. NCC is also reviewing its production processes and working to enhance their efficiency so as to gradually reduce their negative environmental impact. If new more stringent legal requirements are not monitored correctly, however, stricter legislation could result in NCC and the industry colleagues that possibly do not comply with new requirements not competing on equal terms, which could affect the cost of products and ultimately the demand for NCC's products and services.

Internal processes

NCC depends on a large quantity of raw materials, fuels and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. To minimize the impact, NCC endeavors to reduce its climate impact, phase out fossil fuels and move towards a more circular use of raw materials. Loop Rocks. a platform for smarter handling of secondary material, is a good example.

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

DEFINITIONS

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

DISTRICT HEATING/DISTRICT COOLING CONSUMPTION WITHIN THE ORGANIZATION

MWh	2017	Change compared with base year 2015, %	2016	2015[1]
District cooling	22	-90	1,286	209
District heating	29,207	-41	48,933	49,239
District heating/district cooling, total	**29,229**	**–41**	**50,219**	**49,448**

[1] Excluding Bonava.

Milder weather and the use of other energy sources, such as electricity or fuels, may have impacted on the lower use of district heating. The sharply reduced use of district cooling during the year was probably due to the on-going projects during 2017 being located in areas where district cooling has not been available.

USE OF FUEL WITHIN THE ORGANIZATION

MWh	2017	Change compared with base year 2015, %	2016	2015[1]
Renewable fuels	114,206	9	87,893	104,786
Fossil fuels	951,544	-8	906,966	1,034,349
Fuels, total	**1,065,750**	**–6**	**994,859**	**1,139,135**

[1] Excluding Bonava.

The amount of renewable fuels increased during the year. In Sweden, the consumption of pellets increased some 40 percent in 2017.

GREENHOUSE GAS EMISSIONS FROM NCC'S OPERATIONS

Market-based	2017	Change compared with base year 2015, %	2016	2015[1]
Greenhouse gas emissions[2] (CO_2e (tons, 000s)	260	-16	267	312
– of which, scope 1[3]	234	-8	223	255
– of which, scope 2[4]	26	-54	44	57
Net sales, SEK M	54,608	3	52,934	53,116
CO_2e (tons)/MSEK	4.8	-19	5.0	5.9

[1] Excluding Bonava.

[2] Greenhouse gases N_2O, CH_4 and CO_2 are included in the calculations

[3] Refers to direct emissions from NCC's operations, of which 0.9 (tons 000) derived from the combustion of biomass

[4] Refers to indirect emissions from electricity and heat.

Carbon-dioxide emissions, related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015.

Compliance

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

NCC endeavors to be a trustworthy partner acting with high ethical standards and transparency. NCC's aim for the strategy period is to have a strong compliance culture and a very active compliance work. NCC monitors the employees' opinions of the compliance culture with the aim of significantly increasing the index score, and reports the number of Tell-me matters and Ask-me questions in the Annual Report. Read more on pp. 12 and 104.

The Code of Conduct is an important feature of the Group's compliance efforts, both as an internal compass for describing how NCC should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct is a part of NCC's agreements with suppliers. Other stakeholders are informed about the Code of Conduct through NCC's website, contracts and agreements. In December 2016, NCC updated its Code of Conduct and a number of areas were clarified and others were added. Practical guidelines were also added to the Code.

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

Following an analysis based on the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance: bribery and corruption, competition law and conflicts of interest.

SUSTAINABLE PURCHASING

Developing sustainable and competitive purchasing is a key issue for NCC. The Group's Code of Conduct is the foundation for the purchasing work and NCC works systematically to minimize risks and increase control.

NCC's supplier base is large and the company cooperates with several thousand suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. By far the majority of NCC's suppliers are Nordic, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of framework agreement suppliers, international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control. During the year, 130 new framework agreement suppliers and international suppliers were added.

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

Portfolio performance

Material topic under GRI: Marketing and labeling.

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

During the year, NCC initiated implementation of a Group-wide initiative for sustainable work sites that is linked to NCC's sustainability framework. Implementation was launched through a number of pilot projects, the results of which were highly favorable. Work to implement the initiative throughout the Group has started.

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM. LEED, DGNB and Citylab. BREEAM and DGNB are used for the projects that NCC develops itself. NCC sees that demand for environmentally certified buildings continues to increase. NCC certified 52 buildings and housing units in 2017, a decline compared with 2016. The reduction was due largely to NCC no longer building all housing on behalf of the current Bonava (formerly NCC Housing).

SUSTAINABILITY-CERTIFIED BUILDINGS

	NORDIC ECOLABEL	BREEAM		LEED		DGNB		MILJÖBYGGNAD	
Certification systems	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number
NCC		Pass	1	Bronze		Bronze		Bronze	
		Good		Silver		Silver		Silver	26
		Very Good	5	Gold		Gold		Gold	1
		Excellent	3	Platinum	1	Platinum			
	9	Outstanding	1						
Total, 2017 (2016)	9 (193)		10 (13)		1 (1)		0 (5)		27 (17)

GRI content index

GRI Standard	Disclosure		Page reference	Omissions
GRI 101: Foundation 2016				
GRI 102: General Disclosures 2016				
	ORGANIZATIONAL PROFILE			
	102-1	Name of the organization	38	
	102-2	Activities, brands, products, and services	2, 16–31, 38	
	102-3	Location of headquarters	38	
	102-4	Location of operations	2	
	102-5	Ownership and legal form	36–37, 114–115	
	102-6	Markets served	2, 16–31	
	102-7	Scale of the organization	3, 38–39, 42–43, 50–51, 106	
	102-8	Information on employees and other workers	106	Number of employees per employment type is not reported due to limitations in the data collection.
	102-9	Supply chain	110	
	102-10	Significant changes to the organization and its supply chain	36	
	102-11	Precautionary Principle or approach	104	
	102-12	External initiatives	104	
	102-13	Membership of associations	104, 110	
	STRATEGY			
	102-14	Statement from senior decision-maker	4–5	
	102-15	Key impacts, risks, and opportunities	46–47	
	ETHICS AND INTEGRITY			
	102-16	Values, principles, standards, and norms of behavior	32–33, 104, 107, 110	
	GOVERNANCE			
	102-18	Governance structure	104, 114–115	
	STAKEHOLDER ENGAGEMENT			
	102-40	List of stakeholder groups	105	
	102-41	Collective bargaining agreements	106	
	102-42	Identifying and selecting stakeholders	105	
	102-43	Approach to stakeholder engagement	105	
	102-44	Key topics and concerns raised	105	
	REPORTING PRACTICE			
	102-45	Entities included in the consolidated financial statements	105	
	102-46	Defining report content and topic Boundaries	105	
	102-47	List of material topics	105	
	102-48	Restatements of information	–	
	102-49	Changes in reporting	–	
	102-50	Reporting period	105	
	102-51	Date of most recent report	105	
	102-52	Reporting cycle	105	
	102-53	Contact point for questions regarding the report	105	
	102-54	Claims of reporting in accordance with the GRI Standards	105	
	102-55	GRI content index	111–113	
	102-56	External assurance	105	

GRI Standard	Disclosure		Page reference	Omissions
GRI 200: Economic standards				
	ECONOMIC PERFORMANCE			
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 34–35	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	35	
	201-2	Financial implications and other risks and opportunities due to climate change	47, 109	
	201-3	Defined benefit plan obligations and other retirement plans	45, 69–72, 117	
	ANTI-CORRUPTION			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 104–105, 110	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	110	
	205-2	Communication and training about anti-corruption policies and procedures	104, 110	
	205-3	Confirmed incidents of corruption and actions taken	12, 104	
	ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 104–105, 110	
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	41	
GRI 300: Environmental standards				
	MATERIALS			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 30, 105, 108	
GRI 301: Materials	301-2	Recycled input materials used	108	Material in NCC's industrial operations.
	ENERGY			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 11, 105, 108–109	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	108–109	
	302-4	Reduction of energy consumption	108–109	
	EMISSIONS			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 11, 105, 108–109	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	108–109	
	305-2	Energy indirect (Scope 2) GHG emissions	108–109	
	305-4	GHG emissions intensity	11, 108–109	
	305-5	Reduction of GHG emissions	11, 108–109	
	EFFLUENTS AND WASTE			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 105, 108	
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	108	
	SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 104–105, 110	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	110	Not reported due to limitations in the data collection. NCC has taken actions to improve the possibilities of reporting on this disclosure in the future.

GRI Standard	Disclosure		Page reference	Omissions
GRI 400: Social standards				
	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 11, 105–107	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	11, 106–107	Sick leave and lost day rate are not reported for subcontractors and data can per gender cannot be presented limitations in the data collection.
	403-3	Workers with high incidence or high risk of diseases related to their occupation	106–107	
	TRAINING AND EDUCATION			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 32, 105–107	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	107	Only reported on Group level and for Sweden due to limitations in the data collection.
	DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 32–33, 105, 107	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	107	Age breakdown is reported in accordance with the categories in NCC's diversity objectives.
	NON-DISCRIMINATION			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 32–33, 105, 107	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	107	
	SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 104–105, 110	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	110	Not reported due to limitations in the data collection. NCC has taken actions to improve the possibilities of reporting this disclosure in the future.
	MARKETING AND LABELING			
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	8–9, 12, 18–19, 110	
GRI G4: Construction and Real Estate Sector Supplement	CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	110	

Corporate Governance report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and other rules that apply to listed companies, which include the Swedish Code of Corporate Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se). NCC has applied the Code since it was introduced in 2005. During the year, NCC AB complied with Nasdaq Stockholm's Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors but is not part of the formal Annual Report documentation.

How NCC is governed

GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Official notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website www.ncc.se. Confirmation that the Official notice has been issued will be announced in Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting.

Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the company prior notice of this. The are no stipulations in the Articles of Association concerning the appointment and dismissal of Board Members or concerning amendments of the articles of Association.

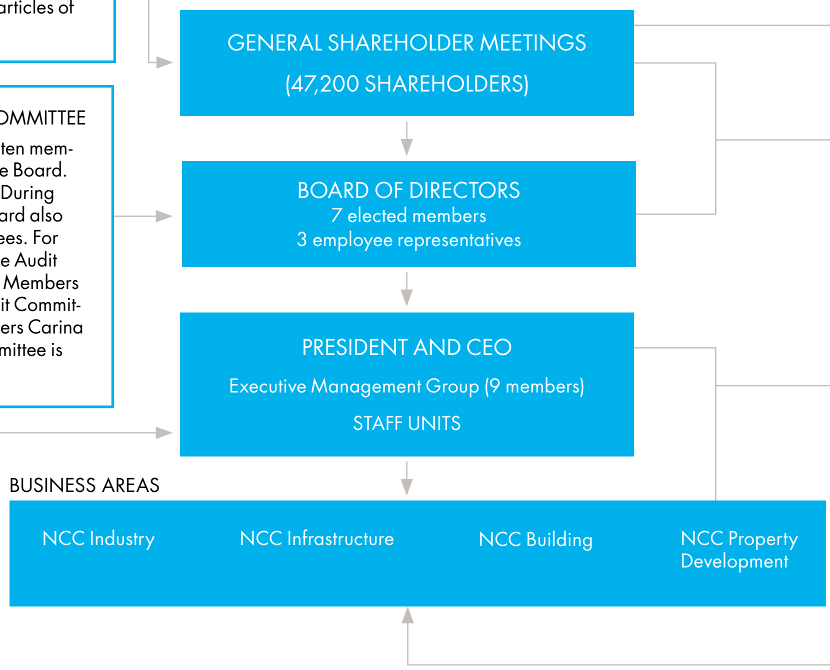
SHARE STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see p. 36-37. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the company's Board, which makes continuous decisions on conversion matters. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered.

BOARD OF DIRECTORS AUDIT COMMITTEE AND PROJECT COMMITTEE

The Board shall consist of not fewer than five and not more than ten members elected by the AGM. The employees are represented on the Board. The members of the Board are elected for a period of one year. During 2017, seven Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Board members, see pp. 120–121. The Audit Committee comprises Chairman of the Board Tomas Billing and Members of the Board Ulla Litzén and Mats Jönsson. The Chair of the Audit Committee is Ulla Litzén. The Project Committee comprises Board Members Carina Edblad and Geir Magne Aarstad. The Chair of the Project Committee is Carina Edblad.

NCC'S CONTROL STRUCTURE 2017



CHAIRMAN OF THE BOARD

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 120). 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 and is a co-opted member of the Nomination Committee but has no voting right.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Acting President and CEO of the company is Håkan Broman (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 122). The Board has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to Board of Directors' report on internal control, pp. 118-119).

DEPUTY CHIEF EXECUTIVE OFFICER

The company has not appointed any Deputy Chief Executive Officer.

EXECUTIVE MANAGEMENT GROUP (EMG)

In 2017, NCC's EMG consisted of the CEO, the Heads of NCC Industry, NCC Infrastructure, NCC Building and NCC Property Development, plus the Chief Financial Officer, the SVP Corporate Relations, the SVP Operational Support and the Senior Legal Counsel.

For information on EMG members, see pp. 122–123.

The EMG mainly focuses on strategic and other Group-wide matters and generally meets once per month.

NOMINATION COMMITTEE

The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board members, and to propose the fees to these officers. The Nomination Committee shall also nominate auditors and propose the fees to be paid to them.

The Nomination Committee's work complies with the instructions adopted by the AGM.

EVALUATION OF THE BOARD AND AUDITORS

The Board of Directors is evaluated within the framework of the Nomination Committee's work. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," pp. 116–117).

The Board or, where appropriate, the Audit Committee appointed by the Board, also assists the Nomination Committee in evaluating the work of the auditors.

NOMINATION COMMITTEE
Election and remuneration of the Board od Directors and auditors

EXTERNAL AUDIT
(Audit firm)

INTERNAL CONTROL ENVIRONMENT

GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. Each business area is managed by a business area head and has a Board of Directors, of which, among others, NCC AB's CEO, CFO and Senior Legal Counsel are members. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function.

The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO, the AGM appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. Auditors are currently appointed for a period of one year. Until the close of the AGM in 2018, the registered firm of accountants PricewaterhouseCoopers AB (PwC) serves as NCC's auditors. Authorized Public Accountant Håkan Malmström has been elected PwC's auditor-in-charge. The Audit Report is also signed by Authorized Public Accountant Ann-Christine Hägglund. For more information on the elected auditors, see p. 121.

INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide decision-making procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide control documents govern communication, finance, code of conduct, the environment and work environment.

The number of ongoing projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the CEO, CFO and the Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be confirmed by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary property projects representing an investment exceeding SEK 50 M must be approved by the CEO and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments corresponding to less than SEK 50 M are the responsibility of the particular business area.

CODE OF CONDUCT

A comprehensive program to develop and implement the Group's values has long been under way. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These regulations are summarized in a Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

NCC's revised Code of Conduct, including an expanded section about anticorruption, money laundering and personal data and a new section on how to behave in social media, was launched in the organization in 2017. The Code of Conduct has also been supplemented with practical advice in each area.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

In 2017, NCC continued to refine its compliance program in line with the new Group-wide, needs-adapted process that was launched in 2013. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. Three areas have been identified as especially important in NCC Compass: bribery and corruption, competition law and conflicts of interest. Another area, diversity, was added to NCC Compass in March 2017. Accordingly, all forms of potential discrimination are included in a more distinct way in the support and reporting procedures provided through NCC Compass. At the same time, the responsibility that all NCC employees have for creating an inclusive workplace was clarified and concrete advice collected for preventing the risk of all forms of discrimination. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to about 55 employees in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. NCC has also introduced advanced system support for the internal and external reporting of irregularities. Everything within the framework of the value-driven and transparent corporate culture that NCC is working to refine. Moreover, NCC has undertaken a comprehensive overhaul of the operations and identified risk areas and risk processes. The purpose of NCC's new procedures is to make it easier for employees to dare to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation combined with training and discussions with NCC employees continued in 2017. All NCC employees are covered by the training programs. In December 2016, further training was launched in this area in the form of shorter, Web-based courses which 5,700 employees had undergone by December 31, 2017.

Employees who suspect unethical behavior or improper action should firstly report this to the immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement with Nasdaq Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Operating procedures for Board work
- Audit Committee's operating procedures
- Project Committee's operating procedures
- Division of work between Board/CEO
- Decision-making procedures for Group and business areas
- NCC's Code of Conduct
- NCC Compass
- Governing documents in the form of policies, regulations, guidelines and instructions

Corporate governance at NCC in 2017

ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting (AGM) was held at the Royal College of Music in Stockholm on April 5. 415 shareholders were present representing 43.7 percent of the share capital and 60.5 percent of the total number of votes. The minutes of the 2017 AGM and from previous AGMs are available at www.ncc.se. The 2017 AGM passed the following resolutions, among others:

Dividend for the 2016 fiscal year of SEK 8.00, divided into two payments.

Tomas Billing, Carina Edblad, Viveca Ax:son Johnson and Ulla Litzén were reelected as Members of the Board. Birgit Nørgaard, Geir Magne Aarstad and Mats Jönsson were elected as new Board members. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees would amount to SEK 4,100,000, excluding remuneration for committee work, distributed so that the Chairman of the Board would receive SEK 1,100,000 and that each other AGM-elected member would receive SEK 500,000. The adopted fees to be paid to the Chairman and the Board members is unchanged. Fees will be paid to the members of the Audit Committee as follows: the chairman of the Committee will receive SEK 175,000 and each other Committee member will receive SEK 125,000.

Guiding principles were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive plan (LTI 2017) for senior executives and key personnel.

To cover the commitment under LTI 2017, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 300,000 Series B shares to participants of LTI 2017. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2014, LTI 2015 and LTI 2016) and LTI 2017.

Income statements and balance sheets for 2016 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2017, NCC's Board held seven scheduled meetings, three non-scheduled meeting and the statutory meeting held directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. Project impairments and management changes gave rise to a number of non-scheduled Board meetings during the year. Reporting on the progress of the company's operations and financial position was a standing item on the agenda. The Board has established 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 in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial statements and preparing matters related to the company's financial statements and audit in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and fulfill the duties pursuant to EU ordinance No. 537/2014. The Committee held six meetings in 2017 at which all members were present. The Board also assessed the need of a special audit function (internal audit). The Board concluded that there will be a need in the future for a separate internal audit or audit

BOARD OF DIRECTORS 2017

						BOARD MEETINGS AND ATTENDANCE 2017										
	Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fees, SEK 000s	Fees for the Audit Committee, SEK 000s	26 Jan	5 April	5 April 1)	27 April	28 June	18 July	24 Sept	25 Oct	29 Oct	8 Dec	12 Dec
Board Members elected by the AGM																
Tomas Billing	1999	yes	no	1,100	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	yes	no	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad	2014	yes	yes	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Geir Magne Aarstad 3)	2017	yes	yes	370				✓		✓	✓	✓	✓	✓	✓	✓
Sven-Olof Johansson 2)	2012	yes	yes	130		✓	✓									
Mats Jönsson 3)	2017	yes	yes	370	125			✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	500	175		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Birgit Nørgaard 3)	2017	yes	yes	370				✓			✓	✓		✓	✓	✓
Christoph Vitzthum 2)	2010	yes	yes	130		✓	✓									
Regular employee representatives																
Lars Bergqvist	1991			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–		✓	✓	✓							✓	

1) Statutory Board meeting.
2) Sven-Olof Johansson and Christoph Vitzthum stepped down as Board Members at the AGM on April 5, 2017.
3) Geir Magne Aarstad, Mats Jönsson and Birgit Norgaard were elected Board Members at the AGM on April 5, 2017.

No special fee was paid to the members of the Project Committee.

function, which is under constructiona; refer also to the “Board of Directors’ report on internal control,” pp. 118–119). The Board’s evaluation of its work was conducted by the a Board member engaging in separate interviews of other Members. The results of these interviews were then compiled and discussed by the Board. Documentation for this matter has been submitted to the Nomination Committee.

In July 2017, the Board established a Project Committee, which is to assist in the preparation, analysis and decisions regarding tenders in contracting operations in respect of projects exceeding SEK 1.5 billion. The Committee addressed two projects during the year and held two meetings at which all members were present. No special fee was paid to members of the Committee.

BUYBACK OF COMPANY SHARES

The company holds 353,323 Series B shares to cover its commitments under long-term incentive programs. In 2017, 37,987 shares were sold to cover costs, 25,144 shares were transferred to participants in LTI 2014 and 54,232 shares were bought back.

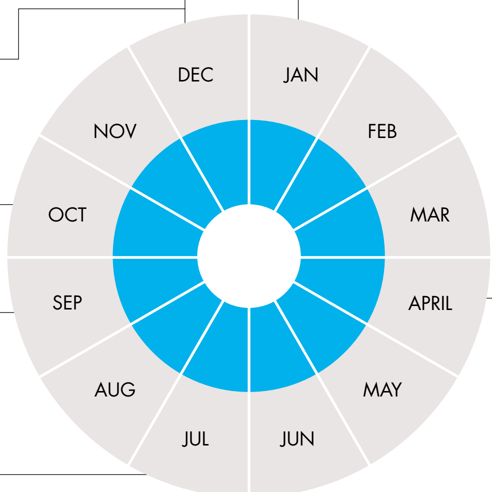
REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involvnig remuneration and other terms of employment for executive management. If, as in the case at NCC, the Board considers it more appropriate, the entire Board may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the company’s senior executives are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and adopted by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. The 2017 AGM resolved on a long-term performance-based incentive program (LTI 2017), comprising the CEO, members of the EMG and an additional 159 executives in the Group. LTI 2017 is a three-year program that entitles the participants to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2019. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. In the Code, it is stipulated that for agreements signed as of July 1, 2010, the total amount of pay during a period of notice and severance pay may not exceed a sum corresponding to two years of fixed salary. The Board follows up and evaluates application of the remuneration program applicable for senior executives. The term “other senior executives” pertains to the executives who, in addition to the CEO, comprise the Executive Management Group. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on p. 69.

NOMINATION COMMITTEE 2017

At the AGM on April 5, 2017, Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Johan Strandberg (Analyst at SEB Fonder) and Anders Oscarsson (equity manager AMF/AMF Fonder) were reelected as members of the Nomination Committee, with Viveca Ax:son Johnson as Chair. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right. No remuneration was paid to members of the Nomination Committee. The diversity policy applied by the Nomination Committee complies with Article 4.1 of the Swedish Code of Corporate Governance.The Nomination Committee’s proposal to the 2018 AGM is available on www.ncc.se.

THE BOARD OF DIRECTORS’ 2017 WORKING YEAR – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING



UNSCHEDULED BOARD MEETING DECEMBER 12
- Increased provisions
- Adaptation of overhead costs

BOARD MEETING DECEMBER 8
- Board’s evaluation of its own work
- Audit
- Budget
- Internal control
- Debriefing, compliance work

UNSCHEDULED BOARD MEETING OCTOBER 29
- Management shift

BOARD MEETING OCTOBER 25
- Quarterly report
- Review of overhead costs

UNSCHEDULED BOARD MEETING SEPTEMBER 24
- Operating profit, incl. impairment losses

BOARD MEETING JULY 18
- Semi-annual report
- Instructions to the Project Committee
- Revision of the decision-making procedure

BOARD MEETING JUNE 28
- Workplace visit Helsinki
- Debriefing, compliance work
- Debriefing, health and safety issues
- Accounting and audit matters
- Action plans for Infrastructure and Building

BOARD MEETING JANUARY 26
- Year-end accounts 2016
- Annual Report
- Proposed distribution of profits
- Motions to the AGM
- Motion concerning guidelines for salary and other remuneration
- Corporate Governance Report
- Definitive audit report
- Revision of working and decision-making regulations
- Board’s evaluation of the Audit Committee

BOARD MEETING APRIL 5
- Information prior to the AGM
- Strategy
- Competitor analysis
- Audit Committee’s composition

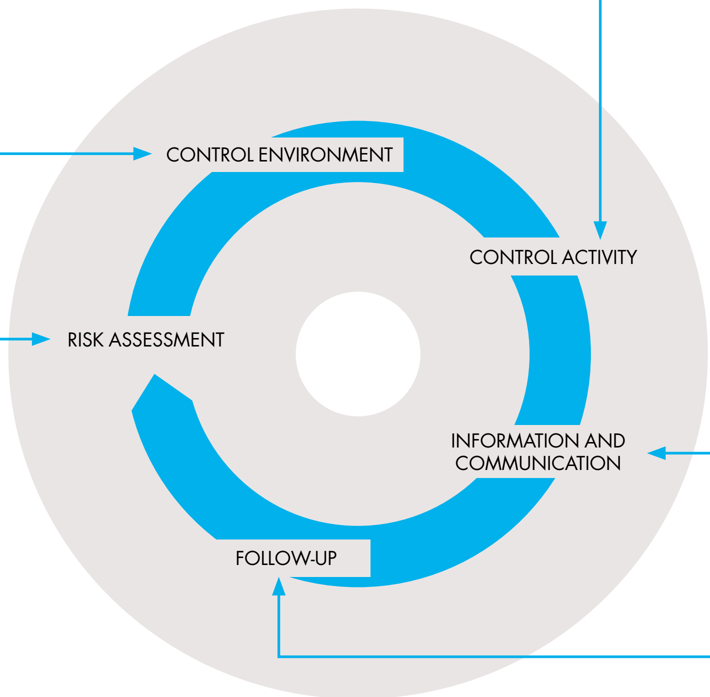
ANNUAL GENERAL MEETING APRIL 5

STATUTORY MEETING APRIL 5
- Company signatories appointed
- Rules of procedure
- Decision-making regulations
- Instructions for the CEO

BOARD MEETING APRIL 27
- Quarterly report
- LTI matters
- Financial policy

Board of Directors' report on internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal-control and risk-management systems in connection with financial reporting and in the preparation of the company's consolidated financial statements. Information on this is provided in this section.



1 RISK-ASSESSMENT AND RISK-MANAGEMENT

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial statements, are addressed within the company's established processes.

The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial recognition. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk of errors in percentage-of-completion profit recognition and items based on assessments and estimates, such as valuations of land held for future development and ongoing property-development, goodwill and provisions.

At NCC, risks are followed up in several different ways, including via:

- **Regular status checks** with the Business Area Manager and financial manager of each particular business area. Representing NCC AB, the CEO and the Chief Financial Officer (CFO) always attend these meetings. The status checks address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- **Business area meetings** in the various business areas, which are held at least five times per year. The meetings are minuted. Those participating in the meeting, apart from the Heads of the business area and its management group, are NCC AB's CEO, CFO and the Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome, forecast and alternative budget. Forecasts are formulated and are checked in connection with the quarters ending March, June and September, and in the following-year budget in November. The meetings also address tenders, investments and sales, in accordance with the decision-making regulations. Investments and divestments of properties exceeding SEK 150 M must be approved by NCC AB's Board. All investments exceeding SEK 50 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be confirmed by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board. The Project Committee is to be involved in projects exceeding SEK 1,500 M. Projects exceeding SEK 300 M are also monitored via the NCC Project Trend Report (PTR) process.
- NCC AB's Board receives monthly **financial reports** and NCC's current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Finance. NCC's finance policy stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and shortcoming in insurance coverage. These risks are monitored by the Compliance and Insurance function.

For more information on control and governance at NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

2 CONTROL ENVIRONMENT

The Board has overall responsibility for internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, guidelines, manuals and work descriptions. These must be documented and kept available. In NCC, this means that the Board establishes rules of procedure for the Board's work each year. The Board also prepares an instruction concerning the division of work between the Board and the CEO. According to this instruction, the CEO is responsible for ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is an international organization that governs and conducts its operations in a Nordic operational structure. Operational management of the Group is based on decision-making regulations within the NCC Group that are adopted annually by the Board. The decision-making regulations stipulate the matters that require the Board of Directors' approval or confirmation. In turn, this is reflected in the corresponding decision-making regulations and attestation regulations applying to the business areas. The basis for the internal control of financial reporting comprises everything that has been documented and communicated in control documents, such as internal policies, guidelines, instructions and other manuals. Considerable effort has been devoted to achieving a structure between the policies that are central and the policies to be regarded as local, and that all significant areas are covered. The NCC Group's legal governance occurs on the basis of a uniform corporate structure with subsidiaries in each country.

For more information on governance and control, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

3 CONTROL ACTIVITIES

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units.
The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal control of identified risks. For the business operations, operational control systems form the basis for the established control structure and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects. NCC attaches considerable weight to project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting.

For a number of years, NCC has had several SSCs, in part NCC Business Services (NBS), which manages most of the financial transactions of the Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Group Operational IT, which has central responsibility for the shared IT systems in NCC.

These functions require that their processes include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control target matrixes that connect risks, control and measurement of efficiency, and ensure that the control is documented and that proof of control exists.

4 INFORMATION AND COMMUNICATION

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (Starnet Economy).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. Starnet Economy is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and Nasdaq Stockholm. NCC's CFO has principal responsibility for Starnet/Economy. Starnet Economy includes the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- The organization of the financial control function.
- Time schedules for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions

All financial reporting must comply with the rules and regulations found on Starnet/Economy.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with specially formulated templates. Instructions and regulations concerning both written and figure-based reporting are available on Starnet/Economy. Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

The status of the internal control set-up is reported annually at a meeting of the NCC AB Board. Debriefing also occurs at business area level. The CFO of the NCC Group is responsible for ensuring that information about and communication of the control have been established and are effective.

5 FOLLOW-UP

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component of the Board's assessment of internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are followed up via Board work within the various business areas and, in cases where it is considered that targeted action is required, the financial control and controller organization is utilized, or external consultants with suitable expertise for the assignment.

As part of its audit of the financial statements and the administration, NCC's auditor, PWC, also examines a selection of NCC's controls. The Audit Committee held six meetings during 2017. The duties of the Audit Committee in terms the financial statements include monitoring the efficiency of the company's internal controls, internal audit and risk management. The Board meets the auditors at least once a year. In addition, the Chairman of the Board has direct contact with the auditors on a number of occasions during the year. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. The views that arise are to be considered and followed up within the particular unit. NCC's auditor also reviewed the company's nine-month report.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 114-123 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination
Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 16 March 2018

PricewaterhouseCoopers AB

Håkan Malmström
Authorised Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorised Public Accountant

Board of Directors

TOMAS BILLING

Chairman. Born 1963. Board member since 1999 and Chairman since 2001. Member of the Audit Committee.
President of Nordstjernan AB.
Other assignments: Chairman of the Board of Nobia. Board member of BiJaKa AB and Parkinson Research Foundation.
Previous experience includes: President of Hufvudstaden AB and Monark Bodyguard AB.
Shareholding in NCC AB: 20,600 Series A. shares and 75,400 Series B shares.

VIVECA AX:SON JOHNSON

Born 1963. Board member since 2014.
Other assignments: Chairman of the Board of Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board member of Bonava AB, Rosti Group AB, FPG Media AB and the Axel and Margaret Ax:son Johnson Foundation.
Previous experience includes: Deputy Chairman of Nordstjernan (1997–2007), Chairman since 2007, as well as various positions in the Nordstjernan Group.
Shareholding in NCC AB: 59,000 Series B shares (including related-party holdings), as well as 25,000 Series A shares and 31,000 Series B shares via private companies.

BIRGIT NØRGAARD

Born 1958. Board member since 2017.
Other assignments: Deputy Chairman of NNE Pharmaplan A/S, the Danish Government's Inter-ministerial Project Office and Danish Growth Capital 1. Member of the Board of DVS A/S, IMI Plc, WSP Global Inc., RGS 90 A/S and Danish Growth Capital II.
Previous experience includes: CEO of Carl Bro A/S (2003–2010), COO of Grontmij NV (2006–2010) and CFO and COO of Danisco Distillers A/S (1993–2000).
Shareholding in NCC AB: 0.

ULLA LITZÉN

Born 1956. Board member since 2008 and chairman of the Audit Committee.
Other assignments: Board member of Alfa Laval AB, AB Electrolux, Husqvarna AB and Ratos AB.
Previous experience includes: President of W Capital Management AB (2001–2005) and Vice President of Investor AB (1996–2001).
Shareholding in NCC AB: 3,400 Series B shares.

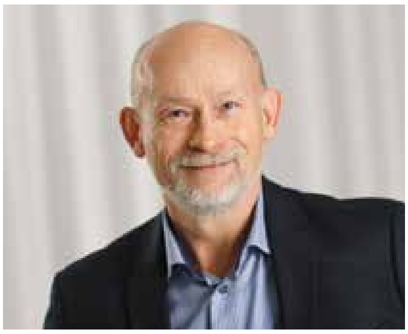
MATS JÖNSSON

Born 1957. Board member since 2017 and member of the Audit Committee.
Other assignments: Chairman of the Board of Logent and Lekolar and Member of the Board of Coor and Assemblin.
Previous experience includes: CEO of Coor Service Management (2004–2013), Business Unit Manager of Skanska Services (2000–2004) and Division Manager of Skanska Sweden (1998–2000).
Shareholding in NCC AB: 0.

CARINA EDBLAD

Born 1963. Board member since 2014 and chair of the Project Committee.
CEO of Thomas Betong AB.
Other assignments: Chairman of the Board of Svensk Betong and Board member of Hifab Group AB.
Previous experience includes: 25 years at Skanska AB, where she was Line Manager and Chief of Staff in various operations in the Nordic region.
Shareholding in NCC AB: 0.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2017.



GEIR MAGNE AARSTAD

Born 1960. Board member since 2017 and member of the Project Committee.
Other assignments: Chairman and partner of GRAA AS.
Previous experience includes: CEO of AL Rahhi Contracting Company Ltd (2009–2011), Saudi Arabia, CEO of Skanska Norway (2004–2009) and regional head of Skanska Norway (2001–2004).
Shareholding in NCC AB: 0.

Employee representative
LARS BERGQVIST

Born 1951. Construction engineer.
Board member since 1991. Employed since 1975. Shop steward in NCC.
Employee representative of Ledarna (Swedish Association of Supervisors).
Shareholding in NCC AB: 1,140 Series A shares and 200 Series B shares (including related-party holdings).

Employee representative
BENGT GÖRANSSON

Born 1959. Installation Manager
Deputy Board member since 2017. Shop steward in NCC. Employee representative of Unionen.
Shareholding in NCC AB: 0.

Employee representative
MATS JOHANSSON

Born 1955. Carpenter.
Deputy Board member since 2011. Employed since 1977. Construction carpenter and shop steward at NCC, as well as officer for health and safety issues. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers Union).
Other assignments: Board member of AB Ronneby Industrifastigheter.
Shareholding in NCC AB: 260 Series B shares.

Employee representative
KARL-JOHAN ANDERSSON

Born 1964. Paver.
Board member since 2011. Employed since 1984. Shop steward in NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).
Other assignments: Member of SEKO's Road and Rail Department in Skåne. Senior shop steward of the paving section in Skåne.
Shareholding in NCC AB: 0.

Employee representative
KARL G. SIVERTSSON

Born 1961. Carpenter and crane operator.
Board member since 2009. Employed since 1981. Shop steward in NCC. Employee representative of Svenska Byggnadsarbetareförbundet.
Other assignments: Board member of Svenska Byggnadsarbetareförbundet, Central Norrland Region, and deputy member of Federation Board of Svenska Byggnadsarbetareförbundet.
Shareholding in NCC AB: 200 Series B shares.

Auditors – PricewaterhouseCoopers AB
HÅKAN MALMSTRÖM

Auditor-in-charge. Born 1965.
Other material assignments Auditor-in-Charge at companies including Axel Johnson, JM and Nordstjernan

ANN-CHRISTINE HÄGGLUND

Authorized Public Accountant Born 1966.
Other significant assignments: Auditor-in-Charge at Business Sweden, Byggmax and Lernia.

Secretary of the Board
ANN-MARIE HEDBECK

Born: 1972. Master of Laws
Acting General Counsel at NCC AB since October 30, 2017.
Previous experience includes Senior Legal Counsel at NCC Infrastructure and Senior Legal Counsel at Skanska AB.
Employed by NCC since 2017.
Shareholding in NCC AB: 0.

Executive Management Group






HÅKAN BROMAN

Born 1962. Acting President and CEO since October 30, 2017. Employed by NCC since 2000. Previous experience includes: General Counsel at NCC AB 2009–2017. Corporate lawyer at NCC International Projects and NCC Property Development (2000–2008), corporate lawyer at ABB/Daimler Chrysler Transportation (1996–2000), lawyer at Ekelunds advokatbyrå (1993–1996), positions in Swedish court system (1991–1993), active in the European International Contractors (EIC) (2001–2010) and Member of the Board (2008–2010).
Shareholding in NCC AB: 5,018 Series B shares.

MATTIAS LUNDGREN

Born 1971. EVP & Chief Financial Officer since 2016. Employed by NCC since 1998.
Previous experience includes: Head of Mergers & Acquisitions and Strategy (2015), Head of NCC Housing Sweden 2012–2015 and various business development roles in NCC.
Shareholding in NCC AB: 2,100 Series B shares.

HARRI SAVOLAINEN

Born 1971. EVP & Head of Purchasing since March 2018. Employed by NCC since 2001.
Previous experience includes: Head of Operational Support, Division Manager of NCC Building Finland and Business Area Manager of NCC Construction Finland.
Shareholding in NCC AB: 4,407 Series B shares.

GÖRAN LANDGREN

Born 1956. Acting EVP & Head of NCC Infrastructure since September 25, 2017.
Previous experience includes: Head of NCC Roads (2006–2014), Deputy President of NCC Construction Sweden with responsibility for marketing, business development and subsidiaries (2004–2006) and various positions in building and civil engineering operations at NCC (1981–2001). Employed by Peab as Head of the Civil Engineering Division (2001–2003).
Shareholding in NCC AB: 500 Series B shares.

KLAUS KAAE

Born 1959. EVP & Head of NCC Building since 2016. Employed by NCC since 1985.
Previous experience includes: Business Area Manager of NCC Construction Denmark (2012–2015) and Vice President of NCC Construction Denmark (2009–2012). Executive Director of NCC Construction Denmark 2002–2009.
Shareholding in NCC AB: 7,017 Series B shares.

CAROLA LAVÉN

Born 1972. EVP & Head of NCC Property Development since 2013. Employed by NCC since 2013.
Previous experience includes Business Development Director at Atrium Ljungberg (2006–2013), Business Development Director at Ljungberg-Gruppen (2003–2006), Property Manager for Stockholm/Uppsala at Drott (1998–2003) and Property Manager for Skanska (1995–1998).
Other assignments: Board member of Sweden Green Building Council.
Shareholding in NCC AB: 3,081 Series B shares.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2017.

ANN LINDELL SAEBY

Born 1962. EVP & Head of Corporate Relations since 2016. Employed by NCC since 2012.
Previous experience includes: Senior Vice President Corporate Communications at NCC (2012–2015), Senior Vice President Corporate Communications at Fortum (2004–2012) and communications consultant and partner at Kreab Gavin Anderson (1998–2004).
Shareholding in NCC AB: 3,103 Series B shares.

ANN-MARIE HEDBECK

1972. Acting EVP & General Counsel at NCC AB since October 30, 2017. Employed by NCC since 2017.
Previous experience includes: Senior Legal Counsel at NCC Infrastructure and Senior Legal Counsel at Skanska AB.
Shareholding in NCC AB: 0.

JYRI SALONEN

Born 1965. EVP & Head of NCC Industry since 2016. Employed by NCC since 2008.
Previous experience includes: Business Area Manager of NCC Roads (2015), Division Manager of NCC Roads Services 2014, Business Unit Manager of NCC Roads in Finland 2009–2013, various positions at ExxonMobil internationally and Esso in Finland.
Shareholding in NCC AB: 2,620 Series B shares.

MEMBERS JOINING THE EXECUTIVE MANAGEMENT GROUP IN 2018

TOMAS CARLSSON

Tomas Carlsson was appointed the new President and CEO of NCC on January 12, 2018. Tomas Carlsson has been the President of the publicly traded Swedish technology consultant company Sweco since the end of 2012. Prior to that, he worked at NCC for nearly 20 years, most recently as Head of NCC's construction operations in Sweden. Tomas Carlsson will take up his new position at NCC by July 2018 at the latest.

KENNETH NILSSON

Kenneth Nilsson was appointed the new Head of NCC Infrastructure business area on January 3, 2018. Nilsson will take up his new position in April 2018, replacing Göran Landgren. Kenneth Nilsson has 20 years of experience from various senior positions at Skanska and in management teams, and another ten years of experience as a work manager, project manager and supervisor. During 2017, he was assigned responsibility for Skanska Civil East in the US.

Financial information and contact details

NCC will publish financial information regarding the 2018 fiscal year on the following dates:

April 11	AGM
April 25	Interim report January–March
July 18	Six-month report January–June
October 25	Interim report January–September
January 2019	Year-end report 2018

NCC's interim reports are downloadable from the NCC Group's website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 2009 and annual reports dating back to 1996. NCC does not print or distribute its interim reports. The printed Annual Report is sent to those who request it.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are relevant financial figures. NCC's press releases are available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.se website, by e-mailing ir@ncc.se, writing to NCC AB, SE-170 80 Solna, Sweden, or calling NCC AB at +46 8 585 510 00. The person at the NCC Group responsible for shareholder-related issues and financial information is Johan Bergman, IR Manager (Tel: +46 8 585 523 53; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 4:30 p.m. on April 11, 2018.

Location: Vinterträdgården, Grand Hôtel, Royals entrance, Stallgatan 6, Stockholm. Notification can be made via NCC's www.ncc.se website, by regular mail to NCC AB c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, or by telephone to +46 8 402 92 no later than April 5, 2018. Notification should include name, personal identification number (corporate registration number), address, telephone number and the number of any advisors.

Registration at the Meeting will begin at 15:30. The official notification of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- and Inrikestidningar on February 8, 2018. Confirmation that the official notification had been issued was announced in Dagens Nyheter and Svenska Dagbladet.

NCC AB (publ), Corp. Reg. No. 556034-5174, Registered Head Office: Solna.
Addresses to the companies in the NCC Group are available at www.ncc.se.

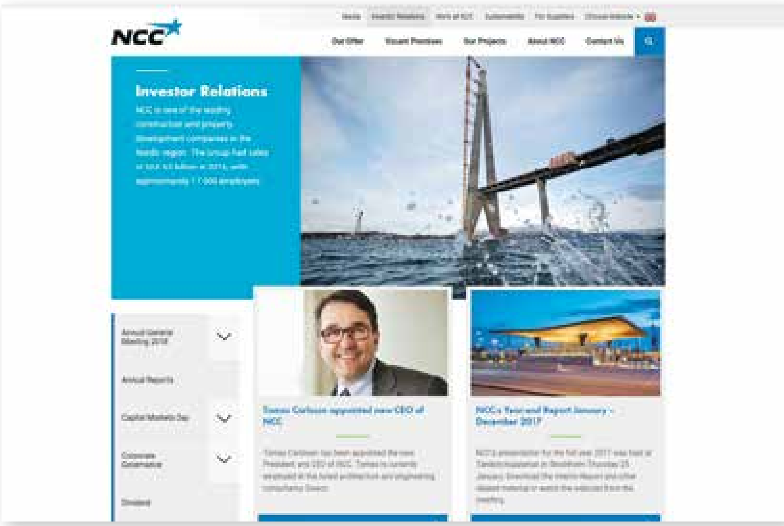
SHAREHOLDER INFORMATION ON NCC.SE

All financial information concerning the NCC Group and everything that concerns you as a NCC shareholder is available on NCC's website under the Investor Relations tab.

SHAREHOLDER SERVICE. From our Shareholder Service, you can subscribe for the information you would like to receive and also choose the format in which you will receive it, on paper or by e-mail.

SHARE-PRICE INFORMATION Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

LIST OF ANALYSTS. Here, you will find a list of the analysts who regularly monitor NCC and their expectations of the company.



MORE INFORMATION/ CONTACT PERSON.

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IR Manager
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Definitions/glossary

FINANCIAL KEY FIGURES

Share of risk-bearing capital: Sum total of shareholders' equity and deferred tax liabilities as a percentage of total assets.

Return on shareholders' equity: Net profit for the year according to the income statement excluding non-controlling interests as a percentage of average shareholders' equity.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed. Return on capital employed is used to optimize the Group's capital allocation and value generation.

Dividend yield: The dividend as a percentage of the market price at year-end.

Operating net: Profit from property management before depreciation.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: 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.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classed as current assets.

Net indebtedness: Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net sales: The net sales of construction operations are recognized in accordance with the percentage-of-completion principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. Property sales are recognized on the date when significant risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as are finished properties included in inventory.

Order backlog: Period-end value of the remaining non-worked-up project revenues for projects received, including proprietary projects for sale that have not been completed.

P/E ratio: Year-end market price of the shares divided by earnings per share after taxes.

Earnings per share, after taxes: Net profit for the year attributable to NCC shareholders divided by the weighted number of shares during the year in question.

Interest-coverage ratio: Profit after financial items following the reversal of financial expense divided by financial expense.

Operating margin: Operating profit as a percentage of net sales.

Debt/equity ratio: Net indebtedness divided by shareholders' equity.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

Capital employed: Total assets less interest-free liabilities including deferred tax liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Closing date interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

Exchange-rate effect: Impact of changes in various exchange rates on current reporting in NCC's consolidated financial statements on translation into SEK.

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

Buyback of company shares (treasury shares) in share data: Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.

SECTOR-RELATED DEFINITIONS

Construction costs: The cost of constructing a building, including building accessories, utility-connection fees, other contractor-related costs and VAT. Construction costs do not include the cost of land.

Development rights: Estimated possibility to develop a site. Either ownership of a site or an option on ownership of the site concerned is a prerequisite for being granted access to a development right. For commercial properties, development rights are measured in square meters.

Detailed development plan: Municipal plan for the use of land in a certain area, which is legally binding and can form the basis for granting building permits.

Required yield: The yield required by purchasers in connection with acquisitions of property projects. Operating revenues less operating and maintenance expenses (operating net) divided by the investment value.

Proprietary project: When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project. Pertains to commercial property projects.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

Function contract: Usually a multi-year contract in which the customer imposes functional requirements rather than detailed requirements concerning materials and design.

NCC Partnering: A cooperation format applied in the construction and civil engineering industry, whereby the client, consultants and contractor establish open and trusting cooperation at an early stage of the process based on shared goals, joint activities and joint financial targets in order to optimize the project.

Platforms: Group-wide standardized technical solutions. Have been developed for everything from sports arenas, offices, logistics facilities and bridges to single-family and multi-family housing.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

VDC Virtual Design and Construction.

General plan: Municipal plan for the use of land in a certain area, which is not legally binding and normally necessitates being followed up and defined in greater detail in detailed development plans.

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NCC is one of the leading construction and property development companies in the Nordic region, with sales of nearly SEK 55 billion and 17,800 employees. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure.

NCC also offers input materials used in construction and provides paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

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