

Structure and cooperation provide stability in turbulent times

NCC holds a strong position in the Nordic construction market, and this something we continued to develop during 2022. It was a year of mixed performance, with many parts of the business developing well, while others faced major challenges mainly due to unrest and change in the business environment.

At this juncture, we know that 2022 turned out to be a more turbulent year for the world than we had expected. The impact of the pandemic had not yet completely abated when Russia's brutal war of aggression in Ukraine broke out and Europe was faced with new challenges. We are now confronted by a complex reality marked by crises and challenges on many levels in tandem: economic, political and climate-related. Uncertainty ahead of the coming years is substantial.

At the same time, our industry also benefit from stabilizing factors. When some segments and geographies are placed on hold, others continue to develop and grow. The market is there, albeit not everywhere or in the same areas as before. We have to be well positioned, make the right choices and execute with discipline. This is also one of the cornerstones of our strategic direction, which stands firm and which guides us in both good and more uncertain times.

Net profit for the year

The majority of NCC operations continued to perform well and deliver healthy earnings in 2022. Others faced larger challenges. Operating profit declined, which was naturally a disappointment. Orders received during the year as a whole were favorable and we have a strong order backlog for contracting operations in all business areas.

Our largest business area, Infrastructure, showed stable development as a result of discipline and focus in terms of choice and implementation of projects. Its focus has been on prioritizing segments in which NCC's strengths come to the fore.

In the construction operations of Building Sweden and Building Nordics, strong business acumen has emerged, successfully propelling the business forward and satisfying customer expectations with regard to proactivity and early involvement. As a result, most of the operations showed healthy performance. However,



results were burdened by write downs for individual projects and departments, which negatively impacted earnings.

The Industry business area, with its operations in stone materials and asphalt production, endured a difficult year. This applied particularly to the asphalt operations, which were impacted by difficult external conditions in the form of rising energy prices and also experienced internal challenges, necessitating changes to be made to governance and management. This work continues and I have a positive view of the operations' ability to recover its full potential.

The commercial property development operations of the Property Development business area were impacted by the effects of rapidly rising interest rates and the difficulties investors had in securing financing. NCC has a high-quality portfolio of commercial property projects. If necessary, we will bide our time until opportunities to generate value from ongoing projects arise. We will also continue

to evaluate opportunities to launch new projects, but at a lower risk level.

Financial targets and financial position

NCC's objective is to deliver earnings per share of at least SEK 16 in 2023. Earnings per share in 2022 amounted to SEK 10.29. The target stands firm but, for obvious reasons, it has become more difficult to achieve due to the macro-economic uncertainty.

A repurchase program was carried out during the year, whereby NCC bought back shares for approximately SEK 1 billion. NCC has a strong financial position and we are well below our debt target. Since there is uncertainty concerning how the market will develop moving forward, and this could entail both risks and opportunities, having a strong financial position that gives us room to maneuver is an advantage.

Industry-leading core competency

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“We want our customers to perceive us as experts and as being proactive throughout the construction process.”

throughout the construction process. This position requires us to have employees with the right competencies, experience and attitudes, and who are also given opportunities to continuously learn and develop. Successful competency supply is an absolute prerequisite for our success in delivering increasing customer value and achieving our targets. We must be attractive for the best talents and ensure that they work with the right things. To this end, we offer an extensive training program that we developed further during the year in cooperation with academic institutions in the Nordic region and Europe. I, myself, am engaged in promoting competency development and am personally involved in all of the major training programs.

Early involvement

The proportion of major projects in which we work together in various ways with customers at an early stage has increased. This is a successful way for us to generate customer value, since we know that projects that are well planned ahead of construction start and that are implemented without changes yield the best results in the form of predictability, time and productivity. Both for customers and for us as the contractor.

Strong safety culture

It is with great sorrow that I must confirm that NCC was not spared from serious injuries or fatal accidents during the year. All of these events are subject to thorough analyses to be able to learn from them and arrive at the right conclusions. Work aimed at making the workday safer for everyone continues, with a focus on completely eliminating serious accidents and incidents. We arrange recurring activities to raise awareness of and promote a good safety culture, and we are working to develop and test both digital and technical solutions.

Sustainable development

NCC supports the UN Global Compact and its ten principles, which are integrated into our business strategy, culture and daily operations. We work in an organized manner to reduce our negative climate impact and make a positive contribution to the Sustainable Development Goals.

As part of joint improvement efforts, NCC prioritizes those areas where we have the best potential to achieve results. One such example is concrete, where we have an internal program aimed at reducing emissions in various ways and for which all business areas have independently developed plans. A prerequisite for success is dialogue and cooperation with all stakeholders in the value chain.

NCC's expertise in the construction process and the conditions this provides also form the basis for satisfying customer expectations in terms of continuously reducing the climate impact and fulfilling stringent environmental standards. In close dialogue with our customers and other stakeholders, we are able to apply the expertise that we possess to jointly make the right decisions and the right choices.

The entire business community is now making preparations to collect, analyze and present more sustainability-related data according to new and forthcoming regulations. Access to sustainability data is essential for increased transparency, but also to be able to make the right decisions. We are only at the start of this process. All stakeholders need to adopt a wise approach to the complexity that underlies sustainability reporting, which will naturally become more precise and appropriate over time.

Supply of materials and permit processes

2022 was the second year during which Sweden was faced with uncertainty about the future supply of cement, after the company Cementsa failed to secure the permits

necessary for its operations. Thankfully, a period of respite of several years has been granted. That is very good. To cope with the transition that the business community is facing, not least in Sweden, faster and more coordinated work on permit processes is necessary to be able to manage conflicting objectives at an early stage and in a clear-cut manner. This is something that we continuously address in our dialogue with politicians and decision makers. The supply of materials is of vital importance to NCC and to the industry.

Value of being a large company

Despite the economic uncertainty, I look forward to 2023 with confidence, and I would like to express my deep gratitude to all employees, customers, business partners and shareholders for the past year. Our strategic direction, based on cultivating and utilizing our expert position in the construction process in close and early cooperation with our customers, stands firm. This is the right approach – both for our operations facing considerable demand and for those experiencing more cautious conditions.

Our shared processes and the resources and frameworks of a large company create conditions for well-founded decisions. We are firmly grounded in and focus solely on our Nordic home market. In parallel, we are large enough to conduct focused development initiatives and build expertise in selected segments. This provides us with stability, energy and a direction ahead of 2023.

Solna, March 2023

Tomas Carlsson,
President and CEO