



ANNUAL REPORT 1998



# CONTENTS

●— Review by the President .....	2
●— NCC Future project .....	4
●— Corporate vision and strategy .....	6
●— NCC's Trademark .....	8
●— Financial requirements .....	9
●— Human resources .....	10
●— Environmental activities .....	12
●— NCC Technology .....	13
●— Markets .....	14
●— Civil Engineering business area .....	16
●— Housing business area .....	20
●— Building business area .....	24
●— Industry business area .....	28
●— Real Estate business area .....	32
●— Invest business area .....	38
●— Subsidiaries .....	41
●— Definitions .....	43
●— Five-year review .....	44
●— Board of Directors' Report .....	46
(as well as pages 71–73)	
●— The NCC share .....	50
●— Financial accounts .....	52
●— Accounting principles .....	60
●— Comments and notes .....	63
●— Proposed disposition of profits .....	71
●— Auditors' Report .....	71
●— Board of Directors and Auditors .....	72
●— Executive Management .....	74
●— Heads of Group Functions .....	75
●— Addresses .....	76

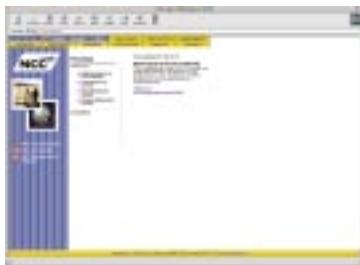
## FINANCIAL INFORMATION 1999

May 5	Interim report for the three-month period ending March 31, 1999
August 18	Interim report for the six-month period ending June 30, 1999
November 8	Interim report for the nine-month period ending September 30, 1999

These reports are sent automatically to NCC shareholders who wish to receive them. Others requiring a copy of these reports can order them from NCC AB, SE-170 80 Solna; tel: +46 8 655 20 00; fax: +46 8 85 77 75; e-mail: [info@ncc.se](mailto:info@ncc.se); or website: [www.ncc.se](http://www.ncc.se). NCC's Environmental Report and NCC's Real Estate for 1998 can be ordered in the same way. NCC AB (publ) Corp. Reg. No: 556034-5174. Registered office: Solna, Sweden.



Order Environmental Report 1998  
and NCC's Real Estate Report.



[www.ncc.se](http://www.ncc.se)

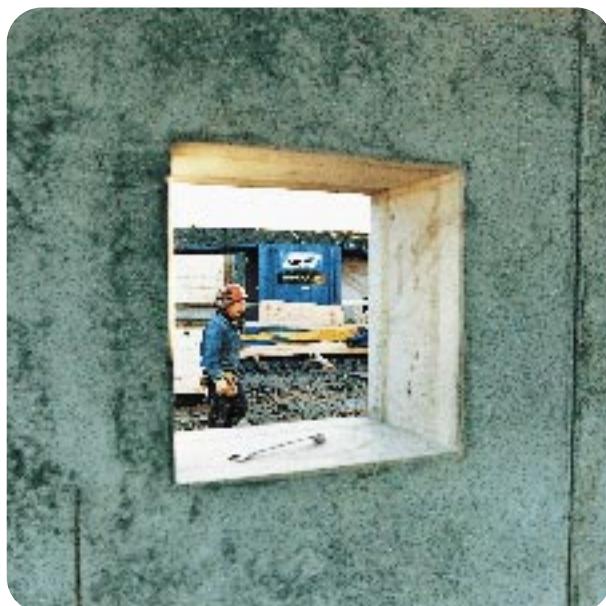
---

Cover photo: Mats Widén  
Production and design: Lexivision AB  
Translation from Swedish version: The Bugli Company, Stockholm

 Printed by a Swan-labeled printer:  
Strokirk-Landströms, 1999

# HIGHLIGHTS OF 1998

- Consolidated income after net financial items amounted to SEK 730 m., compared with SEK 74 m. for 1997, excluding merger costs of SEK 449 m.
- Net income for the year, after full tax, amounted to SEK 543 m. (loss: 173), equal to SEK 5.00 per share (loss: 1.60).
- A dividend of SEK 2.50 (1.50) per share is proposed.
- Total orders received by construction operations rose by 11 percent to SEK 33.1 billion (29.8). Orders received by NCC's Swedish construction operations increased by 4 percent during the year to SEK 19.0 billion (18.3).
- The strategy for NCC's real estate operations has been changed, whereby project development is now the sole core real estate business, with real estate sales and management as supporting activities. The real estate portfolio will be reduced additionally during 1999.
- The value of NCC's portfolio of Swedish managed properties rose by SEK 0.5 billion during 1998, according to an independent valuation conducted in connection with NCC's participation in the Swedish Real Estate Index. This valuation indicates that the year-end market value exceeded the book value of SEK 6.1 billion by approximately 6 percent.
- In February 1999, following fiscal year-end, NCC acquired the asphalt and ballast operations of Denmark's Superfos Group, with annual sales of approximately SEK 1.9 billion. The acquired company will be merged with NCC's wholly owned subsidiary NCC Rasmussen & Schiøtz to form the largest construction company in Denmark. The acquisition is expected to add approximately SEK 100 m. annually to NCC's earnings.



## KEY FIGURES IN BRIEF

	1998	1997
Income after net financial items (1997 excluding merger costs, SEK m. 449)	730	74 <sup>1)</sup>
Equity/assets ratio, %	34	33
Earnings/loss per share after full tax, SEK	5.00	-1.60
Dividend per share, SEK	2.50 <sup>2)</sup>	1.50

1) Pro forma

2) Board of Directors' proposal to Annual General Meeting

## NCC IN BRIEF

NCC has annual sales of slightly more than SEK 33 billion, with more than 20,000 employees. The Group is organized in six business areas: Civil Engineering, Housing, Building, Industry, Real Estate and Invest. NCC shares are listed on the Stockholm Stock Exchange and had a market value of SEK 6.7 billion at year-end.

In the Group's domestic markets — Sweden, Denmark, Finland and Norway — NCC constructs roads and civil engineering facilities, residences, industrial premises, hospitals, offices and other buildings. NCC also produces building materials and is one of the leading suppliers of crushed and asphalt products and ready-mixed concrete in the Nordic region. In Germany, NCC is building houses in the

Berlin-Brandenburg area, through the subsidiary NCC Siab. NCC is pursuing an aggressive growth strategy in the Baltic Sea area, with the ultimate aim of also making Poland a domestic market. In other, selected markets outside the Nordic region, NCC engages in large-scale, technologically advanced civil engineering projects, either independently or together with strategic partners.

NCC conducts project development operations as a core business, with real estate sales and real estate management as supporting businesses. In Sweden, the real estate portfolio is being concentrated to expansive regions, in which synergistic benefits can be generated between the Group's construction operations and project development activities.

# FOCUS ON INCREASING VALUE GROWTH IN NCC SHARE

NCC experienced a large number of positive developments during 1998. Consolidated sales increased, as did the profit margin for construction operations. The trend in the real estate market was favorable, with rising property prices and healthy gains on sales of both managed and developed properties. NCC's earnings improved by a total of slightly more than SEK 650 m. during 1998. But I'm far from satisfied. Intensive work is under way with the aim of realizing the corporate vision of establishing NCC as the leading construction and real estate company in the Baltic Sea region in terms of profitability and market position. During 1998, we established the direction of work within NCC ahead of the new millennium. The core of the strategy consists of a number of measures to boost the Group's long-term profitability.

## **FORCEFUL EFFORTS TO INCREASE PROFITABILITY**

Although construction operations reported a significantly increased profit margin during the year, the margin is still too low to provide a satisfactory return to our shareholders. Continued improvements in the profit margin will be achieved with the help of increased specialization and cost reductions.

Purchasing, an area that accounts for two thirds of the Group's costs, offers considerable potential for improvement. As a result of NCC's strategy work, a comprehensive change in the purchasing process has been initiated with the aim of capitalizing on economies of scale and dividing purchasing operations into segments.

Continued growth is another key factor in efforts to improve profitability. Since the potential synergies in the sector are considerable, NCC is actively seeking new structural transactions in the Baltic Sea region.

For several years, work has been under way to introduce IT systems in all levels of the construction process. NCC has a major advantage in relation to smaller companies, since it is able to spread its costs for IT investments over a large volume. Since 1995, we have laid the foundation for a new IT infrastructure that will enable more process-oriented construction operations. New applications are being introduced on a continuous basis and are expected to generate positive effects on earnings in the future.

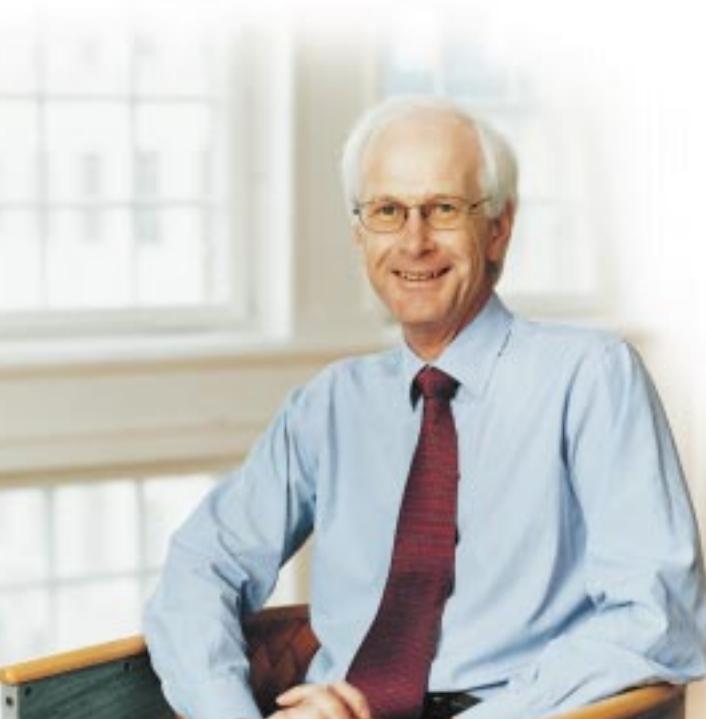
We also intend to further develop cooperation across both national borders and between business areas in order to exploit untapped synergies. During 1998, we introduced new principles for the control system of the Nordic subsidiaries with the aim of improving interaction between the various parts of the Group. This mainly involves further development of the transfer of experience between different Group units.

The key to higher profitability is to increase specialization and move away from being a general-purpose builder. We intend to develop our total-package housing concept and expand it to include all of NCC's domestic markets. We have similar plans for industrial operations, for which increased specialization and international expansion are the guiding principles.

The strategic approach we have selected for real estate operations is to regard project development as a core business within NCC, with real estate management and property sales as supporting businesses. This will result in a further reduction in the portfolio of managed properties during 1999. Favorable trends were noted in the Nordic real estate markets during 1998, which enhances the prospects for profitable project development.

Another example to increase NCC's share of the value chain involves the creative application of alternative forms of financing in connection with major projects. In this context, valuable experiences were gained from NCC's participation in the Arlanda Link, Sweden's first BOT (build, own and transfer) project. In February 1999, a specialized BOT unit was formed within the Civil Engineering business area. NCC's financial expertise will become an increasingly important tool in competition for large-scale international civil engineering projects.

The use of alternative modes of financing has already achieved a break-through in such markets as the United Kingdom, where the industrial sector participates in the funding of both infrastructural projects and large buildings, such as schools and hospitals. Although Sweden is in dire need of new highways and other infrastructural items, many projects have been postponed due to a shortage of public funds. The recently



established "No deaths" vision for road traffic in Sweden does not accord well with the virtual moratorium on highway investments announced for the next three years. By permitting private industry to become involved in the funding of necessary road improvements, it would be possible to finance projects without imposing as heavy a strain as traditional public spending via the national budget. This also enables investments to be adapted to the real needs of the users.

I have great expectations regarding the improvements that our quality and environmental work will yield. All Swedish operations are to undergo quality certification during 1999 and environmental certification during 2000.

#### **NEW PRINCIPLES FOR INDEPENDENT REAL ESTATE VALUATION**

NCC Real Estate and several other real estate companies have joined forces to establish a Swedish Real Estate Index. Sweden previously lacked proper system for making impartial comparisons between the return yielded from investments in real estate and the return from investments in shares and bonds. The Swedish Real Estate Index will provide the market with a reliable measurement of the total return from investments in Swedish properties.

Accordingly, as of 1998, we have decided to publish changes in the value of our Swedish real estate portfolio. A correct valuation is essential, particularly from the viewpoint of assessing the performance of the NCC share. I am pleased to be able to report that the value of NCC's real estate portfolio rose by SEK 0.5 billion during the year.

#### **PROGRAM TO BOOST THE VALUE OF THE NCC SHARE**

The price trend for the NCC share was not satisfactory in 1998. The return on equity was 6 percent during the year and it is approaching the minimum return expected by the stock market. If the appreciation in the value of the real estate portfolio is also included, the return on equity in 1998 exceeded 8 percent. Although the increase of property values represents unrealized profits, it is nevertheless of significance in assessments of the share's performance.

In view of the share price trend in 1998, we have decided to implement measures to increase the value of the share. A five-point program is being implemented during 1999.

##### **1. Increased dividend**

NCC strengthened its financial position during the year, which enables an increase in the dividend objective from one third of after-tax earnings to approximately half.

##### **2. Spin-off of shareholdings in "non-core operations"**

As part of efforts to concentrate NCC's operations on NCC's core business of construction and project development activities, the NCC Board has decided to liquidate the shareholdings in Neptun Maritime and Hufvudstaden, through either a sale in the market or a spin-off to NCC shareholders.

##### **3. Increased liquidity in the NCC share**

The turnover of NCC shares on the Stockholm Stock Exchange is relatively low. NCC has recently worked to increase the proportion of Nordic ownership by participating in regular exchanges of information with investors in the Nordic capitals. In order to stimulate trade in the share and to further broaden the ownership base, NCC will intensify its contacts with international asset managers in the Nordic capitals, London and other major financial centers.

#### **4. New structural transactions**

NCC intends to utilize its strong position in the Baltic Sea region to engage in complementary structural transactions in cases where obvious synergistic benefits exist. This is exemplified by the acquisition of Superfos Construction in February 1999.

#### **5. Continuous options program**

A rolling options program for senior NCC executives has been introduced in order to create strong incentives for increasing the value of the NCC share. The allocation of shares will be determined by the performance of the NCC share and the return on equity.

#### **WELL EQUIPPED FOR FUTURE CHALLENGES**

Despite the Swedish Construction Federation's forecasts of reduced investments in the Nordic construction market, we expect that the orders received by NCC will increase in 1999. The main reason for the different expectations is that NCC's mix of products and markets varies from the mix upon which the Construction Federation's forecasts are based.

Our growth during 1999 will be achieved primarily in the Swedish and Finnish markets. Sweden is one of the European countries with the lowest investments in construction and the current low volume of construction is not sustainable long term. Residential construction is the market segment with the greatest potential in the next few years. It is also the largest market in terms of value and there is a pent-up need of new houses in several growth regions.

Due to the low growth rate in our domestic Nordic markets, NCC must act aggressively to increase its growth and profitability. The merger with Siab and the acquisitions of our Nordic subsidiaries have functioned well and there is no doubt that we have made considerable progress towards establishing a position as the leading construction and real estate company in the Baltic Sea region. Our quality, environmental, purchasing and IT programs are among the most ambitious in the sector and will provide us with a competitive edge in the future. NCC has a distinct strategy and a strong market position in all of its domestic markets, while the Group's international project operations, which are conducted in cooperation with external partners, are well equipped to compete in the world market.

Systematic and target-oriented measures to develop the skills of NCC's entire workforce are a prerequisite for success. For the past three years, we have measured the results of personnel development work with the help of a human resources index, whose function is to assess whether the Group's combined expertise matches the needs of the future.

Solna, February 1999



Jan Sjöqvist  
President and Chief Executive Officer

# INTENSIFIED INTERNATIONAL ORIENTATION

There is great uncertainty in the world, and the ability to adapt in the face of an ever-changing world has become a vital factor for success. In recent years, NCC has expanded dramatically, primarily through the acquisition of Siab and of subsidiaries in Denmark, Norway and Finland. The Group's size and geographical breadth imposes high demands on our capacity to act when operations have to be adapted to changing market conditions and changing competition. In 1998, NCC carried out comprehensive work aimed at utilizing the profit potential of existing and prospective business transaction and in creating a well-conceived approach to the future.

## NCC FUTURE PROJECT

During the year, NCC worked with a project, NCC Future, that adopts a more long-term perspective than normal annual strategy work. NCC Future is a tool based on the so-called scenario technique, which identifies those factors that are considered to have the greatest impact on industry's development.

The project's first phase consisted of the collection of data from a large number of internal and external sources. Based on about 30 reports, a number of areas were studied, including the Nordic market, profitability in Europe's construction industry, efficiency comparisons between construction companies in different countries, alternative forms of financing for infrastructure projects, facility and construction management, standardization processes and analyses of technologies. The information generated was analyzed and categorized to enable identification of the driving forces that have the greatest impact on the world in which NCC is active. The results will act as the foundation for a description of possible development approaches or scenarios within NCC's present and related areas of operations, while serving as a valuable basis for the Group's ongoing strategic work.

The NCC Future project identified two possible development approaches, a conservative and a radical scenario, that differ dramatically in regard to assumptions about the market's growth and the competitive situation as well as political, technological and macroeconomic conditions.

### The conservative scenario

In the conservative scenario, the Nordic markets will show slow growth. The new markets in Eastern Europe will not develop at the same rate as that predicted in the early 1990s. A decline in relative demand in Europe will create overcapacity in the industry.

The Europeanization of the construction industry will continue and large companies will form alliances in order to meet the competition for large cross-border infrastructure projects. These alliances act as boundaries for those who remain outside. Alternative forms of financing, with partially privately funded projects, will not have a great impact in this scenario.

IT is increasing in importance, but construction companies are slow to take advantage of the possibilities the new information technologies offers. In the conservative scenario, the larger construction companies will not be primary players in the area of facility management.

The large construction companies have been unable to adapt their working methods so that they match the values of the new generation.

### The radical scenario

In the radical scenario, three regions will establish themselves as economic engines with an annual market growth rate of more than 20 percent: Warsaw, St. Petersburg and Moscow. Large American or European construction groups will establish themselves in the Nordic countries, at the same time as European construction companies acquire Swedish construction companies.

New forms of financing for highways, bridges, hospitals and other construction and civil engineering projects will have a global impact. Accordingly, efficient funding will become increasingly important in competition for large projects.

The construction industry will develop into a process industry where industrial construction will be placed in a system where information technology will be applied in all the phases of the project. The new way of constructing, with the help of IT, will be one of the most important driving forces for the continued structural transformation of the industry. Industrial construction will create new alliances between construction companies and companies in other industries, which will boost their international competitiveness.

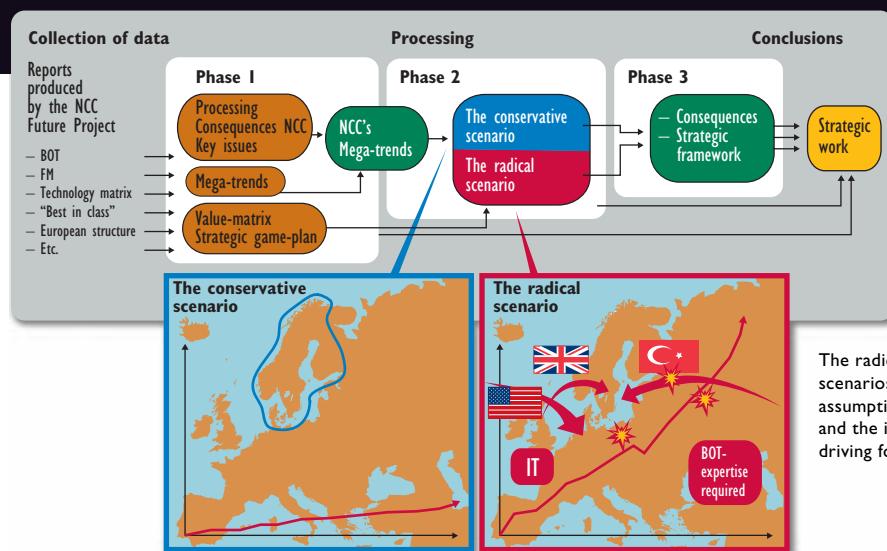
New network-based forms of organization, which correspond to the younger generation's demands and values, will have an impact in the construction industry. New working methods will enhance construction companies' attractiveness in the labor market, which in turn will enable them to recruit people with the necessary skills.

### NCC Future project's application

Since the conservative and radical scenarios were identified, several events have occurred in the world that reinforce or weaken the likelihood for each scenario. Developments in Eastern Europe have, for example, damped hopes for strong



#### A radical and a conservative scenario were identified



market growth in Russia over the next few years. At the same time, the internationalization trend, with mergers between large companies, reinforces the likelihood that certain parts of the radical scenario could become reality.

The identified development trends are revised continuously to take into account changes in the world. The main point of the scenario technique is not the actual result, but the knowledge generated while carrying out the work. The NCC Future project provides a readiness for action, long before important changes actually occur. To a certain extent, it is possible to estimate the likelihood of whether a certain scenario will become reality. This makes it possible to make well-informed decisions based on calculated risks. A study of a

number of different, more or less probable development trends could, for example, enable important strategic decisions to be made in which an impact is projected for all scenarios. Systematic collection and analysis of information within prioritized areas will provide corporate management with relevant decision-making information and make them well prepared to take whatever action is necessary. A number of areas that need improving have been identified and new business opportunities have been evaluated. The work within NCC Future will create a good foundation from which to assess and face an ever-changing world.

# INDUSTRY LEADER IN THE BALTIC SEA REGION



## GROUP STRUCTURE

With Sweden, Finland, Norway, Denmark and, eventually, Poland as its domestic markets, NCC is the leading construction and real estate company in the Baltic Sea region. The Group is organized in six business areas: Civil Engineering, Housing, Building, Industry, Real Estate and Invest. NCC's operations in Denmark, Finland and Norway are conducted through the subsidiaries NCC Rasmussen & Schiøtz, NCC Puolimatka and Eeg-Henriksen, respectively. NCC is also active in Germany via the wholly owned subsidiary NCC Siab and in Poland through the newly established NCC Polska. All of the foreign subsidiaries are wholly owned.

## CORPORATE VISION

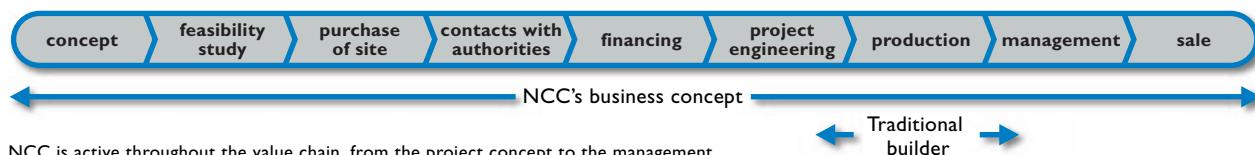
NCC's corporate vision is to:

- Be the industry leader in the Baltic Sea region in terms of profitability and market position and to use this as a basis to develop strong international project operations.
- Be regarded as the leading construction and real estate company in terms of quality, the environment, efficiency and development power in all markets in which it is active.
- Be regarded as a young, exciting company in which the focus is on innovation, participation and the expertise of each employee.

## THE GROUP'S STRATEGIC FOCUS

During the year, NCC carried out comprehensive strategic work that led to a partially new strategic focus. The focus of the strategic work, together with the NCC Future project (for more information on this, turn to page 4), is to capitalize on the profit potential inherent in current and prospective business opportunities, for the purpose of increasing NCC's long-term return to shareholders and its market capitalization.

## NCC's construction and project development concept



NCC is active throughout the value chain, from the project concept to the management and sale of properties. There is substantial synergistic potential between civil engineering, housing, building and real estate operations and in the development and production of building materials. The installation area is becoming increasingly important.

## Continued geographic expansion

NCC intends to actively participate in the continued restructuring of the industry with continued focus on being the industry leader in all domestic markets. Growth will occur primarily through geographic expansion in growth regions around the Baltic Sea and will be subject to demands for good profitability and high market shares.

NCC's strategy is based on the conviction that a strong market position is a prerequisite for competitiveness in mature low-growth markets. NCC currently occupies a leading position in its four domestic markets: Sweden, Denmark, Finland and Norway. This strong market position in the Nordic countries enables the Group to balance economic swings between individual countries by moving human and technological resources over national borders.

Market positions will be further reinforced through organic growth combined with supplementary acquisitions. A strong position in the market will create a broader base for skills development and purchasing operations improve the utilization of capital resources and boost NCC's financial strength, all of which are essential factors in competition for large projects.

In 1998, NCC established operations in Poland. NCC's strategy for emerging markets is to expand on the basis of local presence. Ultimately, NCC aims to attain such a strong position in Poland that this country may be viewed as a domestic market.

NCC has also expanded its operations in Estonia, Latvia and Lithuania during the year. The Group's ongoing expansion in the Baltic Sea region and the St. Petersburg area primarily takes the form of acquisitions of local companies with extensive knowledge of the market in each country.

In Germany, NCC focuses on project development in Berlin-Brandenburg and Hannover, through its subsidiary NCC Siab. The strategy for the German market is to concentrate on residential construction in specific geographic areas.

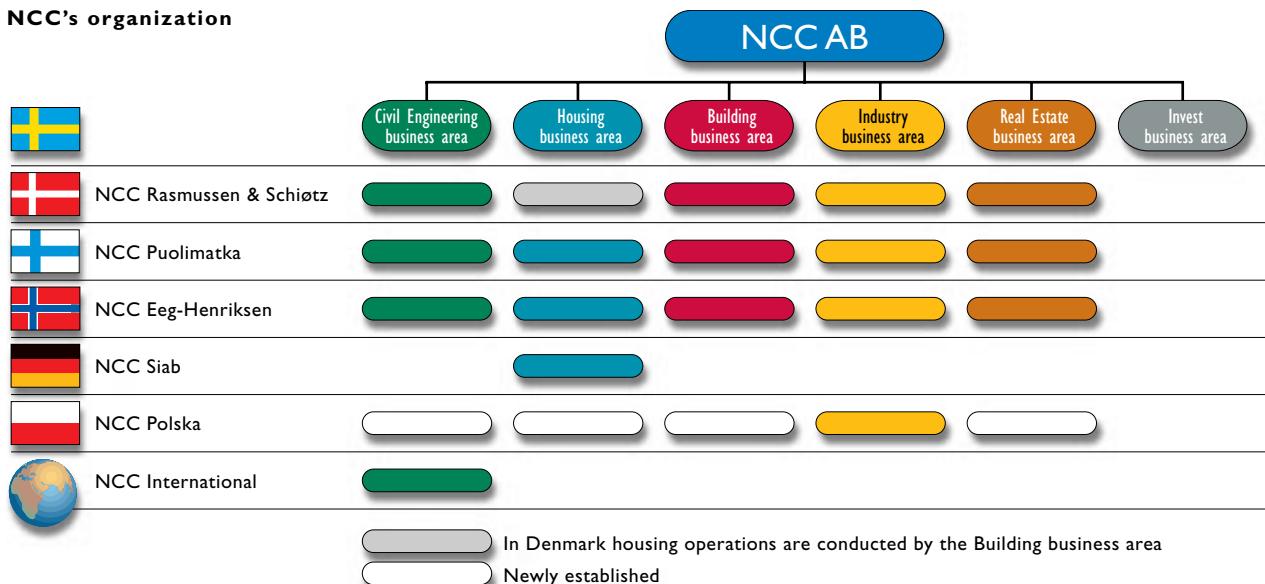
Profitability in NCC's German operations was very high in 1998, which is a good example of the positive effects of increased specialization.

## Increased competitiveness in the international project market

NCC's international project operations are to grow through organic expansion, combined with acquisitions and alliances.

The project operations are concentrated on product areas where the Group's advanced technological and financial expertise serves as a competitive tool enabling it to compete with other major players. Complex projects are conducted through the Major Projects unit which, organizationally speaking, is part of the Civil Engineering business area. International

## NCC's organization



The division into business areas generates opportunities for specialization and focusing in terms of customers, technology, development and expertise. Subsidiaries play a key role in local marketing efforts through the unique characteristics and contacts they have in their particular markets.

project operations focus primarily on the Baltic countries, Central Europe, Russia, the Middle East and Southeast Asia.

To enhance the Group's opportunities to engage in major infrastructure projects in the European market, NCC has joined a strategic alliance, S.E.C. (Société Européenne de Construction S.A.). In addition to NCC, S.E.C. consists of GTM Entrepose from France, the British company John Laing and the German company Strabag. NCC is also a member in the INS alliance where NCC, together with the German company Strabag and the Italian company Impregilo, are working on major projects and Southeast Asia. NCC and Impregilo cooperate in the IGL-NCC Contractors alliance in the Russian and Baltic markets.

### **Increased specialization focusing on segments with high added value**

NCC will continue to develop an organization divided into different business areas. This organization will enable the company to focus on customers, technology, development and skills. The Housing business area is now establishing a specialized unit that will focus on projects based on a total package approach in relevant markets. As an additional link in the specialization process, the Industry business area, which previously existed only in the Swedish market, is also establishing comprehensive operations in all other domestic markets.

In order to boost its profitability, NCC will control more links in the value chain through, among other measures, engaging in proprietary housing construction and providing alternative forms of financing such as BOT (Build, Operate, own and Transfer). Real estate operations will focus on project development, with real estate management and property sales as supporting businesses.

A concentration on segments with a high degree of added value and a reduced focus on "general-purpose building" with poor profitability will contribute to increased margins in construction operations. Housing production based on a total-package approach yields a considerably better margin than contracts conducted on behalf of other companies.

In interaction with customers, operations are being developed with the aim of increasing the value created by NCC.

A systematic program for serving key customers is being introduced during 1999, in order to identify long-term structures for business cooperation.

The installation of electricity, telecommunications and heating and plumbing facilities now accounts for a larger part of total construction costs compared with the past, while being a segment with a relatively high rate of market growth. Accordingly, it is vital that NCC increase its presence in this area.

Synergies from the merger with Siab and from the acquisition of the Nordic subsidiaries are to be further utilized. The potential benefits of scale that exist, primarily within purchasing and IT, will be secured in full. Work will be conducted to improve the exchanges of skills between different countries, so that useful experiences can be reused in new projects.

### **FOCUS ON PRIORITIZED ISSUES**

A number of key areas have been identified which are of vital importance to the corporate vision.

#### **Quality**

A well-functioning quality system is a powerful management tool for the control and development of operations. Documented procedures are established to ensure that operations are conducted in a rational and efficient manner, which results in satisfied customers and increased profitability. By the end of 1999, NCC's Swedish operations will have received ISO 9001 certification. The Housing business area was certified in 1998 and thus became the first nationwide housing constructor in Sweden to receive quality certification.

#### **Environment**

The construction industry is one of the industries that has the greatest impact on the environment. Customers are demanding increasingly that operations are conducted in an ecologically acceptable manner. NCC's objective is to be the industry leader from the viewpoint of conducting environmentally compatible construction and real estate operations. The aim is that the Group's Swedish operations will have received ISO 14001 environmental certification by the year 2000.

## Information technology

NCC utilizes information technology (IT) in order to make all areas of operations more efficient. Clear-cut benefits of scale can be achieved within the IT area, and the Group can, by virtue of its size, spread the costs for the development of information systems over many units. A comprehensive IT project has been under way since 1995 with the overall aim of enhancing the Group's efficiency and profitability. The project will provide construction sites and offices with new forms of IT support in order to boost the efficiency of the entire production and sales process. The new IT infrastructure is being gradually been put into operation and it is expected to generate favorable effects on earnings in the future. During 1999, contracting operations will be introducing and using the new project management tools that have been developed.

NCC also has a well-developed Intranet that is used by most of the Group's personnel. The Intranet will be expanded in 1999 to include the entire Nordic region.

## Purchasing

There are distinct benefits of scale within the purchasing area, which accounts for approximately two thirds of the Group's costs. NCC intends to exploit its size in order to reduce costs and thereby boost its competitiveness. The most important measures for increasing the efficiency of purchasing activities are better control of purchasing authorization and purchasing behavior, skills development, coordination of purchasing between business areas and subsidiaries and the development of administrative support for purchasers. Among other measures, this will require the establishment of a segment-based purchasing organization.

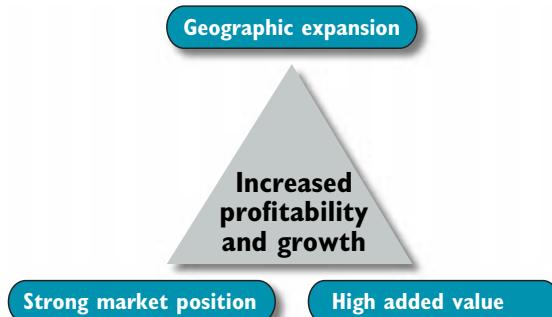
## NCC'S GENERAL STRATEGY

Active participation in the continued restructuring of the industry, with continued focus on being an industry leader in the Group's selected markets.

Growth through:

- Geographic expansion in the Baltic Sea's growth regions, coupled to demands for profitability and high market share.
- Stronger operations in international project markets based on internal growth combined with acquisitions and alliances.
- Increased focus on segments with a high degree of added value and a reduced focus on "general-purpose building" with poor profitability.
- Project development as a core business, with real estate management and property sales as supporting operations.

## NCC's development triangle



# NCC'S TRADEMARK

The NCC trademark is the visible symbol of a number of approaches and values that the Group strives to attain. In their daily duties, all NCC employees must live up to the Group's stated objectives – quality, satisfied customers, consideration for the environmental and business-mindedness – in order to provide credibility to the external symbol.

NCC's trademark also represent the expectations, credibility, and relationships customers and other interested parties associate with NCC. Preserving and developing this asset is a priority issue for the Group.

A Group-wide branding campaign was initiated during the year. The purpose of the work is to clarify and implement a Group-wide branding strategy based on the realities in each business area and geographic market. A method for measuring the trademark's position in NCC's different sub-markets will be formulated.

## TRADEMARK AS A STRATEGIC COMPETITIVE TOOL

The construction industry has historically been characterized by relatively small differences between competing companies' service and product range. NCC intends to offer, in various ways, new and unique solutions that provide added value compared with the products and services of competitors.

A strong NCC trademark is not an end in itself. The trademark makes a number of the processes that are carried out within the Group more efficient, such as marketing, sales and recruiting. As a result, the trademark assists NCC in achieving its strategic objectives. The cornerstone in the Group's strategy – geographic expansion, high market share and high added value – means that it is essential that NCC has a strong trademark.

## DEVELOPMENT OF NCC'S TRADEMARK

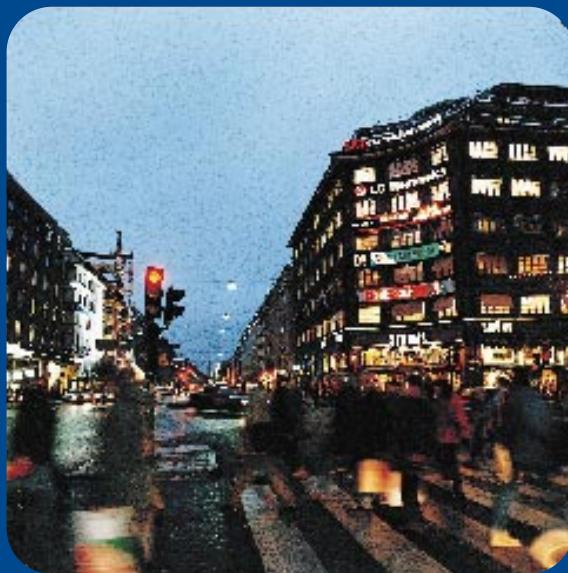
Through the merger with Siab and the Group's international expansion, the NCC trademark has begun to be used in a number of new markets in recent years. Today, the trademark is used internationally, primarily in the Baltic Sea region, and competes in several markets. In addition to the markets for Civil Engineering, Housing, Building, Industry and Real Estate, and a number of geographic markets, the NCC trademark also competes in the labor and financial markets.

The competitive situation and the strength of NCC's trademark differ from market to market. Today, the strength of the NCC trademark primarily consists of a high profile and a high level of credibility within the construction and real estate industry. The objective is to further strengthen the Nordic-wide profile and establish a leading position in the prioritized markets by being perceived as the most innovative and responsible company in the industry. In line with this objective, NCC has established the following pledges:

- we shall be open, provide information and listen to viewpoints both prior to the start of construction and during the entire construction process
- we shall set an excellent example and protect and preserve the environment for future generations
- in our construction work, we shall use materials and methods that are not harmful to the environment
- we shall honor our agreements in terms of completion dates and other commitments

In the spring of 1999, NCC will introduce the third step in its long-term plan for brand-building. Signs at construction sites, advertisements and customer activities will be some of the components in this campaign.

# FINANCIAL REQUIREMENTS



The NCC Group's financial objective is to provide shareholders with a return, in the form of dividends and appreciation in the value of their invested capital. Growth is to be achieved under a condition of financial balance. NCC has now attained such a strong equity/assets ratio that it is able to raise the dividend objective, whereby approximately half of annual profit after full tax is now to be distributed to shareholders.

The principal profitability measurement is the return on shareholders' equity. The profitability objective set by the Group is based on such factors as the return on the NCC share demanded by the stock market. The stock market's required return consists of the risk-free interest rate on a long-term investment, which is currently 4 percent, plus a risk premium.

According to assessments based on NCC's risk profile, the stock market requires a risk premium of approximately 4 percent in addition to the interest rate on a risk-free long-term investment.

This means the required return on NCC's shareholders' equity after full tax is 8 percent. NCC's ambition is to be able to exceed this minimum requirement by 4 percentage points. The profitability target is adjusted in line with general market interest rates. In 1998, a return on equity of 6 percent (3), after full tax, was achieved.

The return on equity objective established for the Group is then reformulated for each business area in the form of objectives set for return on capital employed and profit margins.

Combined, the targets set for the individual business areas should at the very least match the profitability objective established for the Group. Based on current tax rates, interest rates and NCC's equity/assets target, the long-term corporate objective for return on equity corresponds to a return of 12 percent on capital employed.

For construction operations, the net margin is the key operative control parameter. In 1998, this amounted to 2.6 percent (1.8).

Margins in the construction sector are generally lower than those in other industries, mainly due to a lower level of capital tied up in operations. NCC's objective is to raise the net margin on construction operations, through such measures as greater specialization and an increase in the value added during the construction process.

The principal control parameter for real estate operations is the return on capital employed. In 1998, this amounted to 8 percent (4) before tax. To this should be added appreciation in the value of the real estate portfolio, which amounted to SEK 450 m. during the year, according to independent appraisals (see page 36). The aim is to increase the visible return, mainly by sharpening the focus on project development, raising the turnover rate in the portfolio of managed properties and concentrating the real estate portfolio on a few expansive locations.

The equity/assets ratio is an expression of the Group's financial strength. NCC has concluded that an equity/assets ratio of approximately 35 percent over a business cycle would reflect a strong financial position and risk level. In 1998, the equity/assets ratio was 34 percent (33).

In addition to the general financial objectives, the NCC Group has set an objective that cash flow should be positive and show a growing trend. The cash flow generated is reinvested in operations and distributed to shareholders as dividends. A negative cash flow may be accepted temporarily; for example, if it is the result of strategic new investments, since these are designed to ultimately increase cash flow, and consequently the Group's value.

## Financial requirements

### Profitable goals

Return on:

Shareholders' equity, %<sup>1)</sup>

Capital employed, %

### Financial goals

Equity/assets ratio, %

Cash flow, SEK m.

	Outcome					Corporate objective
	1994	1995	1996	1997	1998	
Profitable goals						
Return on:						
Shareholders' equity, % <sup>1)</sup>	12	4	2	3	6	12
Capital employed, %	11	8	5	5	7	12
Financial goals						
Equity/assets ratio, %	31	31	30	33	34	35
Cash flow, SEK m.	2 176	-709	-1 331	4 136	351	positive

1) After full tax, 1997 excluding merger costs.

# SYSTEMATIC APPROACH TO SKILLS DEVELOPMENT

NCC's corporate vision demands clear-cut objectives and a systematic approach to skills development. Although this method of working applies to the entire Group, the system for following up skills development is currently primarily used in the Swedish operations. Accordingly, this section concentrates on NCC's Swedish operations alone. During 1999, NCC's subsidiaries will follow the same guidelines.

Annual employee interviews form the basis of individual development plans. In employee interviews, employee expectations and requests are combined with NCC's strategic requirements to formulate individual development plans. The range of training and other skills-development programs must be adapted to the needs of employees in vastly differing operations and areas of expertise. NCC's goal is to have high-quality annual employee interviews with all salaried employees and, eventually, also with all skilled workers. A systematic follow-up based on progress measurements ensures that "skills development" is more than just a theoretical concept. The annual personnel survey measures how well NCC's managers perform in regard to the objective of holding employee interviews.

## Achievement of objectives

### – employee interviews, percent

	1996	1997	1998
Percentage of salaried employees who have had an employee interview	81	72	82
Quality of employee interviews – percentage of those who had an employee interview who viewed the interview as being good	56	66	67

The proportion of salaried employees who had employee interviews during the year was 82 percent, which is a marked improvement compared with the preceding year. The increase was mainly due to leadership and training efforts. The quality of the employee interviews improved somewhat during the year.

NCC's personnel-administration system measures the extent to which training programs are implemented within strategically important areas.

## Achieved objectives – how

### strategically important areas shape training programs, percent

	Distribution of training days
Strategically important areas – training in quality, environment, IT and purchasing	63
Basic skills – training in technology, leadership, languages, etc.	37

Of the total number of training days, training within strategically important areas accounted for 63 percent. A coordinated program for all NCC purchasers, which will serve as the foundation for the segment-based purchasing organization, is an important training measure.

## PROGRAM FOR RENEWAL AND DEVELOPMENT

Recruitment and development are based on such factors as the age and education level of the employee. The average age in NCC is relatively high and totals 42 years for skilled workers

and 45 years for salaried employees. College-educated engineers are an important group among salaried employees.

A lower average age within the Group will be achieved through goal-oriented recruitment directed at universities and colleges. NCC's management approach must support innovative ideas and personal development.

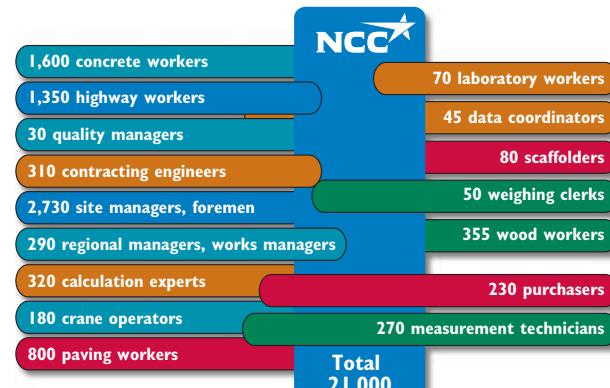
Age, percent	Average age		
	<35	36–50	51–65
Skilled workers	33	34	33
Salaried employees	23	37	40
College-educated engineers	50	36	14
			38 years

The number of college-educated engineers totals 660, including 329 who are younger than 35 years. The number of college-educated engineers under the age of 35 increased during the year by 22 percent as a result of a targeted recruitment program. The percentage of women within this group is 23 percent, compared with 8 percent for all of NCC. The objective is to achieve a more uniform general distribution of men and women.

NCC's human resources must be continuously developed and renewed. Young, college-educated engineers constitute a key group that demands attractive and challenging tasks as well as distinct development opportunities. A systematic skills ladder is an important tool in human resources work.

The ladder starts with skill building, which focuses on technology students during the college/university period and ends with international seminars at IMD (International Institute for Management Development) for NCC's senior managers.

The Group-wide training unit, NCC University, is responsible for the training sessions related to the skills ladder. Each step is targeted at a special level in a participant's career, as reflected in the average age of the participants at each step. Together, the different training steps create a whole, which ensures that NCC's personnel have the best skills.



The above diagram shows a selection of the employment positions within NCC. All areas of expertise must be strengthened continuously and conform with NCC's strategic orientation.

Skills ladder	Target group	Program description and comments
<b>Nordic base</b>	IMD	NCC's leading decision-makers.
	Group-wide management program (GMP)	Top-level managers or specialists with extensive experience of both strategic and operational work. <b>Average age: 48</b>
	Strategic leadership	Managers or specialists with extensive experience who are facing the next stage in their career. <b>Average age: 38</b>
	International project leadership	Employees in NCC who have successfully implemented projects in Swedish operations and who are poised to become project leaders for international projects. <b>Average age: 33</b>
<b>National base</b>	Development program	Employees in NCC who have shown successful personal and professional development within 2–4 years after their trainee-engineer period <b>Average age: 30</b>
	Trainee-engineer program	Newly graduated college educated engineers – (M.Sc.) and (B.Sc.). <b>Average age: 26</b>
	Skill building	Technology students in their final two years of study. <b>Average age: 23</b>

## PERSONNEL SURVEY – HUMAN RESOURCES INDEX

As of 1996, NCC conducts an annual personnel survey whose results are summarized in a number of indices compiled in a Human Resources Index (HRI). The primary purpose of the survey is to use the results as the basis for setting future objectives and to guide personnel development projects at every level within NCC. The HRI also provides key data that can be used externally in order to assess NCC's future development. In the 1998 personnel survey, 12,894 employees were polled. The response rate was 77 percent.

### NCC's Personnel survey

	1996	1997	1998
<b>Performance</b>	72	73	72
<b>Driving force</b>	61	62	61
<b>Management</b>			
Management style	56	58	58
Control	61	60	60
<b>Skills</b>			
Skills requirements	72	72	71
Skills development	42	40	41
<b>Organization</b>			
Influence	58	58	60
Cooperation/support	48	54	54

The values in the table are shown in the form of an index ranging from 0 to 100. Each value has been estimated on the basis of responses to several questions in the personnel survey.

#### Definitions:

- Performance – being aware of customer requirements and doing a quality job.
- Driving force – the energy that employees devote to their work, their willingness to make an effort.
- Management style – the manager's ability to develop relationships, be honest and take care of individual employees.
- Control – the manager's ability to establish definite objectives and plans, and then implement and organize them.
- Skills requirement – ability to solve contemporary problems.
- Skills development – ability to learn anew.
- Influence – potential to influence.
- Cooperation/support – support provided by established procedures, attitudes to cooperation.

In 1998, the most important measurement – "performance" – had an index value of 72. In order to increase this value, NCC is directing additional efforts at the development of leadership, skills, and organization. The indices for "influence" and "skills development" increased during the year. Although the index for "skills development" rose marginally from 40 to 41, a more in-depth analysis shows that the index for the key group of college/university-educated workers increased very substantially. This is especially heartening, since NCC's corporate vision includes the ambition to be the industry leader in terms of employee skills.

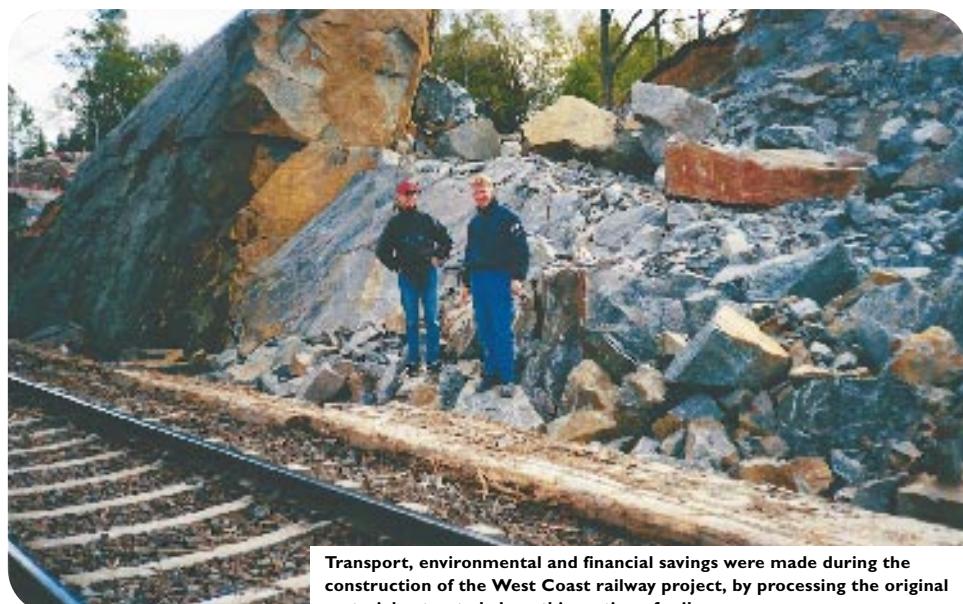
## CHANGE-ORIENTED SKILLS

The principal purpose of the skills ladder is to provide employees with the skills required to make NCC's corporate vision a reality. Skills that facilitate change are assigned special priority and well-defined objectives have been established with the help of the key ratios. The key ratio for "change-oriented skills" rose during the year, as a result of targeted recruitment to NCC's trainee engineer program.

### Key ratios for change-oriented skills

	1996	1997	1998
Strategic management skills			
– Number of persons with strategic management skills per SEK 1 billion in revenues (Measured as the number of persons who have undergone at least 4 weeks of management training)	18	21	21
Technical development skills			
– Number of civil engineers with university/college degrees per SEK 1 billion in revenues	29	31	30
Skills for renewal			
– Number of civil engineers with university/college degrees under the age of 30 years per SEK 1 billion in revenues	7	8	10

# THE ENVIRONMENT – A MATTER OF STRATEGIC BUSINESS IMPORTANCE FOR NCC



**Transport, environmental and financial savings were made during the construction of the West Coast railway project, by processing the original material extracted along this section of railway.**

## ENVIRONMENTAL STRATEGIES

During 1998, a strategy was formulated to help the Group achieve its vision of becoming an environmental leader in the sector, while generating favorable profitability in a long-term sustainable society.

In accordance with the environmental strategy, NCC is to actively initiate and promote developments towards environmentally compatible construction and real estate management activities.

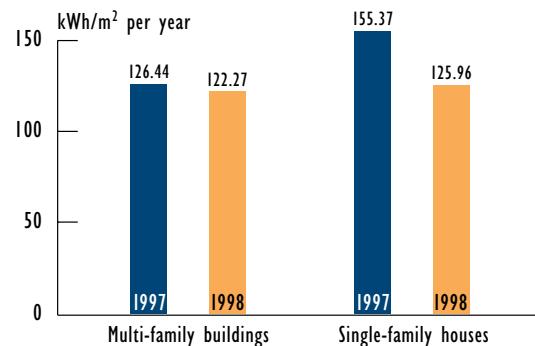
This also means that NCC will increase the percentage of products that fulfill the market's demands for a sustainable society. Measures to ensure implementation of the strategic policy are being conducted at both the Group and the business area level.

## ENVIRONMENTAL OBJECTIVES

NCC established three new comprehensive environmental objectives during 1998 based on the environmental policy and environmental studies that were made in connection with the introduction of the environmental management system. The environmental objectives single out the most important issues, from an environmental viewpoint, for the NCC Group, namely, energy consumption, the use of chemical substances and transportation. The Group's comprehensive environmental objectives are:

- Increased energy efficiency in production and operation
- Reduced use of hazardous substances
- Reduced environmental impact from transportation

These objectives are connected to the strategies in that achieving these objectives will show that an operation has been managed in an environmentally strategic manner. In a sustainable society, energy efficient buildings, for example, are products



The graph illustrates estimated energy consumption in multi-family buildings and single-family houses in 1997 and 1998. Figures for the years show that the estimated energy consumption decreased by 19 percent for single-family houses and by 3 percent for multi-family buildings. Estimated average annual consumption in multi-family buildings was 122 kWh/m<sup>2</sup>, which may be compared with the national average of 173 kWh/m<sup>2</sup> per year for the existing housing stock.

that are very attractive in the market. If NCC produces these types of products, and if energy efficiency can be attained, this will contribute to fulfilling the environmental objective.

## ENVIRONMENTAL RISKS

Two main types of environmental risks have been identified within NCC, namely contaminated land sites and buildings, and the use of chemical substances. Sweden's new environmental code entails increased responsibility for decontaminating land at locations where NCC has conducted operations. In addition, property owners in Sweden have voluntarily accepted responsibility for decontaminating buildings with sealants containing PCB. An inventory of the possible costs for decontaminating measures required within NCC's real estate portfolio is under way.

Risks connected to the use of hazardous substances exist both at the production level and in the products delivered to customers. During 1998, work to chart the use of hazardous chemical substances was initiated, and efforts to reduce these

risks will be intensified in 1999. Two important preventive measures taken in 1998 were the formulation of an environmental management system and the introduction of an environmental sciences council. The environmental management system will ensure environmentally hazardous building materials are not used in NCC's products and that the handling of chemicals at worksites is followed up. Environmental certification of NCC's Swedish operations in accordance with ISO 14001 will occur no later than during the year 2000.

The environmental sciences council was established to ensure that NCC is provided with the requisite skills in the areas of occupational medicine, environmental chemistry, expertise in construction materials and construction chemicals. The council acts as an advisory authority to NCC concerning environmental issues. In addition, the Group has a special cooperative agreement with the Swedish Research and Testing Institute with respect to issues related to construction chemicals.

In 1998, NCC also created an organization for handling crisis situations at Group level.

#### **REVENUES AND COSTS RELATED TO ENVIRONMENTAL WORK**

Since environmental activities are an integral part of the NCC Group's general operations, it is not possible to monitor the Group revenues that are specifically attributable environmental work. The same applies to increased goodwill, the reduced risk of environmental accidents and savings generated from greater resource economization.

#### **ENVIRONMENTAL REPORT**

Additional information regarding quantitative key data and examples of environmental work is available in NCC's Environmental Report.

As stated in the Environmental Report:

- Improvements were measured or estimated in the areas of energy consumption, transport, the use of water and natural gravel, environmental training and the handling of waste products.
- It was not possible to estimate improvements in the handling of harmful substances.
- Systematic implementation and follow-up measures were initiated during 1998. In 1999, when the environmental management system is introduced throughout the Swedish operations, work in this area will be intensified.



## **TECHNOLOGY, RESEARCH AND DEVELOPMENT FOR INCREASED INNOVATION**

Research and development is an important basis for new ideas. NCC's research and development activities encompass everything from knowledge-building research to industrially oriented product and method development. Research and development of a long-term character and Group-wide interest is carried out by the Group's R&D unit, which also manages and coordinates the Group's collective R&D resources.

The knowledge-building research and development activities mainly prioritize cooperation with technical colleges, participation in national and international research programs and R&D cooperation with different companies within the Group.

During 1998, NCC had nine industrial researchers who were engaged in Highways and Water programs at Sweden's four technical colleges. NCC employees are also active in technical colleges as co-opted professors and serve as representatives in various governing bodies within the R&D area.

NCC also participates in different international research programs. The EU-financed Self-compacting Concrete program, where NCC functions as a coordinator, achieved positive results during the year. In addition, NCC made a large-scale commitment to the following multi-year national research programs: Road/Bridge/Tunnel, Competitive Building and IT Construction and Real Estate, which was initiated in 1998.

NCC Technology, which is the Group-wide technology resource, has a central role in the application, development and dissemination of technical knowledge and skills within the

Group. Its purpose is to support NCC's ability to meet the needs of customers, and thus improve profitability. The unit has approximately 140 different specialists in project planning, project management and technical development within the civil engineering, construction and installation areas. These specialists primarily work on assignments from NCC, but also work directly with external customers.

NCC Technology has a strategic role within NCC, with a focus on being able to offer unique technological expertise within different product areas. This technological expertise is based on advanced understanding of the construction process generated through close cooperation with NCC's production operations. Unique expertise can be developed from three different dimensions; systems know-how, leading-edge expertise and the integration of technology and processes.

Strategic expertise based on systems know-how is exemplified by NCC Technology's unique concept within installation coordination and installation management and also within project management. The unit's state-of-the-art expertise includes geotechnology, concrete technology and interior environments, to name but a few. NCC Technology is also active in the integration of project planning and in other construction processes through concept development in cooperation with suppliers and aided by IT-based systems such as 3D-CAD, simulation technology and advanced calculation technology.

# SWEDEN AND FINLAND WILL ACCOUNT FOR SALES GROWTH IN 1999



## NCC'S MARKETS

NCC's domestic markets are Sweden, Denmark, Finland, Norway and, in the future, Poland. In Germany, NCC is active in Berlin-Brandenburg and Hannover.

Investments in the Nordic construction market rose by 5 percent during 1998 and are expected to decrease by 2 percent in 1999. The anticipated decline will be mainly attributable to a slackening of the Danish and Norwegian markets. However, the Swedish and Finnish markets are expected to continue to grow in 1999.

The Swedish Construction Federation's forecast of lower civil engineering investments is mainly based on an anticipated decline in construction activity in Denmark in the next few years. Residential construction is the sector expected to show the most favorable trend, with growth in both Sweden and Finland.

## SWEDEN

Residential construction in 1999 is expected to increase by 8 percent, albeit from a very low level. This corresponds to approximately 15,000 housing starts during the year, which will mainly be concentrated in a few parts of the country.

According to the Swedish Construction Federation, private-sector building activity will increase in Sweden, due to an increase in investor interest, higher property prices and rises in investments and the retail sector. Public-sector building activity will also increase, due to improved public finances and an increase in government subsidies.

The upswing in the roadwork and civil engineering markets will continue during 1999, with forecasts indicating an increase of 3 percent. The improvement will be attributable to investments in such large projects as the Botniabanan railway

line and the Southern Link highway in Stockholm. The policy change in the energy sector that was recently approved by the Swedish parliament could also result in substantial investments in the new few years.

Skanska and Peab are NCC's largest competitors in the building and civil engineering markets. Selmer of Norway, Pihl & Søn of Denmark and YIT of Finland were also active in the Swedish market in 1998. In the residential segment, JM and Skanska are NCC's main competitors.

## DENMARK

Total construction investments in Denmark remained unchanged in 1998 compared with the preceding year. The number of housing was unchanged at 18,000. During 1999, total housing construction is expected to decline to 17,000 units, due to a reduction in government subsidies for house building, combined with the imposition of limits on tax deductions for mortgage payments. The market for apartment blocks will decrease by 9 percent, making this the segment to show the largest individual decline in the residential segment.

Industrial construction, particularly investments in agricultural properties, is also expected to decline sharply in 1999. However, the market for offices and factory premises is expected to grow slightly in 1999.

The large-scale road and civil engineering contracts connected to the Stora Bält and Öresund Link projects were completed during 1998. The completion of these major projects, as well as a continued decline in investments in the energy and environmental sectors, will lead to a sharp drop in the market during 1999. The only exceptions will be investments in wind-power plants, which are expected to increase, and electricity distribution, which will remain unchanged. No large civil engineering projects are planned before the year 2001.

NCC Rasmussen & Schiøtz is the largest player in the relatively fragmented Danish market. NCC's main competitors in the Danish housing, building and civil engineering markets are Höjgaard & Schultz, Monberg & Thorsen and Skanska Jensen.

## FINLAND

Housing investments are expected to increase additionally in 1999, but at a lower rate than in 1998. Residential construction is expected to rise, mainly as a result of increased confidence in the future, rising prices for existing houses and continuingly low interest rates. During 1999, housing starts are expected to total approximately 36,000 (31,000). There is still a risk of an overheated housing market in certain locations, due to a high amount of migration to large cities. As a result of the high level of housing production, building costs are rising at a faster rate than general prices.

Investments in other buildings, which are mainly concentrated in Helsinki and other large cities where property prices are increasing, are expected to rise during 1999. The largest increase will be noted for office buildings.

## The Nordic Construction market

Outcome in 1997 and forecast change (%) in 1998 and 1999	Sweden			Denmark			Finland			Norway			Nordic region		
	1997	1998	1999	1997	1998	1999	1997	1998	1999	1997	1998	1999	1997	1998	1999
Housing	24	7	8	42	2	-4	32	10	6	32	-2	-11	129	4	-1
Other buildings	42	8	5	33	4	-2	31	13	5	47	1	-12	154	6	-2
Roadwork and civil engineering	33	11	3	30	-7	-18	16	2	2	25	2	-5	104	2	-5
Total construction investments	99	9	5	105	0	-7	79	10	5	104	1	-10	387	5	-2
Maintenance work	86	2	0	49	-4	-3	19	3	3	31	3	2	185	1	0
Total investments plus maintenance	185	6	3	154	-1	-6	98	8	4	135	1	-7	572	3	-2

Source: Swedish Constructions Federation, November 1998 (Nordic region) and February 1999 (Sweden).

Roadwork and civil engineering investments will increase by only 2 percent (2) in 1999, despite the generally positive economic trend in Finland.

In 1999, total construction is expect to increase by approximately 5 percent (10).

Demand for modern offices continues to be considerable in Helsinki, which is driving up prices and rents, a trend that will provide favorable conditions for real estate development activities in 1999.

NCC Puolimatka is a strong player in Finland, particularly in the markets for buildings and housing. Successful project development operations were also conducted during the year, thanks to good access to attractive sites. The subsidiary's residential construction work focuses mainly on proprietary projects in major cities. NCC's principal competitors in Finland are YIT, Lemminkäinen and Skanska.

## NORWAY

Weaker economic conditions and interest-rate hikes during 1998 have resulted in a downgrading of earlier forecasts in all subsectors. According to the Construction Federation, investments will decline by approximately 10 percent in 1999. Residential construction is the segment in which the largest forecast downward revisions were made. The anticipated decline is due mainly to changes in planning and building legislation, which is complicating project planning activities, higher interest rates and limited access to attractive sites.

The sharp decline expected in the other buildings sector is mainly due to cuts in public sector building, combined with the general economic decline and continuingly high interest rates.

The roadwork and civil engineering sector, which is not as sensitive to economic conditions as the market for general buildings, is the sector expected to show the least decline in 1999.

NCC Eeg-Henriksen is the third largest construction group in the Norwegian market and its main competitors are Veidekke and Selmer, two Norwegian construction companies. Peab of Sweden was also active in the Norwegian market during 1998, mainly in the civil engineering sector.

## NCC'S ASSESSMENT OF MARKET TRENDS IN THE NORDIC REGION

NCC expects a continued increase in production during 1999, since most of the Group's operations are active in the expanding Swedish and Finnish markets. In addition, NCC's construction operations in Denmark and Norway are not expected to develop as negatively as the Construction Federation's forecast for the markets concerned would indicate.

## Largest construction companies

Sales 1998, SEK bn<sup>1)</sup>

<b>Nordic region</b>		
	NCC	32.1
	Skanska	30.5
	Peab	12.6
	Selmer	6.0
<b>Denmark<sup>2)</sup></b>		
	NCC in Denmark	3.8
	Monberg & Thorsen	3.3
	C.G.Jensen	3.0
	Højgaard & Schultz	2.8
<b>Norway</b>		
	Veidekke	5.4
	Selmer	5.3
	NCC in Norway	4.1
	Peab A/S	1.8
<b>Finland</b>		
	YIT	8.6
	Lemminkäinen	4.9
	Skanska Oy <sup>2)</sup>	4.8
	NCC in Finland	3.6
<b>Sweden</b>		
	Skanska	20.5
	NCC in Sweden	20.3
	Peab	10.9
	JM	3.6

1) NCC's estimate of construction-related sales in the country concerned.

2) Relates to 1997 sales.

NCC Rasmussen & Schiøtz focuses mainly on small-scale civil engineering operations, which are expected to experience more favorable development than large-scale civil engineering operations. In Norway, NCC Eeg-Henriksen had a higher order backlog at year-end compared with the preceding year, which is highly encouraging considering the bleak forecasts for the Norwegian construction sector as a whole in 1999. NCC Eeg-Henriksen's high order backlog is mainly attributable to favorable orders received for civil engineering operations during 1998.

## POLAND

A continued strong growth in GDP, combined with falling interest rates, is stimulating consumption and attracting foreign investors. Demand is considerable for both office properties and housing. In addition, major civil engineering projects are being planned.

In Poland, NCC is active in the civil engineering, housing, building, industrial and real estate markets. Most Swedish construction companies have established a presence in Poland, usually via cooperation with local companies. The Polish construction market is fragmented and most of the construction companies are relatively small players. Financial strength and expertise, combined with a local presence, will enable NCC to establish a strong market position in the Polish market.

## GERMANY

NCC Siab has been active in the Berlin-Brandenburg area since the beginning of the 1990s.

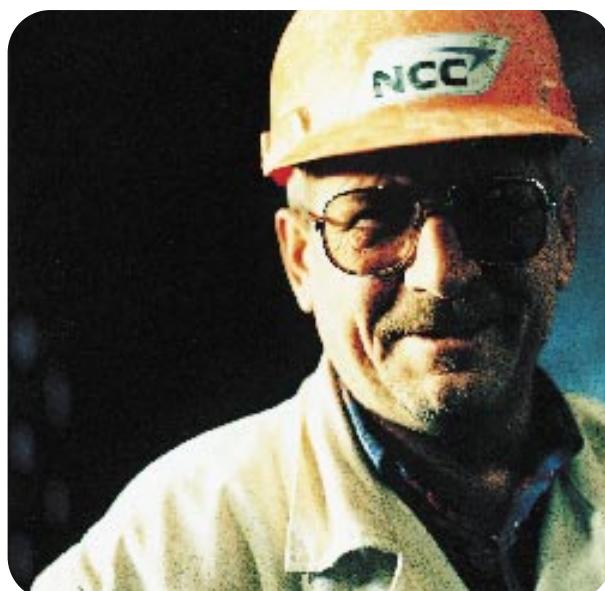
The market is fragmented, with several medium-sized and small players. NCC Siab, which specializes in residential project development on its own account, is one of the 20 largest players in the housing segment, which was slightly more than twice as large as the entire Swedish residential market in 1998.

During 1998, construction investments remained unchanged and a slight decline is expected in 1999.

Demand for new housing is determined by the trend of household migration in the region. Many young families want to move to more rural areas, such as Brandenburg. The relocation of the German central government to Berlin in the next few years will boost demand from weekly commuters for small, centrally situated apartments.

During 1999, NCC Siab's housing concept will also be marketed in the expansive Hannover region.

NCC's strength is its expertise throughout the value chain. NCC Siab's main competitors are Dutch and German companies.



Lars Wuopio  
President of the business area



## STRONGER POSITION IN NORDIC REGION –

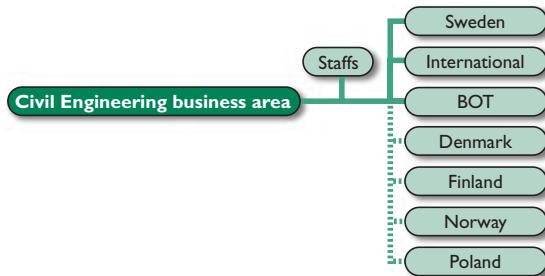
The **CIVIL ENGINEERING BUSINESS AREA** engages in construction, repair and maintenance activities in the Nordic roadwork and civil engineering market, as well as in selected markets in other parts of the world. The business area is the leading civil engineering contractor in terms of quality, the environment, efficiency and development resources.

**Net sales in 1998 amounted to SEK 11,1 billion (10.7), of which approximately SEK 3.4 billion (3.3) derived from operations outside Sweden.**



At the beginning of January 1999, the last of the 20 tunnel elements for the Öresund Tunnel were placed in position on the seabed under the Öresund Straits. As a result of an efficient production process, this took place six weeks ahead of schedule. From December 1996 to December 1998, approximately 500 employees were involved in the production of the elements for the world's largest submersed tunnel.

# FOCUS ON BOT PROJECTS



The new station at Kastrup Airport.



## BUSINESS CONCEPT

The Civil Engineering business area shall utilize its high level of expertise, quality and cost effectiveness to initiate, plan, refine and implement civil engineering projects in the Nordic region and other selected markets, through interaction with customers. The business area shall also engage in major civil engineering projects in prioritized markets outside the Nordic region. It shall also be able to offer financing solutions and undertake the operation and maintenance of facilities.

## STRATEGY

The Civil Engineering business area's strategies focus on strengthening its position within the Nordic countries and Poland, and on continuing its expansion in international project markets. The business area specializes in working in local, regional and national markets and includes specialist units.

The strategic approach is to concentrate on a series of key issues, which, in coming years, will be crucial for increasing profitability. These issues include total quality management, provision of expertise, continued specialization and internationalization. In combination, these measures will lead to improved profitability.

## PRODUCTS

The Civil Engineering business area conducts new construction, repair, maintenance and operating work in the following product areas:

- roads, bridges, tunnels and underground facilities
- railways and airports
- ground and pipeline systems
- road surfacing
- operation and maintenance of roads and municipal facilities
- environmental improvements
- energy facilities
- other civil engineering projects, such as power plants, plants for process industries, water and sewage plants, harbors and quays.

The Hercules Grundläggning subsidiary is the Nordic market leader in foundation work and Byggs Sprutbetong is one of the leading companies in bedrock reinforcement.

## THE MARKET

Civil engineering investments in the Nordic countries are expected to decline by 5 percent during 1999, according to the Swedish Construction Federation's forecast from November 1998. In Sweden, investments in roads and civil engineering facilities are expected to increase by at least 3 percent during 1999, following an increase of 9 percent during 1998. However, the competitive situation changed considerably during 1998,

when construction companies from Norway, Denmark and Finland began to become established in the Swedish market.

In Denmark, the civil engineering construction suffered a strong decline, since a number of projects have been completed or have gradually declined in volume.

The Norwegian market is also weakening rapidly now as a consequence of strong increases in interest rates. In 1999, civil engineering projects are expected to decline by 5 percent.

During 1999, the Finnish roadwork and civil engineering market is expected to increase by 2 percent.

Throughout the Nordic countries, local markets for small-scale production are growing. In Norway and Finland, the privatization of former state and municipal operations is being implemented, creating new opportunities for operating and maintenance contracts. There are also favorable conditions for new energy and environmental concepts.

## NOTABLE PROJECTS IN THE NORDIC REGION

In Sweden, operations mainly consist of small and medium-sized projects. In 1998, the business area engaged in a total of approximately 2,000 projects in Sweden. Of these, 80 percent had a contract value of less than SEK 5 m.

The Häggvik bypass outside Stockholm, which includes the new construction of 1.2 kilometers of four-lane highway and seven bridges, was completed during the year. The contract value was approximately SEK 300 m.

In Stockholm, the 400-meter Alvik Bridge, with vertical clearance of 24 meters, was finished. The contract value amounted to SEK 180 m.

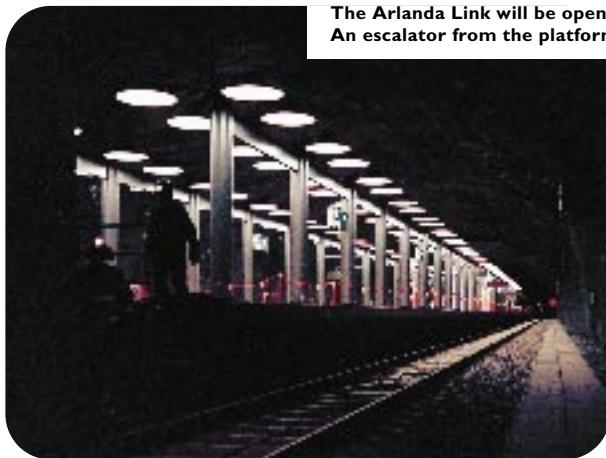
NCC is building a 26-kilometer section of highway between Örebro and Arboga, a project which is worth SEK 530 m. The highway will be completed in September 2000.

The Arlanda Link is the first large infrastructural project in Sweden to be financed by both central government funds and private enterprise using a BOT solution. The Arlanda Link facilities are now complete, trains are being tested on them and A-Train AB will take over train operations for the next 40 years.

Other major Swedish orders received during 1998 included the first two stages of the Southern Link in Stockholm for SEK 700 m.

NCC Eeg-Henriksen is undertaking a number of major civil engineering projects. These include several tunnel projects, of which Sogn og Fjordane is the largest. The 24.5 kilometer Laerdal Tunnel will be the world's longest tunnel when it is completed in the year 2000. Construction of the Stolma Bridge, with a 300-meter span, is in progress in Austevoll. At the end of 1988, Eeg-Henriksen received an order to build two large suspension bridges as part of the so-called Triangle Link.

The value of this order is NOK 546 m., of which NCC accounts for approximately half.



The Arlanda Link will be opened for traffic during autumn 1999.  
An escalator from the platform ensures rapid access to the departure hall.

Civil engineering operations in NCC Puolimatka declined in 1998. At the end of 1998, the company received an order valued at SEK 240 m. to build a container terminal in the east of Finland.

In Denmark, NCC Rasmussen & Schiøtz is involved in several important projects, including the Öresund Link land approaches on the Danish side. NCC Rasmussen & Schiøtz also has a small interest in the consortium building the Mini-metro subway in Copenhagen.

NCC is the lead company in Øresund Tunnel Contractors, ØTC, which is building the 3.7-kilometer tunnel that forms part of the Öresund Link. The immersed tunnel is being constructed using prefabricated tunnel elements which are manufactured in a factory in Copenhagen's north harbor. The tunnel elements are subsequently towed out into the Öresund straits and submersed into place in a dredged channel on the seabed.

The final element was put into position in January 1999. The Öresund link will be opened for traffic on July 1, 2000. NCC's share of the project is worth approximately SEK 1.2 billion.

#### INTERNATIONAL PROJECTS

In 1998, NCC continued to develop its international cooperation efforts by participating in alliances. The company entered an exclusive cooperation venture with the Italian construction company, Impregilo, covering major projects in Russia and Baltic. This venture is being run under the name IGL-NCC Contractors and the first result is a contract for the rebuilding of a section of the underground railway system in St. Petersburg. The contract, which was signed in the autumn of 1998, is valued at SEK 1 billion, of which NCC has a 25-percent share.

In Russia, NCC Puolimatka International has completed a production plant for PLM, outside Moscow. A contract worth SEK 150 m. was signed with Philip Morris for part of an expansion project outside St. Petersburg. NCC Puolimatka International has, for a number of years, been involved in the renovation of the Sklifosovsk hospital complex in Moscow. This work is now continuing under a newly signed contract for a cardiology center.

NCC is part of an international consortium which, in 1997, received the concession to build a portion of the A2 Highway in Poland. The concession relates to 362 kilometers of highway, from west of Warsaw to the German border – an order which could be worth a total of SEK 3 billion for NCC. This section of highway will form a part of the Polish highways program, which has a goal of expanding the highway system in Poland by 2,600 kilometers before the year 2015. Construction work on the first 149-kilometer section is scheduled to commence during 1999.

As part of a consortium that also includes ABB and Kvaerner, NCC Eeg-Henriksen completed a hydropower plant in Costa Rica in 1998. The value of the contract was approximately SEK 350 m.

NCC and Skanska have signed a Memorandum of Understanding for a turnkey contract relating to a 330 MW hydropower plant in the Indian province of Kashmir. A financial solution is currently being negotiated.

Despite the financial unrest in Southeast Asia, a number of interesting infrastructural projects are being discussed. One example is the high-speed railway between Taipei and Kaoshung in Taiwan, for which the INS Alliance is prequalified to submit tenders for several stretches of the 326-kilometer railway.

#### FINANCING – A KEY FACTOR

Privately or jointly financed projects now constitute a prerequisite for construction activity in countries with vastly different economic conditions. These methods of financing will also assume greater importance in Sweden and the other Nordic countries and encompass large infrastructural projects, as well as small energy plants.

Financial strength and having experience of these types of projects are among the most important competitive advantages. Major international projects require advanced project management, experience of risk assessment, knowledge of markets and experience in the field of financing. In addition, legal experience of the new types of responsibility created by the projects concerned is also required.

The experience the company has acquired from the Arlanda Link – the only large, privately financed infrastructural project in Sweden – and the concession-based projects in which NCC is involved in Poland and Southeast Asia provide NCC with a head start in this field.

#### IT, QUALITY AND ENVIRONMENTAL EFFORTS

In order to make the construction process even more efficient, an IT system which supports marketing, calculation, planning and production processes was put into operation in 1998. Programs which provide support for the purchasing process, as well as a new financial system, will be introduced in 1999.

The implementation of the quality system continues and a preliminary study of Swedish operations was undertaken during the year. Certification in Sweden will take place in 1999.

In line with the business area's strategy, a TQM (Total Quality Management) process has been started. In 1998, the subsidiary Hercules Grundläggning received ISO 9001 certification, while Byggs Sprutbetong received ISO 9002 certification.

The environmental management system will also be implemented in 1999. Some pilot units in Sweden will receive environmental certification in 1999, and be followed by the remainder of the Swedish operations in 2000.

#### PERSONNEL AND SKILLS DEVELOPMENT

In order to assure the expertise of site managers, 86 site managers were certified in 1998, bringing the total number of certified site managers to more than 200.

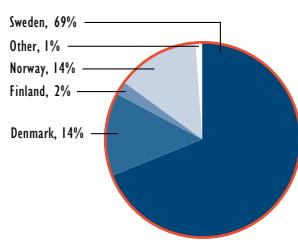
A special training program for international project managers was held for the second time.

#### RESEARCH AND DEVELOPMENT

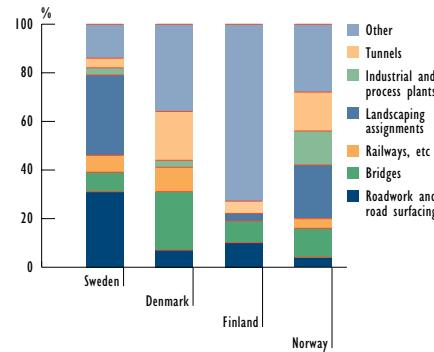
The business area utilizes several techniques which are the direct result of internal R&D work; for example, controlling machines using GPS technology. The production of tunnel elements for

**Net sales 1998**

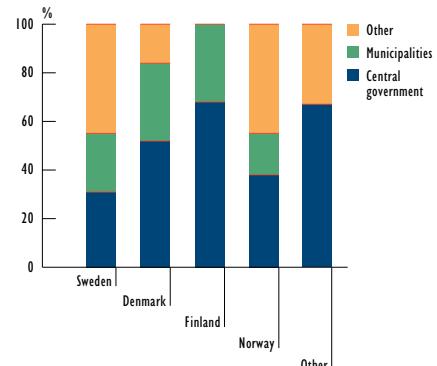
by country, %

**Product mix**

Net sales by product group, %

**Customer structure**

Net sales by customer category, %



the Öresund Tunnel was based on advanced concrete technology, particularly concerning the regulation of the concrete's hardening process. NCC's research in this field is carried out within the framework of a major European research project.

Industrial research is often undertaken in close cooperation with institutes of technology and universities.

**ORGANIZATION**

As part of NCC's internationalization and the creation of a business profile as an international company based in the Baltic Sea region, the unit previously known as Major Projects has changed its name to NCC International.

A special BOT (Build, Own/operate and Transfer) unit was established in January 1999. The new unit will develop BOT projects in an effort to strengthen NCC's competitiveness.

**EARNINGS**

Orders received by the Civil Engineering business area amounted to SEK 11,207 m. (10,012). The increase derived mainly from Norwegian operations.

Income after net financial items amounted to SEK 201 m. (141). The SEK 60 m. improvement was mainly attributable to coordination gains resulting from the merger with Siab and to higher earnings from projects in Norway.

Cash flow, before dividends, was negative in an amount of SEK 128 m. Cash flow was affected adversely by the high level of accounts receivable at year-end, due to the high rate of invoicing in December 1998.

The return on operating capital employed was 14 (10) percent. The improvement was attributable to a higher profit margin.

**FUTURE**

The Nordic roadwork and civil engineering market is expected to decline by 5 percent in 1999, particularly in Denmark and Norway. NCC's focus on small-scale civil engineering operations in Denmark and the business area's relatively large order backlog in Norway provide a favorable point of departure for NCC in these markets.

As a result of the strategic approach toward specialization, the investments in TQM and other measures to develop expertise, the business area is expected to successfully uphold its positions in the Nordic civil engineering markets. As part of the strategy to increase NCC's share of the value chain, the business area formed a special BOT unit in January 1999, which is expected to boost NCC's competitiveness. International operations are to be expanded, in both the Baltic Sea region and the project markets, in which NCC works in alliances with other leading construction companies.

**Civil Engineering business area**

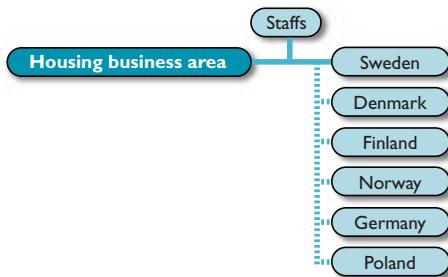
SEK m.	1996	1997	1998
Orders received	9 520	10 012	11 207
Order backlog	7 241	6 404	6 698
Income after net financial items	78	141	201
Operating capital employed at year-end	1 675	1 856	1 944
Cash flow		-266	-128
<b>Ratios</b>			
Operating margin, %	-0.9	0.3	1.1
Net margin, %	0.7	1.3	1.8
Return on operating capital employed, % <sup>1)</sup> <sup>2)</sup>	7	10	14
<b>Other</b>			
Average number of employees	7 804	7 336	6 795
<b>INCOME STATEMENT, SEK m.</b>			
Net sales	10 841	10 746	11 078
Production expenses	-10 220	-9 952	-10 224
Gross income	621	794	854
Selling and administrative expenses	-717	-766	-732
Capital gain on sales of associated companies			2
Operating income	-96	28	124
Financial items	174	113	77
Income after net financial items	78	141	201
<b>BALANCE SHEET, SEK m.</b>			
Buildings and land	94	85	103
Tangible and intangible fixed assets	305	338	345
Shares and participations	8	7	7
Interest-bearing receivables	100	140	126
Interest-free receivables	2 037	2 379	2 867
Liquid assets	3 050	2 840	2 544
<b>TOTAL ASSETS</b>	<b>5 594</b>	<b>5 789</b>	<b>5 992</b>
Equity	920	1 004	1 295
Minority interests	12	14	10
Interest-bearing liabilities and allocations	550	778	695
Interest-free liabilities and allocations	3 048	3 062	3 197
Project invoicing not yet worked up	1 064	931	808
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 594</b>	<b>5 789</b>	<b>5 992</b>

1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group

2) In 1997 and 1998, this ratio was computed on the basis of average capital employed during the year. In 1996, it was based on the year-end figure.



# DEVELOPING A HOUSING CONCEPT – FOCUS ON



## BUSINESS CONCEPT

Based on a high level of expertise and well-functioning concepts and methods, the Housing business area shall initiate, develop and implement housing projects in selected markets in accordance with the desires, requests and needs of customers. In Sweden, regions with long-term stable growth are assigned priority. The business area is Sweden's only national housing company to be quality-certified in accordance with ISO 9001.

## STRATEGY

The Housing business area's focus on total-package projects led to a sharp increase in NCC's share of the housing market in 1998.

The crucial factor for continued success and increased profitability is knowledge of operations as a whole and of each component in the total-package process. The ability to acquire attractive land is another important success factor. Increased customer orientation, with an intensified focus on marketing and sales, are a third factor. By concentrating on these issues, the necessary conditions will be created for a favorable earnings trend in the years ahead.

Housing production using total-package solutions was introduced in Norway and Finland as of January 1999. The possibility of introducing a similar working approach in Denmark is being investigated.

## PRODUCTS

The Housing business area builds residential properties in accordance with its total-package concept, as well as on a contract basis for external construction companies. The business area's own project development work comprises two forms of ownership – tenant-owner rights and direct ownership rights.

During 1998, total-package solutions accounted for approximately 65 percent of sales in Sweden. The goal for 1999 is to increase the share of total-package projects to 70 percent.

## HOUSING MARKET

The business area's Swedish market is mainly concentrated in the cities and towns with colleges and universities.

The base for the German market is the Berlin-Brandenburg region, although operations were expanded in 1998 to include the Hannover region.

In 1998, there were 12,200 housing starts in Sweden, according to Statistics Sweden. Forecasts from several sources indicate that the construction of around 14,000 homes is expected to commence in 1999 and around 16,000 in the year 2000. The Group will continue to focus on growth locations.

The number of homes being built in Denmark is expected to decrease from 18,000 in 1998 to 14,500 in 1999. The forecast for Norway is 17,000 (19,500), while the number of housing starts in Finland is estimated to increase to 36,000 (31,000).

The housing cooperatives, HSB and Riksbyggen, have traditionally been NCC's largest customers in the area of housing. During 1998, their investments in new production were small and limited to a few municipalities, mainly in the major city areas. Municipal housing companies did not start any extensive new production during the year either.

The Housing business area started work on 1,743 apartments as part of 181 total-package projects, as well as 449 apartments on a contract basis. This means that the business area's total-package concept increased its market share to 14 percent (8) of total housing starts in 1998.

In addition to the new production carried out by NCC Housing on a total-package basis and under contract, NCC Building was subcontracted to build housing in those markets where NCC Housing has no production resources of its own.

Since NCC accounted for 23 percent of the total investment volume for new production of housing in Sweden, it is the largest residential builder in the country.

## SWEDISH OPERATIONS

### First quality-certified housing company

NCC Housing is the first national housing company to receive quality certification in accordance with ISO 9001. The certificate was issued by Det Norske Veritas in April 1998.

This quality system involves a structured work method and control of the entire work process, thus increasing reliability and security for the customer.

### Development of industrial building

The acquisition of Flexihus AB on December 1, 1997, created additional opportunities for the Housing business area to develop and conduct rational housing production. Flexihus manufactures modules in a production plant, which are then transported to the construction site and joined together to form residential buildings. The main benefits provided by this method are more efficient building work, at the same time as indoor production is a guarantee for dry homes, since they have not been exposed to damp during the construction period.

This project offered the Housing business area an opportunity to develop the ideas that helped the business area win first prize in a competition arranged by the Swedish Building Costs Delegation in 1997.

In Ölslanda, in the Swedish Municipality of Lerum, NCC Housing built homes for the elderly in accordance with Agenda 21. The guiding principles were to provide good living and working environments.

## TOTAL-PACKAGE PROJECTS



The **HOUSING BUSINESS AREA** is responsible for the Group's construction of residential properties in Sweden and Germany. Operations include everything from the concept, procurement of land and planning, to the building and sale of a property – a concept that NCC calls a total-package approach.

**Net sales in 1998 amounted to SEK 2.4 billion (2.0), of which approximately SEK 0.9 billion (0.7) derived from operations outside Sweden.**



In Frösunda, Stockholm, close to Hagaparken and Brunnsviken, NCC Housing is building 1,500 homes during the period up to the year 2005. The guiding principles for this project are freedom of choice and security. Freedom of choice is assured by providing generous lists of optional features, as well as special packages in such areas as safety, allergy/indoor environment and resource economization. Fully tiled and easy-to-clean bathrooms, code-locks and mail boxes, rather than letter slots, are other self-evident elements in NCC's safe and secure homes. Other aspects that enhance customer security include the opportunity to "drop in" during the construction period, assistance in computing costs and a ten-year guarantee.

**"Sonnengarten" in Glienicke, about 12 kilometer north of central Berlin, is NCC Siab's largest housing project.**



### **Byggabo98**

The Housing business area contributed 75 apartments to the Byggabo 98 housing exhibition, which took place in Nybodahöjden in Stockholm in August.

NCC's exhibits included three so-called townhouses, built in accordance with the dry-construction technique, which reduces the risk of damp and building damage.

### **Build-up of sales organization**

An active sales organization, based on a national toll-free number and sales over the Internet, has been built up.

Bobutiker ("home-buyer shops") have been established in Stockholm, Gothenburg and Malmö. These measures were part of NCC Housing's intensified marketing efforts.

### **Increased freedom of choice for customers**

NCC Housing is introducing a program that will considerably increase freedom of choice and security for customers. From the spring of 1999, extended lists of optional features and services will form a part of all projects. All customers, regardless of location, will thus have the same possibilities to choose individual solutions in terms of equipment, surfaces and materials. The customers will also be able to select various optional packages for safety, allergy prevention and financial/resource economy.

Customer security will be strengthened by NCC's pledge of only building homes that meet high quality, environmental and safety standards.

### **Saltsjöqvarn**

In December 1997, residential construction commenced at Saltsjöqvarn, following receipt of building permission from the Municipality of Nacka for 167 apartments during phase one.

As a result of appeals against the building plans, the project was delayed. With a total of around 600 apartments, Saltsjöqvarn will become one of Stockholm's most attractive housing areas.

### **Frösunda, Solna**

Work on Sweden's largest housing project continues in Frösunda,. The business area will build approximately 1,500 apartments in this completely new, attractively located Stockholm suburb before the end of 2005. In 1998, three stages comprising a total of 272 apartments were started.

### **Première for two regions**

Two regions, Central and Southern, began their first total-package projects in 1998.

### **OPERATIONS OUTSIDE SWEDEN**

#### **Germany**

The German subsidiary, NCC Siab, which is based in the Berlin-Brandenburg region, expanded its market to include the

Hannover region in 1998. In Hannover, a row-house project in cooperation with IKEA commenced during the year within the framework of the so-called Garten Concept. This concept has been implemented with great success in the Berlin-Brandenburg area, where 225 apartments have been produced and sold during recent years. From 1999 onwards, there are plans to commence the building of a further 150 apartments per year.

In May, the "Sonnengarten" project in Glienicke, Berlin, was begun. The project involves around 1,300 homes in single and multi-family buildings over a five-year period. The total market value is SEK 2.5 billion.

In autumn 1997, a residential area with 352 apartments was acquired in Schönefeld, southeast of Berlin. The apartments were sold to "closed" property funds and were then renovated. Total earnings amounted to SEK 245 m.

In September 1998, 400 apartments were acquired in the residential area of Hellersdorf, east of Berlin. The apartments, which will be renovated in 1999, were sold to "closed" property funds. Total revenues amounted to approximately SEK 280 m.

A total of 973 apartments were started in Germany in 1998. At the end of the year, there were 756 apartments in production.

In autumn 1998, the German operations received ISO 9001 certification. Work on environmental certification in accordance with ISO 14001 has commenced.

NCC Siab is to build the Swedish pavilion for the year 2000 World Expo in Hannover. Following the Expo, NCC plans to lease the premises to primarily Swedish companies.

#### **Poland**

During the year, a number of attractive sites in the Warsaw area were identified for the project development of single and multi-family houses in accordance with the total-package concept. Negotiations regarding the purchase of the land are under way with a view to construction starts during 1999.

### **ORGANIZATION**

The Housing business area is divided into seven regions in Sweden, plus two companies engaged in operations in Germany.

NCC Housing has production units the Northern Stockholm, Southern Stockholm and Gothenburg regions. In the remaining regions, the business area cooperates with the Construction Management organization.

In those regions where the Housing business area has no production resources of its own, the Building business area performs the new construction of housing on behalf of the business area.

In Finland and Norway, construction of housing in accordance with the total-package concept is part of NCC Housing as of January 1, 1999.

### **ENVIRONMENT**

Environmental efforts during the year focused on the planned environmental certification of the entire NCC Group. An environment handbook with accompanying procedures has been produced and environmental audits of operations have commenced. In cooperation with NCC Housing, a new environmental profile has been developed as an aid to environmental project work.

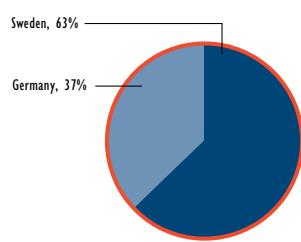
### **PERSONNEL AND SKILLS DEVELOPMENT**

At year-end, the Housing business area had 315 (310) salaried employees and 400 (426) skilled workers in Sweden. In Germany, the number of salaried employees was 195 and the number of skilled workers 378. In 1999, the number of salaried employees and skilled workers will increase in both Sweden and Germany.

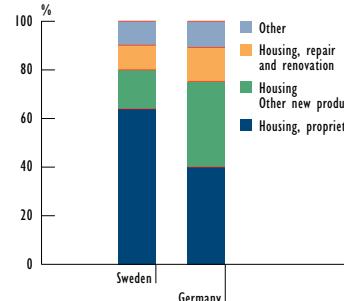
In November 1998, 12 NCC Housing employees became quality-certified site managers. At year-end, there were 13

**Net sales 1998**

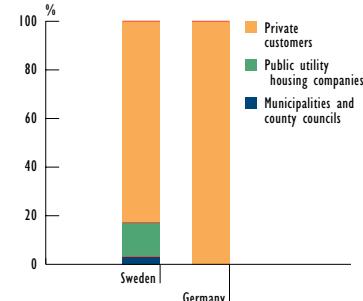
by country, %

**Product mix**

Net sales by product group, %

**Customer structure**

Net sales by customer category, %



trainee engineers and one financial trainee in the business area, and there are plans for recruitment of a further ten trainee engineers in 1999.

Special sales organizations have been established in Stockholm, Gothenburg and Malmö.

**EARNINGS**

Orders received by the Housing business area amounted to SEK 3,479 m. (2,001). The increase was attributable to a sharp improvement in the Swedish market, particularly in the final quarter, and to a continuing strong trend for orders received in Germany.

Income after net financial items amounted to SEK 13 m. (1). The main reason for the low earnings was that Swedish operations were in a build-up phase during 1998, at the same time as a number of contract-based projects developed negatively. The business area's German operations continued to show favorable earnings.

Cash flow, before dividends, amounted to SEK 102 m. The positive cash flow was mainly attributable to sales of housing properties by the business area's German operations at the end of 1998.

The return on operating capital employed was 4 (5) percent. The low return figure was due mainly to the low level of earnings, combined with an increase in working capital as a result of investments in the Swedish organization for total-package projects.

**FUTURE**

The total market for residential construction in the Nordic region is expected to decline by approximately 1 percent in 1999. The Swedish market, which currently accounts for most of NCC's production of housing, is expected to grow by 8 percent during the same year.

The number of housing starts in Sweden in 1998 was 1,743 (1,004), distributed among 45 projects, and production of 1,925 housing units was in progress at year-end. NCC Housing has access to land representing building rights for the production of approximately 8,000 apartments within three to four years. Two thirds of these holdings are located in Greater Stockholm.

The business area's total-package concept, which was further developed during 1998, generates much better profitability than contract-based housing production. At year-end, total-package projects accounted for approximately 75 percent (55) of the order backlog. The increased proportion of total-package projects has created the conditions for improved earnings in 1999.

**Housing business area**

	1996	1997	1998
Orders received	2 252	2 001	3 479
Order backlog	1 453	1 548	2 712
Income after net financial items	34	1	13
Operating capital employed at year-end	277	808	1 140
Cash flow		-421	102
<b>Ratios</b>			
Operating margin, %	1.1	0.3	1.1
Net margin, %	1.7	0.0	0.5
Return on operating capital employed, % <sup>1)</sup> <sup>2)</sup>	12	5	4
<b>Other</b>			
Average number of employees	1 460	1 190	1 329
<b>INCOME STATEMENT, SEK m.</b>			
Net sales	1 966	2 041	2 365
Production expenses	-1 834	-1 866	-2 151
Gross income	132	175	214
Selling and administrative expenses	-111	-170	-205
Shares in associated companies			16
Capital gain on sales of Group companies		1	
Loss on sales of properties		-1	
Operating income	21	5	25
Financial items	13	-4	-12
Income after net financial items	34	1	13
<b>BALANCE SHEET, SEK m.</b>			
Buildings and land	31	105	133
Tangible and intangible fixed assets	13	26	15
Shares and participations	11	7	32
Real estate held for future development	397	452	469
Interest-bearing receivables	4	132	101
Interest-free receivables	355	617	713
Liquid assets	9	117	464
<b>TOTAL ASSETS</b>	<b>820</b>	<b>1 456</b>	<b>1 927</b>
Equity	236	251	370
Interest-bearing liabilities and allocations	41	571	861
Interest-free liabilities and allocations	384	482	678
Project invoicing not yet worked up	159	152	18
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>820</b>	<b>1 456</b>	<b>1 927</b>

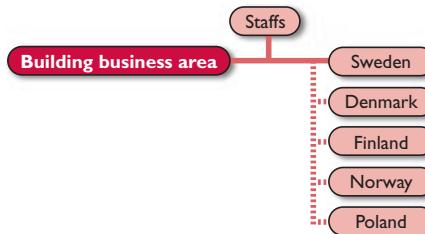
1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

2) The ratio was computed on the basis of average capital employed.

Efficient cooperation between NCC Eeg-Henriksen and NCC Building strongly contributed to the successful results shown when Oslo's new airport was completed.



# GREATER SPECIALIZATION AND MOVE TO



## BUSINESS CONCEPT

The Building business area shall be active throughout the Nordic region in the initiation, planning, development and implementation of building projects and related services. By engaging in extensive interaction with customers, the business area will create added value and formulate attractive business concepts for new and existing customers.

## STRATEGY

The strategy of the Building business area focuses on increasing profitability in the segments in which it is active. This is to be achieved through such measures as a systematic identification of profitable and unprofitable customers.

As a leading player in the Nordic construction market, NCC must be prepared, following detailed project analysis, to accept all types of major construction projects, while at the same time complying with the responsibilities of a local builder. The business area is to engage in active product development in cooperation with NCC Real Estate. A special building services unit is being established to capitalize on opportunities in the attractive after-market.

Efforts will continue to focus on more efficient production, on changed purchasing patterns, on utilizing experiences gained from other projects and measures to develop skills, especially through increased specialization and a well-developed IT structure. The aim is that planning and project management will be conducted on-site using IT-based construction-management systems.

Skills development and the supply of future managers are other key strategic matters.

## PRODUCTS

The Building business area specializes in new construction, extension and remodeling activities within the industrial and other buildings sectors. "Other buildings" include schools, hospitals, cultural buildings, offices, industrial premises and laboratories.

Since the beginning of the year, the business area's Swedish building service operations, which are responsible for repairs and maintenance, form a single national region, with a specialized presence in local markets. The building services market is relatively stable and often involves major projects.

Another specialist area within the business area is the construction of GSM stations. The subsidiary Däldehög is active in new construction and maintenance of gasoline stations throughout Europe.

During the year, NCC acquired additional shares in RÅD i Sverige AB, a company specializing in demolition, recycling and dismantling. NCC now owns slightly more than 90 percent of the company.

## MARKETS

The Building business area operates in Sweden, Denmark, Finland and Norway. Operations were also established in Poland in 1998, in conjunction with other business areas. Building construction in Sweden in 1998 showed a positive trend and the market is expected to continue to grow by approximately 5 percent during 1999.

The Other Buildings segment made the largest contribution to the strong increase of approximately 9 percent compared with 1997. The expected increase for 1999 is 5 percent.

Investments in the construction of industrial buildings and premises rose by 5 percent in 1998 and are expected to increase by 3 percent in 1999.

During the year, a number of customers signed nationwide contracts with Building Services. The repairs and maintenance market is expected to continue at its current level, following a minor increase in 1998.

The Buildings business area's construction projects have an ever increasing technology content. This led to NCC investing large amounts of resources in skills development within the installation area during 1998.

The building market in Denmark is expected to decline in 1999 following several years of growth. The Other Buildings segment will decline by 2 percent according to the Swedish Construction Federation. Agricultural investments are also likely to decline, while it appears that the building of industrial plants and offices may increase somewhat.

According to current forecasts, building investments in Finland will continue to grow in 1999. Other Buildings rose by 13 percent and are expected to increase by 5 percent in 1999.

Activity in the Other Buildings segment focuses mainly on the Helsinki area and other locations where rents and property prices are increasing.

The Norwegian construction market has been negatively affected by declining economic conditions. All subsectors are expected to show inferior development in relation to earlier forecasts. Volume in the Other Buildings segment increased by a modest 1 percent in 1998 and is expected to decline by a full 12 percent in 1999.

## NOTABLE PROJECTS

In February 1998, the new Museum of Modern Art in Stockholm was opened to the general public. Museum construction, which was commission by the National Real Estate Administration, began on August 31, 1994. The total order value was approximately SEK 200 m.

NCC is constructing a new swimming complex of international quality in proximity to the old Eriksdalsbadet swimming pool in Stockholm. The project is characterized by ambitious environmental objectives. The materials used, which have

# INCREASE BUILDING SERVICES

Kenneth Orrgren  
President of the business area



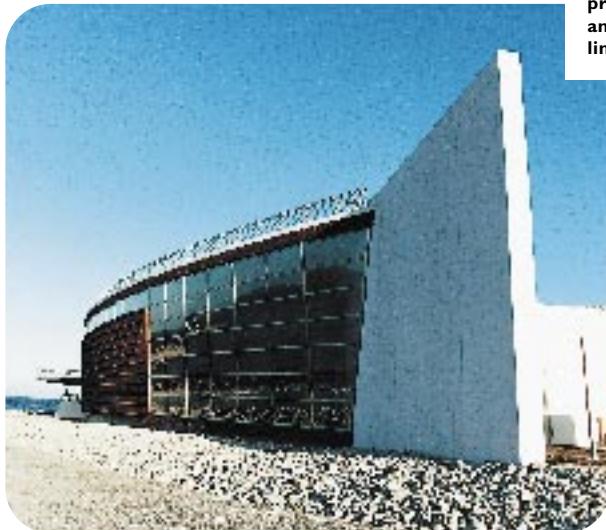
The **BUILDING BUSINESS** area engages in the construction, rebuilding and renovation of such properties as industrial plants, offices, schools and hospitals.

Key factors in operations are quality, cost-effectiveness, production development and environmental considerations, combined with close contact with customers.

**Net sales amounted to SEK 17.6 billion (15.7), of which approximately SEK 8.5 billion (6.8) derived from operations outside Sweden.**



The business area builds the places where people meet – from work-places and supermarkets to travel centers. – At all times, the focus is on satisfying demands for quality, comfort, long service life and total economy.



The Öresund Exhibition at Lernacken – the promontory in Limhamn, south of Malmö – has rapidly become one of the most popular tourist attractions in southern Sweden. Descriptions of the Öresund Link and its history are provided in the exhibition premises. With the help of information technology and monitors, visitors are able to follow the completion of the long-awaited link between Sweden and Denmark.

been selected from NCC's Environmental Database, are high quality, environmentally sound and recyclable. The total order value is SEK 350 m. and the new Eriksdalsbadet complex will open in July 1999.

The Öresund Exhibition at Lernacken – the promontory in Limhamn, south of Malmö – was opened on February 1, 1998. The number of visitors to the exhibition exceeded all expectations, reaching 300,000 as early as during the first year.

Also at Lernacken, NCC is building a toll station for the new Öresund Link. The station, which will serve motorists traveling in both directions, will be completed by December 1999.

NCC Building is constructing STORA's new research center in Karlstad. The facility is dominated by futuristic solutions, both visually and in terms of layout. The total cost of the project is SEK 160 m.

NCC is also building the second stage of the Ångström Laboratory in Uppsala. The customer is Akademiska Hus. NCC, which also built the first stage, is the coordinating general contractor for the entire project, which is worth approximately SEK 275 m.

The Nordsjön Museum in Hirtshals in Denmark was originally built by Rasmussen & Schiøtz. In 1998 the museum was extended with the addition of the world's largest salt water aquarium. The elliptical concrete tank holds 4.5 million liters of water. The project is worth approximately DKK 100 m.

The Spektri Business Park in Esbo was ranked as one of the three top Business Parks in Europe at the International Property Fair MIPIM in Cannes this year in 1998. Among other qualities, this reflected the fact that the NCC Puolimatka project fulfilled the requirements for being the best business concept.

In October 1998, Oslo's new airport, Gardermoen, was opened. The terminal building was part of NCC Eeg Henriksen's contract, a project that was worth approximately NOK 1 billion.

## ORGANIZATION

The merger with Siab resulted in residential construction being concentrated in its own business area – Housing. All other building operations are concentrated in the Building business area.

In those locations where the Housing business area – as a result of the low level of residential building – does not yet have its own production resources, the Building business area will continue to provide housing services.

The Building business area's Swedish operations are divided into four geographic areas encompassing a total of 14 regions. A fifteenth region has national coordination responsibility for Swedish construction service operations.

The function of the Nordic Coordination unit is to utilize and develop synergistic effects between the different building units in the Nordic region.

Specialist skills for the service and maintenance of gasoline stations are concentrated in the subsidiary Däldehög.

## PERSONNEL AND SKILLS DEVELOPMENT

NCC Building arranges extensive training programs aimed at management development, the supply of future managers and skills development.

The Active Management program, which started in 1995, has been further refined to become a more individual-oriented program designed for each level of management.

With the objective of elevating and quality assuring the skills of site managers, four rounds of certification were carried out in 1998. A total of 251 site managers have now been certified in the business area.

Recruitment is a priority area for NCC Building, in order to ensure the availability of future managers and to improve the age structure. At the same time, the skills, professionalism and experience of older employees will be utilized. A number of activities aimed at technical colleges were carried out during the year.

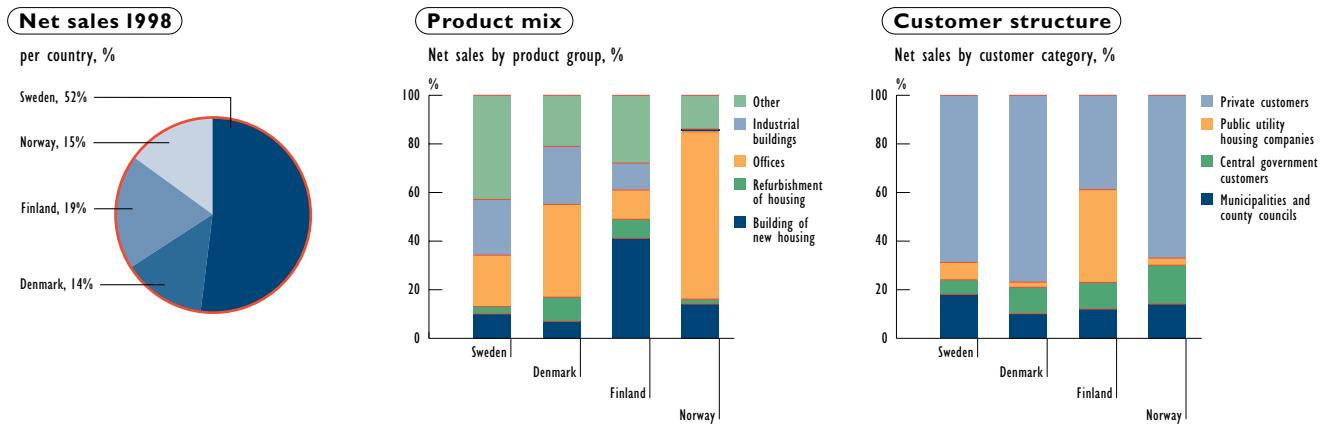
## THE ENVIRONMENT, RESEARCH AND DEVELOPMENT

A comprehensive R&D program is under way within the Building business area. Work is conducted both internally, within the business area, and externally, through joint projects with NCC Technology, technical colleges, industry and customers. The Building business area is involved in the Group-wide project on vibration-free, fiber-strengthened concrete, for which several full-scale models were constructed during the year.

Dry Construction is a project where NCC, together with Jonsered Environmental Systems, has developed a unique system of weather protection for construction sites. In conjunction with this, NCC is managing a project called Future Production Environment. The project is aimed at equipping weather protection systems with heat, ventilation, lighting and other aids, so that a production environment similar to that for indoor production can be created.

NCC Building is also actively involved in the Nordic development project, Nordic WOOD "Multistory buildings with carcassing" and the Swedish Steelwork Institute's development project, "Lightweight Building Techniques in Steel."

Several projects aimed at ensuring a qualified environmental approach were implemented in 1998. In Kalmar, 160 apartments were completely renovated as part of an EU project



involving several large European housing companies. Environmental product declarations have been requested for all the material used in the project.

Another interesting project from an environmental aspect is the new ecocycle-compatible student residence complex in Lund, which was opened by the EU's head of environmental affairs.

## EARNINGS

Orders received by the Building business area amounted to SEK 17,560 m. (17,071).

Net sales amounted to SEK 17,603 m. (15,700). The increase was mainly attributable to Nordic subsidiaries. During the final quarter of the year, sales in Swedish operations also rose as a result of increasingly stronger market conditions.

Income after net financial items improved by SEK 131 m. to SEK 312 m. (181), due primarily to coordination gains in Swedish operations and improvements in Danish and Norwegian operations. A small number of loss-making projects in Finnish operations had an adverse impact on earnings.

Cash flow, before dividends, amounted to SEK 35 m. Cash flow was charged with increased investments in land held for future proprietary development. Following fiscal year-end, the land held for future development was transferred to the Housing business area.

The return on operating capital employed was 19 (12) percent. The improvement was attributable to a higher profit margin.

## FUTURE

The Nordic market for other buildings is expected to decline by a total of 2 percent during 1999, mainly as a result of the sharp decline in Norway. In Sweden and Finland, markets that account for most of the business area's operations, an increase of 5 percent is expected in 1999.

The Building business area will increase its focus on segments offering high profitability. This is to be achieved by entering into a dialog with customers with the aim of developing new concepts that satisfy their future requirements. The establishment of the building services unit during the year means that the product range is being expanded to also include maintenance and service. These measures will help to improve margins and thus yield improved earnings during 1999.

## Building business area

SEK m.	1996	1997	1998
Orders received	14 606	17 071	17 560
Order backlog	7 887	8 804	9 050
Income after net financial items	229	181	312
Operating capital employed at year-end	1 265	1 580	1 939
Cash flow		6	35
<b>Ratios</b>			
Operating margin, %	0.8	0.6	1.4
Net margin, %	1.6	1.2	1.8
Return on operating capital employed, % <sup>1)</sup> <sup>2)</sup>	21	12	19
<b>Other</b>			
Average number of employees	9 297	9 369	9 666
<b>INCOME STATEMENT, SEK m.</b>			
Net sales	14 635	15 700	17 603
Production expenses	-13 568	-14 586	-16 358
Gross income	1 067	1 114	1 245
Selling and administrative expenses	-943	-1 011	-1 001
Shares in associated companies		-1	
Gain on sales of properties		1	1
Operating income	124	103	245
Financial items	105	78	68
Income after net financial items	229	181	312
<b>BALANCE SHEET, SEK m.</b>			
Buildings and land	136	30	61
Tangible and intangible fixed assets	230	237	255
Shares and participations	6	9	10
Real estate held for future development	296	418	685
Interest-bearing receivables	82	587	490
Interest-free receivables	2 630	2 807	3 508
Liquid assets	2 118	1 587	1 871
<b>TOTAL ASSETS</b>	<b>5 498</b>	<b>5 675</b>	<b>6 880</b>
Equity	853	886	1 218
Minority interests		1	
Interest-bearing liabilities and allocations	121	541	823
Interest-free liabilities and allocations	3 696	3 564	4 180
Project invoicing not yet worked up	828	683	659
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 498</b>	<b>5 675</b>	<b>6 880</b>

1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

2) 1997 and 1998, this ratio was computed on the basis of average capital employed during the year. In 1996, it was based on the year-end figure.

Hans Kjellgren  
President of the business area



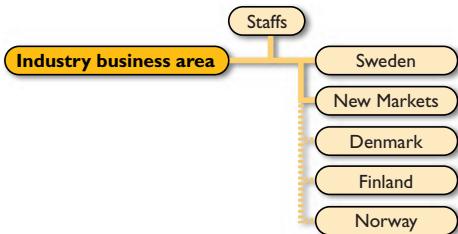
## EXPANSION IN BALTIC SEA REGION

The **INDUSTRY BUSINESS AREA** supplies crushed products, asphalt products, ready-mixed concrete, machinery-rental services and engineering services to markets in the Nordic region and other countries around the Baltic Sea.  
**Net sales in 1998 amounted to SEK 3.0 billion (2.6).**



Building assistance consists of services that facilitate efficient building. The photo shows the establishment temporary worksite premises at a site in Högdalen, Stockholm. NCC Industry's machinery operations offer products and services in three areas: machinery rental, engineering services and building assistance. Building Assistance, one of NCC Industry's six product areas, offers turnkey solutions for the infrastructure of a construction site. In other words, it provides the prerequisites for efficient construction. Its products cover all aspects of the construction process, from the planning stage to services for a completed project. The photo shows the establishment temporary worksite premises at a site in Högdalen, Stockholm.

Interest in vibration-free concrete was considerable during the year. Construction based on vibration-free concrete saves time and is ergonomically correct.



## BUSINESS CONCEPT

By engaging in product development, manufacturing and sales activities, the Industry business area shall satisfy customer needs for

- crushed rock, asphalt and concrete products
- recycling of crushed rock, asphalt and concrete
- building assistance, machinery-rental services and engineering services.

Sweden and neighboring countries are the priority markets and the business area will mainly focus on the Nordic markets, as well as Russia, Poland, northern Germany and the Baltic countries, with the objective of being regarded by customers, employees and shareholders as the leading company in the industry.

## STRATEGY

The Industry business area's efforts to develop into the leading industrial company in the construction sector will continue.

NCC's industrial concept is to be introduced in all of the Nordic countries and in the Baltic Sea region. The aim is to expand, primarily in the countries around the Baltic Sea.

Key issues for the business area include product and concept development, increased production efficiency systematic marketing and sales activities, IT, personnel planning, purchasing/materials administration, environmental and quality matters and work to capitalize on synergies between the Nordic countries.

## PRODUCTS AND SERVICES

The business area has six product areas:

*Crushed-rock products* – which are the basic materials used in most construction and civil engineering operations and are a key raw material in the production of asphalt and concrete. The rock raw materials are extracted from NCC's own quarries and are processed in rock-crushing plants.

*Asphalt products* – which are used for various types of asphalt-surfacing applications. The business area's asphalt plants produce standard products as well as specialty products, such as the company's own VIACO series.

*Ready-mixed concrete* – which is used in building and civil engineering projects. In addition to standard concrete, NCC plants manufacture specialty products, including vibration-free concrete and quick-drying concrete.

*Building assistance* – whose products include temporary worksite premises, electricity and energy, cranes and lifts, lifting structures and scaffolding, as well as waste-recycling solutions. The products cover all aspects of the construction process, from planning, design and costing to site establishment, assembly, installation and service.

*Machinery rental* – which consists of the rental of machinery and equipment for construction and civil engineering pro-

jects, as well as sales of accessories. The product range includes everything from nails and hand-held machines to temporary worksite premises, electricity supply equipment, measurement and control instruments and other types of equipment.

*Engineering services* – which consist of all types of engineering activities, including repair, maintenance and various special services such as electronics repair.

## THE MARKET

The Industry business area conducts operations in a total of 10 countries. The estimated total value of the business area's markets was approximately SEK 35 billion in 1998, up about 3 percent on 1997. A growth rate of approximately 2 percent is expected in 1999.

## SWEDEN

In 1998, demand rose for all products in the Swedish market, as a result of increased investments in construction and in maintenance of the Swedish highway network.

The total Swedish market was worth approximately SEK 11.9 billion (11.0) in 1998, with an increase of 4 percent expected in 1999.

The principal customers are construction companies, municipalities, the Swedish Railway Administration and the National Road Administration, as well as private companies. NCC's Civil Engineering and Building business areas are the largest individual customers. External customers account for slightly more than half of sales.

The business area competes with a large number of small, local companies, as well as a few major players, such as Skanska, Scancem, Swerock and Cramo.

## NORDIC REGION

During 1998, the business area conducted industrial operations in Denmark through the Danish subsidiary NCC Rasmussen & Schiøtz Industri. During 1999, the industrial concept is also starting to be built up in Norway and Finland. The total Nordic market for the Industry business area's products rose by slightly more than 3 percent in 1998 and growth of 3 percent is expected in 1999, mainly as a result of higher demand in Sweden and Finland.

## BALTIC SEA REGION

NCC Industry New Markets has established operations in selected submarkets in Poland, Estonia, Latvia, Lithuania and Russia. In addition, NCC Industry New Markets exports crushed-rock products to Denmark, northern Germany, Russia, Estonia, Latvia, Lithuania and Poland.

In 1998, the total Polish market for the Industry business area's products rose by approximately 10 percent and another rise of 10 percent is expected in 1999.

**NCC's industrial operations are expanding in the countries around Baltic Sea, as exemplified by this ready-mixed concrete plant in Riga, Latvia, which was established during the year.**



### SIGNIFICANT EVENTS IN 1998

In October, NCC sold off all of its shares in Swerock AB (50%) and Clifton AB (32%) to the Peab Group. The transaction also included the acquisition of two local companies: Eskilstuna Betongfabrik AB and Betongfabriken i Eskilstuna AB.

In March 1998, NCC Industry and Lemminkäinen of Finland signed an agreement regarding cooperation in asphalt production, asphalt surfacing and a number of minor civil engineering contracts in Estonia. The transaction also included the acquisition of two Estonian companies, Talter AS and Harabet AS, as well as parts of Tasfil AS.

During 1998, NCC Industry started up production in an asphalt plant in Szczecin, Poland, and a ready-mixed concrete plant in Riga, Latvia. In addition, two new Customer Centers for machinery rental were established, one in Riga and the other in Tallinn.

The acquisition of Superfos Construction Europe in February 1999 significantly boosted NCC's position in Denmark and Finland.

### ORGANIZATION

The Industry business area's Swedish operations are organized into NCC Ballast and NCC Machinery, both of which are Sweden's leading suppliers in their respective market areas.

NCC Industry's third area of operation is NCC Industry New Markets, which focuses on other countries around the Baltic Sea. Industrial operations in Denmark are conducted by NCC Rasmussen & Schiøtz Industri A/S. Special units for industrial operations are being established within NCC's subsidiaries in Norway and Finland, as of 1999.

### PRODUCT AND CONCEPT DEVELOPMENT

The business area has an R&D center, five central laboratories and about 15 local laboratories in Sweden, which engage in the testing and development of the products, materials and methods used in ballast operations. This work is conducted in close cooperation with universities/colleges and customers.

The business area intends to focus specifically on new products and concepts in the areas of recycling and building assistance. Concept development, whereby resources and skills from both machinery-rental operations and ballast activities are applied, will be assigned special priority.

### MARKETING AND SALES

NCC Industry conducts a market survey each year, whereby the responses of customers are used as the basis for development of products and work methods. The results are compiled in a Satisfied Customer Index (SCI). In the 1998 survey, received excellent grades for product quality and deliveries, but slightly lower grades for certain service factors. The average SCI index for 1998 was 74 (74), which should be regarded as good. The objective is to achieve an SCI of 80 in the year 2001.

A continued focus on systematic marketing and sales activities combined with a coordination of marketing activities between regions and countries, will generate growth in all product areas.

### IT, PURCHASING AND MATERIALS ADMINISTRATION

The business area has developed and introduced two new IT systems for business control in Sweden. These systems include functions for purchasing, order receipt and production and for creating invoicing documentation. The business area also has its own database for gravel pit management, as well a new financial control system and a well-developed Intranet.

Major efforts are also under way to coordinate purchasing, increase the efficiency of material flows, reduce inventories and improve transport efficiency. Most of the business area's transports in Sweden are controlled and monitored using GPS technology, via satellites and computers. The business area also intends to introduce a system for automatic data retrieval, which involves the use of bar-coding and scanner equipment.

### QUALITY AND ENVIRONMENT

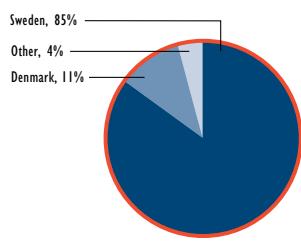
All of NCC Ballast's regions are certified in accordance with the ISO 9001 quality standard. Certification of other parts of the business area took place at the beginning of the current year. It is estimated that all of the business area's Swedish operations will be quality certified by the spring of 1999.

The business area is continuing to work towards the goal of receiving ISO 14001 environmental certification for its Swedish operations by the year 2000. Two of NCC Ballast's regions are already certified. During 1998, all of the regions completed such measures as environmental assessments of their operations.

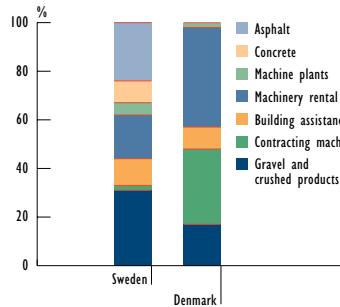
The business area's use of natural resources from rock or gravel pits follows a concept known as The Natural Way, whose objective is to create added value for society when a pit operation has been completed. The concept involves coopera-

**Net sales 1998**

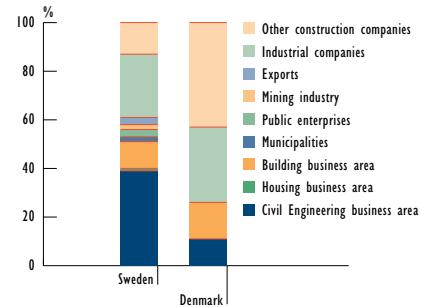
by country, %

**Product mix**

Net sales by product group, %

**Customer structure**

Net sales by customer category, %



tion with, among others, municipalities and other NCC business areas, to establish long-term plans regarding the pit sites' development into land for residential or recreational purposes, or use as a landfill.

**PERSONNEL AND SKILLS DEVELOPMENT**

The Industry business area had a total of 1773 employees in 1998, of whom approximately 1497 were employed in Sweden, 224 in Denmark and 52 in countries around the Baltic Sea. The number of training days per employee was 2.4.

Training programs for employees focused particularly on the areas of IT, the environment, sales and quality.

**INVESTMENTS**

Gross investments in 1998 amounted to SEK 352 m. (344).

**EARNINGS**

Net sales rose 15 percent to SEK 2,998 m. (2,603). The increased volume was mainly attributable to infrastructure investments by the National Road Administration and Swedish Railway Administration and to investments in operation and surface maintenance work on the Swedish highways network.

Income after net financial items amounted to SEK 291 m. (210). The SEK 81 m. improvement was due mainly to coordination gains derived from the merger with Siab and to a favorable market trend in the Ballast division.

Cash flow, before dividends, amounted to SEK 382 m. The sale of the Swerock and Clifton shareholdings, and of a few fixed-asset properties during the final quarter of 1998, had a favorable impact on cash flow.

The return on operating capital employed was 24 (22) percent. The improvement was mainly attributable to a higher profit margin.

**FUTURE**

The Industry business area's markets are expected to grow by a total of 2 percent during 1999.

NCC's successful Swedish concept for industrial operations is to be introduced in all of the Nordic countries and in the rest of the Baltic Sea region. During 1998, operations were established in selected submarkets in Poland, Estonia, Latvia, Lithuania and Russia. In addition, the acquisition of Superfos Construction A/S in February 1999 has substantially enhanced the business area's market position in Denmark and Finland.

The business area's strong market position in the Baltic Sea region provides the conditions required for a favorable trend of earnings in 1999.

**Industry business area**

SEK m.

	1996	1997	1998
Income after net financial items	278	210	291
Operating capital employed at year-end	1 126	1 376	1 198
Cash flow		-31	382
<b>Ratios</b>			
Operating margin, %	13.1	10.1	11.0
Net margin, %	10.5	8.1	9.7
Return on operating capital employed, % <sup>1)</sup> <sup>2)</sup>		22	24
<b>Other</b>			
Average number of employees	1 568	1 825	1 773
<b>INCOME STATEMENT, SEK m.</b>			
Net sales	2 633	2 603	2 998
Production expenses	-2 165	-2 232	-2 558
Gross income	468	371	440
Selling and administrative expenses	-146	-143	-182
Share in income of associated companies	19	36	56
Capital gain on sales of Group companies	2		
Capital gain on sales of associated companies		-2	19
Gain/loss on sales of properties	2		-3
Operating income	345	262	330
Financial items	-67	-52	-39
Income after net financial items	278	210	291
<b>BALANCE SHEET, SEK m.</b>			
Properties classified as fixed assets	236	307	296
Tangible and intangible fixed assets	853	808	801
Shares and participations	209	307	177
Materials and inventories	208	227	232
Interest-bearing receivables	32	20	14
Interest-free receivables	331	417	470
Liquid assets	18	26	41
<b>TOTAL ASSETS</b>	1 887	2 112	2 031
Equity	370	264	295
Minority interests		2	3
Interest-bearing liabilities and allocations	512	859	603
Interest-free liabilities and allocations	1 005	987	1 130
<b>TOTAL EQUITY AND LIABILITIES</b>	1 887	2 112	2 031

1) The ratios above are based on an operational balance sheet, whereby taxable interest-free Group contributions have been eliminated against the resulting untaxed reserves in the Group.

2) 1997 and 1998, this ratio was computed on the basis of average capital employed during the year.

**Kista Office Tower** is one of the most attractive office development projects in progress in Sweden.



## BUSINESS CONCEPT

The Real Estate business area shall develop attractive properties in the Nordic region and the rest of Europe and market them to investors, and in a limited number of locations in expansive areas of Sweden it shall offer tenants high-quality and well-situated working and living environments.

## STRATEGY

Project development is the business area's core business, with real estate management and real estate sales as supporting operations. Swedish operations are mainly concentrated in Stockholm, Gothenburg, Malmö/Lund, while Jönköping, Linköping, Norrköping, Umeå, Uppsala and Västerås are locations for real estate management. In addition to the Nordic capitals, the markets for project development outside Sweden are Berlin, Brussels, Budapest, Düsseldorf and Warsaw. Project development will also be undertaken in a few other locations in Europe, where market conditions are considered appropriate.

In the selected segments, projects will focus on A and B locations. Project development activities shall comprise office and retail premises, as well as public administration buildings.

Management of Group-owned properties will be concentrated in a few expansive locations in Sweden, where favorable synergies with project development activities can be generated in terms of tenants, land acquisition and the "recycling of experiences."

A high rate of turnover will be maintained in the portfolio of managed properties. Profits from property sales will be maximized by adapting sales occasions to market conditions.

### Sale of properties

The business area successfully continued its work aimed at withdrawing from nonprioritized markets. Measures included the sale of the Vänerparken property in Vänersborg for slightly less than SEK 500 m., which generated a considerable capital gain. In addition, a package of 11 properties in Northern Sweden and the Stockholm area was sold to Realia. In total, the sale of properties meant that at year-end virtually the entire portfolio was located in expansive regions.

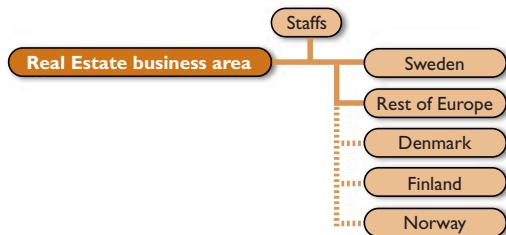
### Sale of remaining holding in NK Cityfastigheter

One of the major transactions during the year was the sale of the remaining holding in NK Cityfastigheter to Hufvudstaden in return for shares in Hufvudstaden. As a result of the transaction, NCC received a 9-percent interest in Hufvudstaden.

### Increased project development activity

A number of large-scale projects were initiated as part of the new approach in which project development is regarded as the business area's core business. The most spectacular project is the 62,000 m<sup>2</sup> Kista Science Tower, in central Kista, Stock-

# PROJECT DEVELOPMENT



holm, with a project volume of SEK 1 billion. Other projects include the 35,000 m<sup>2</sup> Centralhuset in Gothenburg, Office 2000 in Solna – NCC's new headquarters for the entire Stockholm region – and Frösunda Port in Solna with an area of 20,000 m<sup>2</sup>.

In the other Nordic countries, two projects were sold in Helsinki during the year, as were three phases of Lysaker Torg in Oslo. These three transactions generated good earnings.

Outside the Nordic countries, land was acquired in such cities as Budapest and Warsaw for the initiation of projects during 1999.

## REAL ESTATE MARKET

### Sweden

In 1998, the Swedish real estate market showed continued positive development. Demand for offices, warehouses and industrial premises increased, at the same time as greater differentiation was noted at both the location level and the property level. The best trends are being noted in locations with an expansive and varied business structure and with large elements of high-tech companies. This is particularly true of the major city areas and towns with universities and colleges, as well as certain other medium-sized towns. In small towns, with a declining population base and weak industries, developments continue to be sluggish. At the property level, the differentiation is particularly noticeable in the continued increase in demand for modern, flexible premises, which can be adapted to the varying needs of customers with a minimum of effort. Such premises are increasingly being demanded by companies in expansive industries such as computers, telecommunications and different types of consulting operations. The vacancy rates for older, less functional premises are generally considerably higher than for newer, more modern properties.

Investor interest in Stockholm remains high, as it does in the Öresund region. In Gothenburg, investor interest also increased during the year.

### Other Nordic countries

#### Helsinki

The rental market in Helsinki remained strong throughout the year with falling vacancy rates and rising rent levels. The year-end vacancy rate now amounted to 3 percent for offices and approximately 1.5 percent for shops. Low vacancy rates, combined with continued favorable demand for premises, has generated considerable new production.

The investor market was characterized by continued restructuring efforts aimed at improved liquidity, particularly in the Helsinki area.

# AS A CORE BUSINESS

Magnus Mannerö  
President of the business area



The **REAL ESTATE** business area engages in project development as a core business,  
with real estate management and real estate sales as supporting operations.

**Net sales amounted to SEK 1.2 billion (1.8).**



Demand for office premises is rising in several of the Real Estate business area's identified markets, which is enabling increased project development. Customers are offered attractive premises with a high standard of technology and which satisfy rigorous demands in terms of environmentally compatible materials and exciting architectural design.



### Copenhagen

In the past year, a number of large international companies have established new offices in Copenhagen. As a result, the demand for office premises has remained buoyant and the year-end vacancy rate for offices was less than 3 percent. The average rent level increased slightly during the year, while the upper end remained largely unchanged. Investor demand for properties continued to be favorable.

### Oslo

Conditions in the Oslo market have been strong in recent years with a declining vacancy rate, rising rents, rising property prices and extensive new production. In autumn 1998, Norwegian interest rates rose steadily, leading to increased concern. A small decline in demand resulted in a minor downward adjustment of rent levels. The year-end vacancy rate for office premises in Oslo amounts was approximately 4 percent.

A number of planned construction projects for which there were no contracted tenants were postponed.

### Other European locations

#### Brussels

As was the case in several other European markets, the Brussels market experienced strong increases in rent levels during the second half of the 1980s and up to 1992. The subsequent decline in Brussels was not as dramatic as in such cities as Berlin, Stockholm, Madrid and London. For several years, the vacancy rate has remained constant at approximately 8 percent. Old and unmodern premises account for most of the vacant space. Demand rose in 1998 to historically high levels.

#### Düsseldorf

During recent years, demand has again increased in Düsseldorf and has returned to approximately the same level as at the beginning of the 1990s. The year-end vacancy rate was around 7 percent, with new premises accounting for less than half of that figure.

There are few ongoing projects, which will enable a gradual reduction in the vacancy rate. The low rate of project activity is expected to result in a certain increase in rent levels.

#### Berlin

To a certain extent, Berlin may be described as a new real estate market, which resulted from the dissolution of the former Eastern Bloc. The immediate effect of this was a sharp increase in rents, due to a shortage of modern office premises.

Extensive new construction led to an increase in the vacancy rate and reduced rent levels.

Rent trends are expected to stabilize in 1999 and the vacancy rate of slightly less than 10 percent will probably fall as a result of increased demand.

### Warsaw

Since its democratization ten years ago, Poland has quickly developed from a planned economy to a rapidly expanding market economy. Decline in its traditional industrial sectors has been offset by developments in the service sector.

Office rents in Warsaw have been among the highest in Europe during recent years.

Supply has increased gradually at the same rate as property developers have been attracted by the favorable yield levels, which were previously as high as 25 percent in central Warsaw.

The large amount of new construction brought about a decline in rent levels. The year-end vacancy rate remained at only 2 percent.

Developments in the years ahead will probably result in continued pressure on rents, while the vacancy rate increases somewhat.

#### Budapest

Budapest probably has the most mature real estate market in the former Eastern block. The market took off at the beginning of the 1990s, initially with high rents. Between 1994 and 1996, relatively large amounts of office space were completed, which resulted in a considerable increase in the vacancy rate and a drop in high-end rents. In 1997, the rate of new production slowed, while economic growth gained new life. As a result, the vacancy rate declined and rent levels increased.

Until now, activity in the investor market in Budapest has been low, but it is expected to increase in 1999.

### PROJECT DEVELOPMENT

Project development involves the development of properties from the concept stage through to the sale of a completed property, based on an anticipated or specific market need.

The new strategy includes the express objective of considerably increasing project development volume. This objective will be attained by systematically finding and processing project ideas in expansive locations. In addition, there is a need for intensive marketing activities to find new customers and create profitable business opportunities.

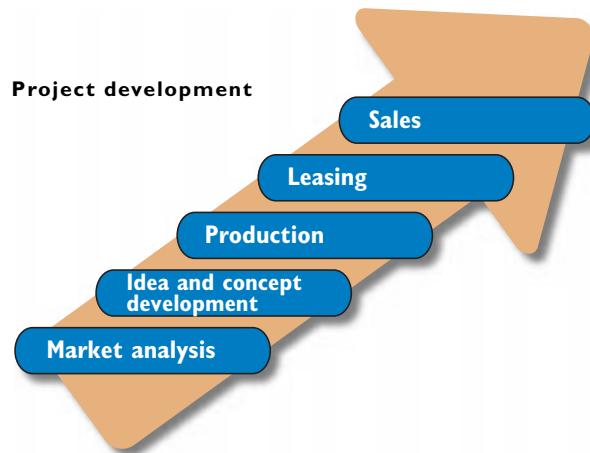
Considerable potential also exists in increased cooperation with the Building business area which, through its extensive network of contacts, is able to contribute project ideas, customers and skills.

In 1998, project work and preparations for a number of new projects were initiated. Activities were concentrated on selected high-growth areas in Europe.

In Solna, outside Stockholm, three office projects began to take shape during 1998. NCC's head office at Järva Krog was expanded by 14,500 m<sup>2</sup>. Building of the approximately 23,000 m<sup>2</sup> Frösunda Port office complex, outside Stockholm, commenced during the year.



In Helsinki, completion is under way of the already sold Stella Nova property, which is part of the Stella Business Park project.



Adjacent to Frösundavik, outside Stockholm, additional land for a 13,000 m<sup>2</sup> office property was acquired in 1998. Construction is expected to start in autumn 1999.

In Kista, where the Real Estate business area is one of the largest property owners, there is a significantly increased demand for office premises. To capitalize on this high level of demand, a new office complex called the Kista Science Tower with total floor space of 62,000 m<sup>2</sup> is planned. The complex will consist of five blocks, with the main building becoming one of the highest office structures in Sweden. Construction work will take place in stages and is scheduled to start in autumn 1999.

In Gothenburg, land has been acquired for the third stage of the new Gothenburg Travel Center. Based on building rights for 35,000 m<sup>2</sup>, some SEK 400 m. is to be invested in hotels, offices, travel bureaus and other stores. Building work is scheduled to start in 1999.

In Helsinki, the Leppäkärki and Stella Nova projects are nearing completion and have already been sold. In addition, the approximately 5,000 m<sup>2</sup> second phase of the Stella Corona office project is being produced and, according to plans, will be completed and sold in summer 1999.

In the Lysaker area of Oslo, the Vollseien Atrium project is under way. This involves 4,500 m<sup>2</sup> of office premises, which will be completed after the summer of 1999. In the same area, extensive work is in progress to enable the initiation of the second phase of the Lysaker Torg project, which consists of three buildings with a total of slightly more than 20,000 m<sup>2</sup>. In central Oslo, three properties with development potential were acquired during the latter part of 1998.

In Denmark, project development operations also remained active. A number of projects were completed during the year, while several interesting projects are expected to be put into effect during 1999. Copenhagen and Århus account for most opportunities for project development.

Activities in non-Nordic markets focus mainly on Germany, primarily Düsseldorf and Berlin, Brussels, Budapest and Poland.

In Düsseldorf, work is continuing on the extension of the Neues Handelszentrum in the Seestern district, where most of one phase consisting of 23,000 m<sup>2</sup> has already been leased and sold. A further three phases totaling 25,000 m<sup>2</sup> are under construction, with tenants currently found for about 45 percent. In addition, building rights for an additional 30,000 m<sup>2</sup> are included in the project.

In Brussels, the building of two of the seven phases of the Twin Square project in Diegem, close to the Zaventem Airport, is under way. In total, the project comprises 45,000 m<sup>2</sup> and the first phase, to be completed in summer 1999, has been leased to Microsoft. 1999 will see the completion of the expansion of Kredietbank's head office in the Gare du Nord

district, which was sold two years ago. The project comprises slightly more than 20,000 m<sup>2</sup>.

In Warsaw, planning is in progress for the 23,000 m<sup>2</sup> Brama Zachodnia office project, with building scheduled to begin during the spring.

Also in Budapest, project planning is under way for a very well-situated project on the Danube. A total of 16,000 m<sup>2</sup> of floor space will be built, commencing in spring 1999.

Development projects in progress or planned in the rest of Europe total 150,000 m<sup>2</sup>, for slightly more than SEK 2.5 billion. The total portfolio of approved projects amounted to SEK 2,193 m. at year-end.

#### **Properties held for future development**

The number of properties held for future development amounted to 1,153 (1,298). As a result of the project ideas currently being processed, most of these holdings are expected to become actual development projects before the end of 1999.

#### **REAL ESTATE SALES**

Gains from the sale of real estate will increase at the same rate as project development increases. This will require an optimal timing of sales. Projects will be developed and sold at a time when value growth can be maximized.

Sales activities remained intensive during 1998. In total, real estate was sold for SEK 1.7 billion, of which SEK 1.1 billion was in Sweden and the rest in other Nordic countries and the rest of Europe. The biggest sales were Vänerparken in Vänersborg for SEK 487 m., Amsterdam 2 in Stockholm for SEK 241 m., a package to Realia for slightly more than SEK 240 m. and Lysaker A in Oslo for SEK 225 m. Fully developed properties continue to be sold at a high rate, in order to create scope for continued project development.

#### **REAL ESTATE MANAGEMENT**

In accordance with the business area's strategy, no long-term management operations will be conducted outside Sweden. Only temporary management operations are to be undertaken, with the objective of optimizing capital gains from fully developed projects.

As a result of the extensive sales of properties during 1997 and 1998, the portfolio is now located in expansive regions.

The vacancy rate in 1998 declined from 11 to 7 percent. Vacant floor space in the Swedish portfolio was reduced by slightly more than 25,000 m<sup>2</sup>, which corresponds to a vacancy rate of 6.9 percent (9.7) at year-end. The vacancy rate in the foreign portfolio was reduced sharply to 6 (20) percent. At East India Dock in London, only 750 m<sup>2</sup> of retail space remains to be leased, which is equivalent to 2.7 percent of the total floor space. The operating net for the property will

develop highly favorably in the years ahead, which will gradually boost the market value. Brussels accounted for most of the remaining increase in leasing levels in the foreign portfolio.

During the year, a total of 203,000 m<sup>2</sup> was leased or was under renegotiation. The rent trend remained positive, particularly in the three Swedish metropolitan areas.

#### **Yield**

The yield for 1998 amounted to 6.8 (7.3) percent. The decline was mainly due to a reduction in interest subsidies and the phasing-out of holdings in markets with weak growth, which had a higher than average yield. Excluding the effects of changes in the portfolio, the yield amounted to 6.4 (7.0) percent.

#### **PERSONNEL AND ORGANIZATION**

In Sweden, operations are organized in four regions: Stockholm, Gothenburg, Malmö and North. The number of real estate management employees was reduced to half as part of efforts to adapt to the new strategic direction.

The following Group companies are active in Denmark, Finland and Norway, respectively: NCC Rasmussen & Schiøtz, NCC Puolimatka and NCC Eeg Henriksen. Belgium, Poland and Hungary are served by foreign subsidiaries that are part of the business area's own organization. During the year, the business area had an average of 238 employees, including 144 in Sweden.

#### **RESEARCH AND DEVELOPMENT**

In the Real Estate business area, R&D is mainly concerned with energy as part of a Group-wide project for increased energy efficiency.

Other current areas of development include careful renovation, concepts for office properties and various environmental projects.

#### **QUALITY AND THE ENVIRONMENT**

A real estate handbook with a description of NCC Real Estate's operations was produced during the year. The handbook acts as a basis for the quality assurance system, which is to be revised in accordance with ISO 9001 in 1999.

During the year, an environmental management system complying to ISO 14001 was developed in the business area and will be integrated into operations in 1999. It is intended that all Swedish operations will receive certification during 2000.

The overall environmental objectives are to reduce the use of energy and water, increase the use of environmentally sound materials, reduce the impact of materials that have a negative effect on the environment and to dispose of waste products in an environmentally acceptable manner.

#### **REAL ESTATE VALUATION**

NCC Real Estate participates, with 12 other companies, in the Swedish Real Estate Index.

The total return, according to the Swedish Real Estate Index, is the sum of the yield and the change in market value during the year. The yield is the properties' operating net as a percentage of the market value. The index is based on common definitions and uniform valuation practices.

The business area commissioned an independent appraisal of the value, as of December 31, 1998, of all wholly owned managed properties in Sweden as part of its participation in the Swedish Real Estate Index. The properties' book value amounted to SEK 6.1 billion. According to the independent valuation, the market value of the properties was SEK 6.4 billion, which means that there is a hidden reserve of approximately SEK 350 m. In addition, a valuation conducted for the Swedish Real Estate Index indicated a hidden reserve of about SEK 100 m. in properties held for future development in Sweden.

In order to determine whether a write-down is necessary, the portfolio is subject to an internal valuation. This is based on a reasonable long-term yield requirement, estimated rental revenues and maintenance costs, as well as vacancy rates in a five-year perspective. Interest subsidies are excluded from the operating net and instead the present value of future interest subsidies is added to the capitalized operating net. Depending on the location and other factors, the yield requirement for the majority of the properties varies between 7 and 10 percent. Each property is assessed on its own merits.

Previous write-downs are reversed to market value to the extent that a previously written down property has a market value exceeding the book value. The total revised valuation did not have any net effects.

#### **EARNINGS**

Sales amounted to SEK 1,231 m. (1,790). The decline was due to reduced rental revenues as a result of the extensive sales of properties.

Income of SEK 446 m. (loss: 105) was reported after net financial items. The sharp improvement was attributable to gains from sales of properties, projects and shares in associated companies. An improved financial net also had a favorable impact on earnings.

Sales volume within project development operations amounted to SEK 1.3 billion (0.6), generating income of SEK 139 m. (loss: 101). The largest sales involved properties in Oslo and Helsinki. Current project development activity is considerable, comprising 97,000 m<sup>2</sup> of floor space. The initiation of projects comprising 143,000 m<sup>2</sup> of floor space is planned during 1999.

**Real Estate business area**

SEK m.	1996	1997	1998
Income/loss after net financial items	-90	-105	446
Operating capital employed at year-end	16 277	12 557	12 085
Gross investments	1 288	990	1 143
Sales of real estate <sup>4)</sup>	641	6580	2973
Cash flow		4620	878
<b>Ratios</b>			
Return on operating capital employed, % <sup>1)</sup>	5	4	8
Visible yield <sup>2)</sup>			
excl. administrative costs, %	7.8	7.3	6.8
incl. administrative costs, %	6.9	6.3	5.7
Vacancy rate, rents, % <sup>3)</sup>	9	9	6
Vacancy rate, floor space, % <sup>3)</sup>	11	11	7
Equity/assets ratio, %	35	40	41
<b>Other</b>			
Average number of employees	410	322	238

1) The figures for 1997 and 1998 are based on an average value, while those for 1996 are based on the closing values.

2) When computing the direct yield, a five-point average for the real estate portfolio has been applied. The book value of the managed priorities sold to Morgan Stanley/GECapital (SEK 3,204 m.) is included in the amount at December 31, 1997, since the sale was effected late in the year, namely on December 29, 1997.

3) The vacancy rate refers to the situation at December 31.

4) Including worked up revenues.

**INCOME STATEMENT, SEK m.**

Project development	205	633	1 309
Sales revenues, etc.	-188	-593	-1 037
Book value	-23	-49	-48
Sales expenses	8	28	26
Other operating revenues	-34	-48	-72
Other operating expenses	-32	-29	178
Net financial items	-90	-72	-39
Income/loss, project development (A)	-122	-101	139
Sales of managed properties			
Sales revenues	436	5 948	1 664
Book value	-411	-5 955	-1 480
Sales expenses	-14	-71	-47
Income/loss, property sales (B)	11	-78	137
Real estate management			
Rental revenues	1 535	1 338	829
Interest subsidies	117	55	15
Other revenues	16	18	16
Operating, maintenance and renting costs	-579	-516	-317
Operating net	1 089	895	543
Depreciation according to plan	-195	-153	-98
Administrative costs	-124	-125	-88
Net financial items	770	617	357
Net financial items	-710	-536	-323
Income, real estate management (C)	60	81	34
Associated and other companies			
Profit participations, etc.	-3	34	3
Gain/loss on sales of shares	-3	1	173
Net financial items	-6	35	176
Net financial items	-33	-42	-40
Income/loss in associated and other companies (D)	-39	-7	136
Income/loss after net financial items (A-E)	-90	-105	446

**BALANCE SHEET, SEK m.**

Buildings and land	15 629	9 756	8 569
New construction in progress	534	843	1 027
Tangible and intangible fixed assets	27	18	21
Shares and participations	611	1 043	1 242
Interest-bearing receivables	243	894	1 171
Interest-free receivables	1 050	1 673	1 275
Liquid assets	249	505	390
<b>TOTAL ASSETS</b>	<b>18 343</b>	<b>14 732</b>	<b>13 695</b>
Equity	6 353	6 096	5 708
Minority interest	10	6	11
Interest-bearing liabilities and allocations	10 361	6 914	6 641
Interest-free liabilities and allocations	1 619	1 716	1 335
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18 343</b>	<b>14 732</b>	<b>13 695</b>

During 1998, the business area sold managed properties with a value of SEK 1.7 billion (5.9). These sales generated income of SEK 137 m. (loss: 78). Following fiscal year-end, NCC sold properties for an amount exceeding SEK 200 m., which yielded a capital gain.

During 1998, rental revenues amounted to SEK 829 m. (1,338). The decrease was due mainly to extensive sales of properties in the remaining portfolio. The operating net was SEK 543 m. (895). The visible yield was 6.4 percent (7.0). The decrease was due to such factors as the 1998 sale of high-yield properties in nonpriority locations. Income after net financial items from real estate management operations amounted to SEK 34 m. (81).

The return on capital employed rose to 8 (4) percent, mainly as a result of a favorable trend of earnings for project development activities and the sale of properties. Due to the continued sale of managed properties, capital employed declined during 1998.

Sales of properties, combined with the business area's favorable earnings, contributed to a cash flow of SEK 0.9 billion. Gross investments in projects amounted to approximately SEK 1.1 billion.

**FUTURE**

Conditions remain favorable in NCC's selected real estate markets, which is enabling continued project development during 1999.

The portfolio of managed properties will be reduced additionally in 1999 as part of the focus on project development. Demand for modern properties remains healthy and the business area will continue to develop attractive office buildings based on customer requirements. A key factor determining continued success for project development operations will be access to developable properties in attractive locations.

Tommy Nilsson  
President of the business area



# DIVESTMENT OF NON-CORE OPERATIONS

**NCC INVEST** comprises subsidiaries

and associated companies outside NCC's core business.

NCC Invest is also the NCC Group's business development and corporate finance resource.

**A loss of SEK 229 (income: 67) m. was reported for 1998.**



Construction of the Arlanda Link railway line for shuttle train services between Stockholm Central Station and Stockholm Arlanda Airport, which commenced in 1995, will be completed during the first half of 1999. A consortium, which includes NCC, is responsible for financing and building the Link, and has the right to operate the train service for 40 years.

The Arlanda Link is Sweden's first privately financed infrastructure project.



## BUSINESS CONCEPT

The Invest business area shall develop and add value to the constituent operations with a view to their sale. The Invest business area shall be the NCC Group's business development resource in terms of strategy, analysis and the implementation of structural transactions.

## STRATEGY

Work to find more suitable industrial environments for certain subsidiaries and associated companies in the business area continued during the year. As part of these efforts, Hedemora Diesel AB was divested at the end of the year. In addition, NCC Invest and the Finnish principal shareholders in Neptun Maritime Abp jointly guaranteed for a new share issue that enabled Neptun Maritime to implement a restructuring program. As part of efforts to concentrate NCC's operations on NCC's core business of construction and project development activities, the NCC Board has decided to liquidate the shareholding in Neptun Maritime, through either a sale in the market or a spin-off to NCC shareholders.

## SIGNIFICANT EVENTS

At the end of the year, Neptun Maritime discontinued the operations of its UK subsidiary Sally UK, a measure that included the transfer of Port Ramsgate, which is owned by Sally UK. The closure of the operations was due mainly to major profitability problems and poor future prospects. To strengthen Neptun Maritime's financial position, a new share issue in an amount of SEK 775 m. was implemented in November, of which NCC subscribed for SEK approximately 245 m. As a result of the share issue, NCC reduced its proportion of the share capital from 38 percent to 34 percent and of the voting rights from 40 percent to 39 percent.

Hedemora Diesel, which manufactures, services and provides spare parts for diesel and gas engines, was sold at the end of December to the Expanda Group. The purchaser is an industrial development company whose operations have distinct links with the marine and diesel engine sector. The sale generated a small capital gain. Hedemora Diesel's Danish subsidiary, Frichs A/S, was not included in the transaction and thus became a subsidiary of NCC AB. The objective is to also find a long-term owner for Frichs.

## NVS NORDISKA VÄRME SANA

NVS engages in the installation and service of heating, plumbing, sprinkler, industrial processes and energy savings systems. In Sweden, the company is a strong player in the industry. NVS's strategy for the Nordic region is to expand within its current and related areas of operations, mainly through acqui-

sitions. In Sweden, complementary purchases of small heating and plumbing companies were made during the year. The market for NVS's services was weak at the beginning of the year, with increased competition and lower margins.

However, demand increased during the second half of the year, which resulted in a favorable level of order bookings, but at low margins. The market is expected to grow somewhat in 1999. NVS reported net sales of SEK 1,359 m. (1,151), resulting in income after net financial items of SEK 25 m. (37).

## NEPTUN MARITIME

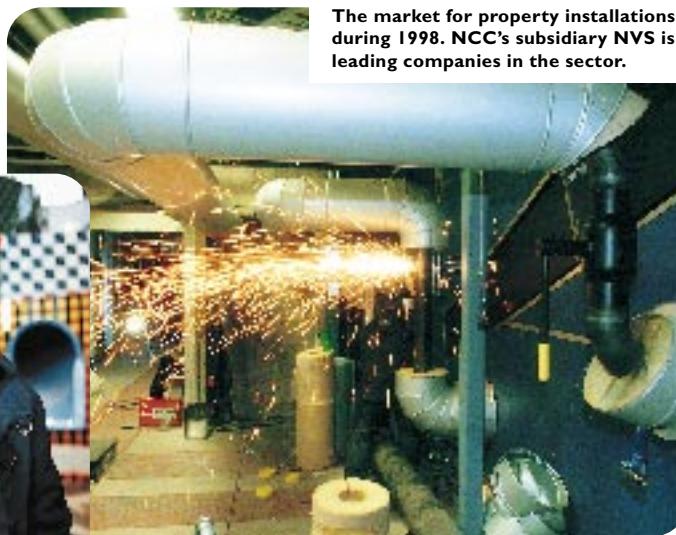
In February 1998 Silja Oy Ab was renamed Neptun Maritime Abp. Neptun Maritime is active in the passenger ferry/cargo carrying market. Its core operations are conducted through the subsidiary Silja Line, the leading shipping company in the Baltic Sea. Neptun Maritime also conducted ferry and ro-ro operations in the English Channel during the year through its subsidiary Sally UK. In addition, three cruise vessels, which were formerly part of the company's now discontinued cruise company, are chartered out.

Neptun Maritime had net sales of SEK 5.3 billion during 1998 (5.3). The company reported a loss after net financial items of SEK 550 m. (income: 115), of which the operating loss accounted for SEK 26 m. Provisions and write-downs amounted to SEK 524 m. NCC's share was a loss of SEK 224 m. (loss: 44). The book value of the shares in NCC's accounts is SEK 419 m. (365). On December 31, 1998, the market value of NCC's Neptun Maritime shareholding was SEK 421 m.

## A-TRAIN

Construction of the Arlanda Link railway line for train services between Stockholm Central Station and Stockholm Arlanda Airport, which commenced during summer 1995, will be completed during the first half of 1999. The Arlanda Link is Sweden's first BOT (Build, Operate and Transfer) project. This means that a consortium, which includes NCC, was commissioned to finance and build the Link. In return for the right to operate the train service for 40 years, on its completion in the autumn of 1999, ownership of the Link will be transferred to the Kingdom of Sweden. Train services on the Link, in the form of four trains an hour in both directions, will be marketed under the Arlanda Express name. The journey will take approximately 20 minutes. The trains will depart from their own terminal at Stockholm Central Station and will stop at all of Stockholm Arlanda Airport's terminals.

During 1998, intensive preparatory work was devoted to the planning, organization and manning of the new train service. The current passenger trend at Arlanda Airport exceeds the volumes on which the original plans for the project were based,



The market for property installations increased during 1998. NCC's subsidiary NVS is one of the leading companies in the sector.

which will benefit the profitability of the project. A-Train reported a loss of SEK 38 m. after net financial items (income: 1), of which NCC's share corresponded to a loss of SEK 17 m. (0). The book value of NCC's shareholding and its receivables amounts to SEK 289 m. (306). NCC holds 44 percent of the share capital and voting rights in A-Train.

#### ORGANIZATION

In its capacity as a business development resource, NCC Invest headed a Group-wide strategic study, under the working name NCC Future, during the year. The purpose of the study was to formulate a basis for determining the long-term orientation of the Group (read page 4 for further information). The business area also conducted a study into the Nordic installations sector, which is served by NCC Invest's subsidiary NVS.

#### OTHER COMPANIES

The Invest business area owns shares and warrants in BPA with a book value of SEK 39 m. (39). The shareholding corresponds to 6.4 percent of the share capital and 6.1 percent of the voting rights. The market value of the holding on February 22, 1999 was SEK 103 m. The shares in Storheden were divested at the beginning of April 1998, yielding a small capital gain.

#### EARNINGS

In total, the Invest business area reported a loss of SEK 229 m. (income: 67) after net financial items. Neptun Maritime accounted for SEK 224 m. of the loss, after the new issue and write-down in this company.

#### FUTURE

The holdings in NVS and BPA will be evaluated during 1999. NCC will also decide on a policy for capitalizing on the opportunities available in the expansive installations market.

#### Invest business area

SEK m.	Net sales			Income/loss after net financial items		
	1996	1997	1998	1996	1997	1998
<b>Associated companies</b>						
Neptun Maritime (34%) <sup>1)</sup>				-66	-44	-224
A-Train (44%)				11	0	-17
<b>Subsidiaries</b>						
NVS Nordiska Värme Sana	1 356	1 151	1 359	38	37	25
Adeca	129	74		-3	-7	
Capital gain on sale of subsidiaries					104	
Other items and eliminations including sold subsidiaries	486	154	127	-4	-23	-13
<b>NCC Invest</b>	1 971	1 379	1 486	-24	67	-229
<b>Capital employed, year-end</b>				812	700	884
<b>Average number of employees</b>				2 009	1 527	1 520

The percentages in parentheses relate to NCC's shareholding in the associated company.

1) Up to October 1998, the shareholding in Neptun Maritime corresponded to 40 percent of the voting rights and 38 percent of the share capital. As of November 1998, it corresponds to 39 percent of the voting rights and 34 percent of the share capital.

# STRONG MARKET POSITION IN ALL DOMESTIC MARKETS

**NCC's SUBSIDIARIES.** In the domestic Nordic markets other than Sweden,

and in Germany and Poland, NCC is active through wholly owned subsidiaries.



## NCC EEG-HENRIKSEN

The Norwegian subsidiary, NCC Eeg-Henriksen, was acquired in 1995 and is responsible for operations in Norway. The subsidiary reported its best ever earnings in 1998 and made a considerable contribution to NCC's consolidated income. The successes noted in Norway are an indication that NCC's Nordic strategy is beginning to yield the expected effects.

In 1998, NCC Eeg-Henriksen had net sales of SEK 3,5 billion (2,8), up 25 percent compared with 1997. Pretax income amounted to SEK 254 m. (loss: 15). The fourth quarter was the best period, with profits of SEK 102 m.

The net margin rose sharply during 1998 to 3.0 percent (neg. 0.9). NCC Eeg-Henriksen's net debt was reduced by SEK 645 m. and its liquidity improved substantially during the year. At year-end 1998, the subsidiary had interest-bearing net receivables of SEK 378 m. and an equity/assets ratio of 43 percent.

During 1998, sales of projects by NCC Eeg-Henriksen's real estate company generated considerable gains, which made a significant contribution to the improvement in income. Improved earnings were also reported for building and civil engineering operations, which also contributed to the favorable earnings. The volume of orders received during 1998 was high, resulting in an order backlog of SEK 2,205 m. (1,968) for building and civil engineering operations.

Two multi-year disputes were settled in favor of NCC Eeg-Henriksen during 1998, although their financial outcome had yet to be established at year-end.

Two new areas of operation – Industry and Housing – were formed during the year and are expected to result in a better utilization of the subsidiary's collective resources. The number of employees rose by 378 to 1,904.

The Norwegian construction market remained favorable during 1998 but is expected to stagnate in 1999. The trend in the Norwegian real estate market was very strong during 1998 but a less stable period is expected in 1999, as a result of general economic developments and the interest-rate trend in particular.

The President of NCC Eeg-Henriksen is Paul Lødøen. The Chairman is Kenneth Orrgren.



## NCC RASMUSSEN & SCHIØTZ

NCC Rasmussen & Schiøtz is NCC's Danish subsidiary. The company became part of the NCC Group in October 1996 and is now the leading construction company in Denmark. As a result of the acquisition of Superfos Construction in February 1999, NCC Rasmussen & Schiøtz also became a market leader in asphalt production/surfacing, ballast, highway service and machinery rental.

The forthcoming Øresund Link is expected to have a favorable impact on the market in the Copenhagen area. NCC Rasmussen & Schiøtz's current activities include several office, hotel and housing projects along the six kilometer harbor in Copenhagen. In addition, the company has purchased a site in Ørestaden, a new Copenhagen suburb close to Kastrup Airport.

NCC Rasmussen & Schiøtz expanded in Jutland during the year, with building assignments that included an extension of the University of Århus, construction of Europe's largest salt-water aquarium, in Hirtshals, and a shopping center in Århus comprising 27,000 m<sup>2</sup> of retail space and 23,000 m<sup>2</sup> of office space.

Despite a decline in the Danish civil engineering market, NCC Rasmussen & Schiøtz increased its revenues from civil engineering operations and in maintaining a satisfactory order backlog. Prominent civil engineering orders in progress during 1998 include participation in the construction of the Øresund Link and in the COMET consortium, which is building the new underground railway line in Copenhagen. The subsidiary's specialist areas in the civil engineering sector include operation and maintenance work and telecommunications.

NCC Rasmussen & Schiøtz reported net sales during 1998 of SEK 4.0 billion (3.4). Income of SEK 70 m. (42) was reported after net financial items. The year-end order backlog amounted to SEK 2.1 billion (2.0). The company had a total of approximately 2,400 employees during 1998.

The President of NCC Rasmussen & Schiøtz is Kaj Kristensen. The Chairman is Magnus Mannesson.



**Markku Markkola**  
President of NCC Puolimatka



### NCC PUOLIMATKA

NCC Puolimatka, which was acquired in 1996, is responsible for operations in the Finnish market. The company is also active in the Russian and Baltic markets.

In 1998, net sales amounted to SEK 3.6 billion (3.0) up 22 percent compared with 1997. Income of SEK 19 m. (24) was reported after net financial items. A number of loss-making projects had an adverse impact on earnings. The order backlog at year-end was SEK 2.4 billion (1.6). The number of employees during 1998 was approximately 2,000.

At the end of the year, the subsidiary's Civil Engineering business area, which was re-established during 1998, received a project worth SEK 145 m. at Kotka Harbor. In cooperation with NCC Civil Engineering in Sweden, the subsidiary undertook the renovation of the Päijänne Tunnel in southern Finland. The subsidiary's Housing business area conducted several major construction projects on behalf of Nokia during the year, in such locations as Salo, Uleåborg and Nokia Research Center in Helsinki, which was elected Building of the Year in Finland.

The Building business area is building a wooden concert and congress building, after winning a Build & Design competition for the project. All of NCC Puolimatka's construction operations in Finland have been granted ISO 9001 quality certification.

During 1998, the subsidiary established a special organizational unit, the Housing business area, for privately financed residential construction in Finland. NCC Puolimatka acquired land in an amount of SEK 230 m. in 1998 and reported 2,300 housing starts, of which 22 percent were proprietary projects.

In the Russian market, NCC Puolimatka received an order from Philip Morris in St. Petersburg during 1998. A canning plant for PLM was completed in Moscow during the year. Russia's economic problems and the floating ruble caused difficulties for the operations of foreign companies.

The President of NCC Puolimatka is Markku Markkola. The Chairman is Lars Wuopio.



### NCC SIAB

The German subsidiaries NCC Siab Bau and NCC Siab Immobilien are based in the Berlin-Brandenburg region. During 1998, operations were expanded geographically to include the Hannover region, where two projects have been initiated.

The companies' operations focus primarily on housing construction, both on behalf of external customers and project development for NCC's own account.

The companies have approximately 550 employees and reported a favorable earnings trend.

Orders received in 1998 were favorable, particularly in view of the general market trend. The companies succeeded in capitalizing on the structural changes in the industry to strengthen their market positions. The order backlog at year-end was SEK 1,000 m. (523).

During 1998, several major projects were started, of which "Sonnengarten" in Glienike, Berlin, is the largest. This project comprises approximately 1,300 residential units in single and multi-family houses. The project will be implemented over a five-year period and generate total sales of some SEK 2.5 billion.

NCC Siab Bau received ISO 9001 certification during the autumn. Work aimed at environmental certification has commenced.

In 1998, net sales amounted to SEK 861 m. (733). Income of SEK 48 m. (46) was reported after net financial items.

The President of NCC Siab is Kurt Nordgren. The Chairman is Lennart Eriksson.



### NCC POLSKA

Poland is one of the most attractive markets in Europe today. During 1998, NCC formed a subsidiary in Poland, NCC Polska, and eventually Poland is expected to become a an additional domestic market for NCC. Operations in Poland will be concentrated in the most expansive areas within the civil engineering, building and housing sectors. During the second half of the year, NCC Polska's head office in Warsaw was opened, which will coordinate NCC's contracting operations in Poland. Several housing projects in the Warsaw area were prepared in Warsaw during 1998. Civil engineering operations were started up in the coastal area near Gdansk, where NCC Polska is building a converter station for the electricity received from the cable line between Sweden and Poland. NCC's wholly owned subsidiary Däldehog has been active in Poland for several years in the production of new and renovation of existing gasoline stations. Another subsidiary, Komppri, renovates old sewage systems and NCC Industri has several asphalt and concrete , as well as gravel pits, in Poland.

The President of NCC Polska is Janusz Puzia. The Chairman is Lars Wuopio.

# DEFINITIONS

**Capital employed:** Total assets less interest-free short-term and long-term liabilities.

Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

**Cash flow:**

Income/loss before taxes

- + Depreciation
- /+ Write-up/down of real estate, shares, etc.
- Undistributed income from associated companies
- /+ Capital gain/loss from sales of fixed assets and operations, excl. properties
- +/- Translation differences
- Dividend paid
- Tax paid
- +/- Decrease/increase in working capital
- Net investments in real estate held for resale
- Gross investments in building and land
- Gross investments in fixed assets
- Gross investments in shares
- Sales
- = Cash flow

**Direct return:** The dividend as a percentage of the market price at year-end.

**Equity/assets ratio:** The total of visible shareholders' equity and minority interests as a percentage of total capital.

**Gross investments:** The sum of investments in fixed assets, shares and participations, as well as fixed assets and surplus values acquired through the acquisitions of companies, with the exception of investments in Siab 1997.

**Net debt:** Interest-bearing liabilities less liquid assets less interest-bearing receivables.

**Net investments:** Closing balance less opening balance plus depreciation and write-downs less write-ups.

**Net margin:** Income after net financial items as a percentage of net sales.

**Net sales:** The net sales of construction operations are reported in accordance with the percentage of completion principle and are matched by revenues worked up during the year. These revenues are reported in pace with the gradual completion of construction projects within the Group. Within the

Real Estate business area, net sales correspond to rental revenues, interest subsidies, etc. In the Parent Company, net sales correspond to income-recognized sales from completed projects. Within other operations, net sales correspond to invoicing for the year.

**Operating capital employed:** The various business areas' total assets less interest-free short-term and long-term liabilities. In the business areas operational balance sheets, interest-free Intra-Group transactions implemented for tax purposes have been replaced by the untaxed reserves that previous Group contributions gave rise to in the Group. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

**Operating margin:** Operating income after depreciation as a percentage of net sales.

**Profit per share after full tax:** Net income for the year divided by the number of shares at the end of the year.

The number of shares includes the shares that were subsequently added through the conversion of debenture loans. Net income has been increased by 72 percent of the interest expense relating to these convertible loans in the respective years.

**P/E ratio:** Market price of the shares at year-end, divided by net income per share after full tax.

**Return on visible equity after full tax:** Net income for the year as a percentage of average visible equity.

Equity has been increased by the portion of the convertible debenture loans that was subsequently converted. Net income has been increased by 72 percent of the interest expense relating to these convertible loans in the respective years.

**Return on capital employed:** Income after net financial items including participations in associated companies, following reversal of interest expenses, as a percentage of the average capital employed.

**Share of risk-bearing capital:** The total of shareholders' equity, minority interests, deferred tax liabilities and convertible debenture loans, which were subsequently converted as a percentage of total capital.

**Visible equity:** Reported equity. Average visible equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

# FIVE-YEAR REVIEW

Income statement, SEK m.	1994	1995	1996	1997	pro forma 1996	pro forma 1997	1998
Net sales	15 794	17 294	22 149	29 581	31 782	32 077	34 160
Production expenses	-13 868	-15 263	-19 856	-26 631	-28 427	-29 026	-30 832
<b>Gross income</b>	<b>1 926</b>	<b>2 031</b>	<b>2 293</b>	<b>2 950</b>	<b>3 355</b>	<b>3 051</b>	<b>3 328</b>
Selling and administration expenses	-1 234	-1 322	-1 665	-2 288	-2 475	-2 502	-2 587
Income/loss on sales of properties	-117	43	-19	-74	-18	-63	323
Write-down/reversal of write-downs, properties	-419						
Income/loss from participations in associated companies	90	-194	-55	26	-42	20	-158
Gain on sales of Group companies			5	105	5	105	1
Gain/loss on sales of associated companies						-2	194
Major nonrecurring items/Merger costs	1 183			-449		-449	
<b>Operating income</b>	<b>1 429</b>	<b>558</b>	<b>559</b>	<b>270</b>	<b>825</b>	<b>160</b>	<b>1 101</b>
Net financial items	-527	-271	-348	-474	-552	-535	-371
<b>Income/loss after net financial items</b>	<b>902</b>	<b>287</b>	<b>211</b>	<b>-204</b>	<b>273</b>	<b>-375</b>	<b>730</b>
Tax	-125	-14	-47	35	-83	79	-184
Minority interests		-5	-5	-4	-6	-4	-3
<b>Net income/loss</b>	<b>777</b>	<b>268</b>	<b>159</b>	<b>-173</b>	<b>184</b>	<b>-300</b>	<b>543</b>

Sales of shares and operations had a positive effect on major nonrecurring items, while such factors as costs for the merger of NCC and Siab had a negative impact.

## Balance sheet, SEK m.

Buildings and land	11 658	12 209	12 313	10 262	15 354	10 262	9 150
Investments in progress	354	534	881	856	922	856	1 060
Tangible and intangible fixed assets	928	1 115	1 630	2 750	2 834	2 750	2 784
Shares and participations	1 026	856	985	2 222	1 401	2 222	2 090
Properties held for future development	173	231	372	899	1 311	899	1 154
Interest-bearing receivables	648	659	407	1 412	485	1 412	1 618
Interest-free receivables	3 889	4 513	4 683	6 334	6 046	6 334	7 468
Liquid assets	3 810	2 687	2 650	3 609	3 842	3 609	3 135
<b>Total assets</b>	<b>22 486</b>	<b>22 804</b>	<b>23 921</b>	<b>28 344</b>	<b>32 195</b>	<b>28 344</b>	<b>28 459</b>
Shareholders' equity	6 883	7 065	7 121	9 237	9 553	9 237	9 671
Minority interests	6	9	13	25	24	25	25
Interest-bearing liabilities and allocations	7 973	7 758	8 704	8 956	11 958	8 956	8 381
Interest-free liabilities and allocations	5 588	5 723	6 631	8 519	8 539	8 519	9 031
Project invoicing not yet worked up	2 036	2 249	1 452	1 607	2 121	1 607	1 351
<b>Total equity and liabilities</b>	<b>22 486</b>	<b>22 804</b>	<b>23 921</b>	<b>28 344</b>	<b>32 195</b>	<b>28 344</b>	<b>28 459</b>

## Ratios, %

Risk-bearing capital is defined as the total sum of shareholders' equity, minority interests, deferred tax liabilities and the debenture loans that were subsequently converted into shares.							
Return on visible equity incl. subsequently converted debenture loans after full tax <sup>1)</sup>	12	4	2	-2	2	-3	6
Return on capital employed <sup>2)</sup>	11	8	5	3	6	2	7
Equity/assets ratio	31	31	30	33	30	33	34
Share of risk-bearing capital	33	33	32	33	32	33	35
Interest-bearing liabilities/total assets	35	34	36	32	37	32	29

1) Excluding merger costs: 3% 1997; 2% pro forma 1997.  
 2) Excluding merger costs: 5% 1997; 4% pro forma 1997.

## Other

Average number employees	13 450	14 094	15 964	20 283	22 787	22 434	21 645
--------------------------	--------	--------	--------	--------	--------	--------	--------

Key ratios, SEK m.	1994	1995	1996	1997	pro forma 1996	pro forma 1997	1998
Income/loss after net financial items	902	287	211	-204	273	-375	730
Visible equity	6 883	7 065	7 121	9 237	9 553	9 237	9 671
Visible equity incl. subsequently converted debenture loans	6 883	7 065	7 121	9 237	9 553	9 237	9 671
Capital employed at year-end	14 862	14 832	15 838	18 218	21 535	18 218	18 077
Net debt	3 515	4 412	5 648	3 935	7 631	3 935	3 627
Gross investments in fixed assets	330	575	1 163	569			1 001
Gross investments in properties classified as current/fixed assets <sup>1)</sup>	219	990	1 198	679	1 288	694	1 135
Sales of properties <sup>1)</sup>	436	448	561	6 227	641	6 227	2 219
Average yield, real estate operations, %	9.5	9.6	7.8	7.3	7.8	7.3	6.8
Market value of listed Group companies <sup>2)</sup>	369	91	705	377			881
Undisclosed reserve in listed Group companies <sup>2)</sup>	-94	-211	215	-33			-51
Book value in Group <sup>2)</sup>	463	302	490	410			932
Book value in Parent Company <sup>2) 3)</sup>	463	302	572	410			859

Net indebtedness – defined as interest-bearing liabilities less liquid assets less interest-bearing receivables – decreased by SEK 308 m. compared with the preceding year.

#### Data per share

Visible equity, SEK	85.90	88.20	88.90	85.20	88.10	85.20	89.20
Income/loss after full tax, SEK	9.80	3.30	2.00	-1.60	1.70	-2.80	5.00
of which							
write-downs of properties after full tax, SEK	-4.80						
major nonrecurring items after full tax, SEK	13.45			-4.65		-4.14	
Market price, NCC series B shares, SEK	65.50	78.00	90.00	83.50			61.50
Dividend, SEK	1.00	1.25	1.50	1.50			2.50 <sup>4)</sup>
Cash flow, SEK	27.40	-8.90	-16.60			38.10	3.20
Net asset value, SEK <sup>5)</sup>	85.00	86.00	90.00	85.00	90.00	85.00	93.00
P/E ratio after full tax	7	23	45	33			12
Direct return, %	1.5	1.6	1.7	1.8			4.1
Stock exchange price/visible equity, %	76	88	101	98			69
Number of shares							
average during the year, millions	79.5	80.1	80.1	96.6	108.4	108.4	108.4
at year-end, millions	80.1	80.1	80.1	108.4	108.4	108.4	108.4
Market value, SEK m.	5 447	6 294	7 212	8 960			6 669
Interest on subsequently converted debenture loans, SEK m.	6						

The convertible debenture loans which were subsequently converted into shares in 1990–1995 have been included for all years in the share data regarding shareholders' equity and the number of shares. In the income statement ratios, the convertible interest on these loans has been restated after standard tax.

1) Relates to investments and sales in the Real Estate business area. Within the Real Estate business area, reclassifications have been made of real estate held for resale into real estate classified as fixed assets. See accounting principles.

2) 1993 Avesta-Sheffield, Neptun Maritime 1994–95 Neptun Maritime, 1996 Neptun Maritime, BPA, Sifab, Storheden, 1997 Neptun Maritime, BPA, Storheden 1998 Neptun Maritime, BPA, Hufvudstaden, Realia and OM-gruppen.

3) See notes 17 and 18.

4) Board of Directors' proposal to the Annual General Meeting.

5) Shareholders' equity has been adjusted to reflect the difference between the market and book value of listed shares. The real estate values for 1997 and 1998 are based on independent market valuations; the values for 1994–96 are based on internal valuations.

Accounting principles: pages 60–62.

# BOARD OF DIRECTORS' REPORT

## NET SALES

Consolidated net sales during the year amounted to SEK 34,160 m. (32,077). The increase is mainly attributable to Nordic building operations. Improved sales were reported in all Nordic markets, as a result of increased construction investments in the region.

## EARNINGS

Consolidated income after net financial items amounted to SEK 730 m., compared with SEK 74 m., excluding merger costs of SEK 449 m., for 1997.

The improved earnings were mainly attributable to coordination gains derived from the merger with Siab, increased project development and sales of properties.

The Group's participation in Neptun Maritime, which was charged with nonrecurring costs arising from the closure of English Channel ferry operations, had a negative effect on earnings.

## REAL ESTATE VALUATION

NCC Real Estate and 12 other companies participate in the Swedish Real Estate Index.

The total return, according to the Swedish Real Estate Index, is the sum of the yield and the change in market value during the year. The yield is the properties' operating net as a percentage of the market value. The index is based on common definitions and uniform valuation practices.

The business area commissioned an independent appraisal of the value, as of December 31, 1998, of all wholly owned managed properties in Sweden as part of its participation in the Swedish Real Estate Index. The properties' book value amounted to SEK 6.1 billion. According to the independent valuation, the market value of the properties was SEK 6.4 billion, which means that there is an undisclosed reserve of some SEK 350 m. In addition, a valuation conducted for the Swedish Real Estate Index indicated an undisclosed reserve of approximately SEK 100 m. in properties held for future development in Sweden.

## Net sales and earnings by business area

SEK m.

	Net sales			Income/loss after net financial items		
	Jan–Dec 1996	Jan–Dec 1997	Jan–Dec 1998	Jan–Dec 1996	Jan–Dec 1997	Jan–Dec 1998
Civil Engineering	10 841	10 746	11 078	78	141	201
Housing	1 966	2 041	2 365	34	1	13
Building	14 635	15 700	17 603	229	181	312
Industry	2 633	2 603	2 998	278	210	291
Eliminations	-1 813	-1 875	-2 123			
Construction operations	28 262	29 215	31 921	619	533	817
Real Estate	1 676	1 790	1 231	-90	-105	446
Invest	1 971	1 379	1 486	-24	67	-229
Merger costs Siab					-449	
Acquisition costs <sup>1)</sup>				-106	-139	-141
Other and eliminations	-127	-307	-478	-126	-282	-163
<b>Group</b>	<b>31 782</b>	<b>32 077</b>	<b>34 160</b>	<b>273</b>	<b>-375</b>	<b>730</b>

<sup>1)</sup> Acquisition costs include goodwill amortization related to the acquisition of the Nordic subsidiaries and Siab, as well as interest on the purchase consideration for the Nordic subsidiaries. On Dec. 31, 1998, goodwill total SEK 1201 m. The purchase consideration for the Nordic subsidiaries amounted to SEK 1051 m. Pro forma accounts, see accounting principles page 60–62.

In order to determine whether a write-down is necessary, the portfolio is subject to an internal valuation. Previous write-downs are reversed to market value to the extent that a previously written down property has a market value exceeding the book value. The total revised valuation did not give rise to any net effects.

## PROFITABILITY

The return on shareholders' equity was 6 percent (2). The return on capital employed was 7 percent (4).

## EARNINGS PER SHARE

After full tax, income amounted to SEK 543 m. (loss: 173), which corresponds to earnings per share of SEK 5.00 (loss: 1.60).

## INVESTMENTS

The Group's gross investments in real estate amounted to SEK 2,019 m. (1,013), most of which was attributable to real estate development projects. The Group's gross investments in other fixed assets amounted to SEK 1,001 m. (1,201).

## CASH FLOW

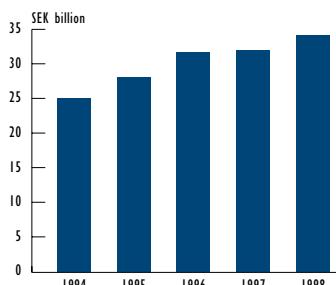
Operations generated SEK 1.5 billion (0.3), which includes SEK 0.5 billion (0.1) from gains on sales of properties, at the same time as working capital rose by SEK 0.9 billion (0.3), mainly due to an increase in accounts receivable. Net investments amounted to SEK 0.2 billion (-4.1). Accordingly, before financing, the Group's cash flow was SEK 0.4 billion (4.1).

## FINANCING AND LIQUIDITY

On December 31, 1998 NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) amounted to SEK 3,627 m. (3,935). The decrease was attributable to sales of projects and properties.

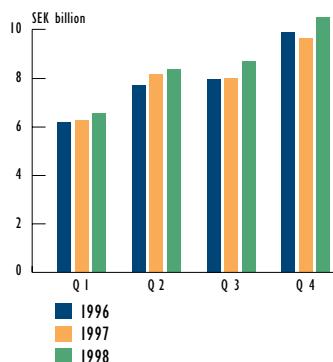
Interest-bearing liabilities at the same date amounted to SEK 8,381 m. (8,956), of which SEK 4,801 m. (4,383) were current and SEK 3,580 m. (4,573) were long term.

### Consolidated net sales



The diagram shows NCC's and Siab's combined pro forma net sales for 1997 and earlier years. The Nordic subsidiaries are included as of the date of acquisition. The same principle applies to all other diagrams.

### Consolidated net sales by quarter



On December 31, 1998, the average interest rate for the borrowing portfolio was 6.0 percent (7.0). The average interest rate for the Swedish borrowing portfolio was 6.1 percent (7.8). On the same date, the average period of fixed interest was 1.5 years (1.4).

At year-end 1998, liquid assets amounted to SEK 3,135 m. (3,609).

The NCC Group's net interest items amounted to an expense of SEK 320 m. (expense: 538). The improvement was attributable to lower net borrowing combined with declining interest rates during the year.

### EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO

At year-end 1998, NCC's equity/assets ratio was 34 percent (33). The share of risk-bearing capital amounted to 35 percent (33). The debt/equity ratio (net indebtedness divided by shareholders' equity including minority interests) on December 31, 1998 amounted to a multiple of 0.4 (0.4).

### RISK MANAGEMENT

NCC's strategic focus on expansion in the Baltic Sea region and investments in proprietary and customer-related project development, in both the domestic and international markets, creates increased capital requirements and changes in the Group's risk exposure. This, in turn, places demands on highly specialized and readily available business support as well as control and skillful management of financial risks. NCC's financial skills are concentrated in a central finance function that operates under open market conditions.

#### Financial risks

Finance activities are regulated by a financial policy established by the Parent Company's Board of Directors.

#### Interest-rate risks

Unilateral short or long-term interest-rate exposure of the Group's net debt is not permitted, and the target value for the Group's fixed interest term is about two years.

#### Currency risks

In accordance with the financial policy, the Group's transaction-related currency exposure is eliminated continuously. NCC's foreign investments are generally financed in corresponding currencies to minimize conversion risks. Active adjustments of future currency fluctuations are not normally implemented. The NCC Group's year-end loan portfolio per currency is shown in the diagram on page 48.

#### Credit risks

NCC's investment regulations are reviewed continuously and characterized by caution. The point of departure is that no

credit risks should arise in Group operations. NCC's finance activities have never been affected by a credit loss.

#### Liquidity risks

To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. Available funds are invested primarily in government paper with solid secondary markets. In 1998, as part of Group efforts to broaden sources of financing and simultaneously secure financing in euro, NCC became the first industrial company outside Finland to introduce a commercial paper program, totaling FIM 500 m., in the Finnish capital market.

#### Sensitivity analysis

The purpose of the following sensitivity analysis is to illuminate the separate annual impact of the principal factors that affect NCC's earnings.

#### Construction operations

Construction operations are mainly sensitive to changes in prices, due to the high proportion of variable costs and the low percentage of tied-up capital. An improvement in the margin on construction operations provides the greatest potential for improvement.

#### Real estate operations

A 10-percent change in project development volume has an effect of SEK 13 m. on earnings. A one percentage point increase in the margin also affects earnings by SEK 13 m.

During 1999, approximately 10 percent of rental contracts for NCC's managed properties will be renegotiated which, in an upward market, will have a favorable impact on income. However, the full effect is not felt until the following year. Another factor of major importance to income is the efficiency of real estate management operations, and NCC is thus striving to attain an efficient and concentrated real estate portfolio. The vacancy rate is the third major factor affecting income.

#### The Group's interest rates and loan portfolio

In the sensitivity analysis, the impact of interest rates is computed after taking into account the interest rates applying in the Group and the periods of fixed interest for interest-bearing liabilities. The effect arises in connection with the renegotiation of loans whose terms are rearranged during the year.

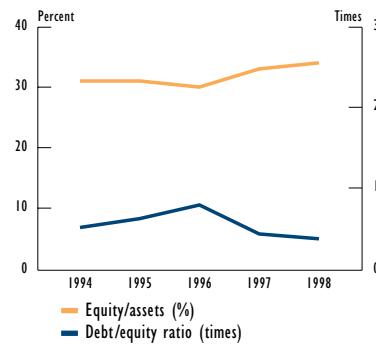
In other words, the sensitivity analysis shows the actual impact on income of a change in interest rates. The amortization of loans pertains to the difference between the interest rate on loans and the return on liquid assets. The NCC Group had a high level of liquid funds at year-end compared with the established objective, which should enable the amortization of interest-bearing loans.

## Sensitivity analysis

	Change	Effect on income on an annual basis, SEK m.
<b>Construction operations</b>		
Volume	5%	+/- 128
Operating margin	0.5%-unit	+/- 160
<b>Real estate operations</b>		
Project development volume	10%	+/- 13
Project margin	1%-unit	+/- 13
Rental revenues	5%	+/- 4
Maintenance costs	5%	+/- 14
Vacancy rate, rents	1%-unit	+/- 8
<b>Group</b>		
Interest rates	1%-unit	+/- 24
Amortization of loans	10%	+ 19

The effect on reduced cash balance in relation to sales has been computed on the basis of the difference between deposits and lending for interest-bearing receivables and interest-bearing liabilities.

## Debt/equity ratio and equity/assets ratio



The debt/equity ratio – defined as net indebtedness in relation to shareholders's equity, including minority interests increased by 1 percent-unit to 34 percent during 1998.

## Preparations for EMU

A project group has been working on the Group's EMU preparations for the past few years. The work has been concentrated on adaptations within IT, finance activities, accounting and purchasing. Beginning in 1999, three of the countries in which NCC conducts business operations are permanently active in the European Monetary Union (EMU). The project is currently focusing on preparing NCC for a situation in which Sweden and Denmark become full members of EMU, which is considered probable in the next few years. The preparations place demands on the capabilities of systems and procedures to handle the euro. As long as Sweden remains outside EMU, and NCC retains the Swedish krona (SEK) as the Group's financial accounting and basic currency, the euro will be treated in the same way as other foreign currencies.

## Risk management within IT – Transition to Year 2000

NCC has been working purposefully since 1997 to prepare for transition to the year 2000. The work is being conducted in a project group comprising representatives of all business areas and Nordic subsidiaries, under the management of a steering committee. Activity plans have been formulated for all aspects of Group operations, which state that all preparations will be completed as planned during the third quarter of 1999.

According to NCC's risk analysis, Group operations will not be affected to any great extent by the change-over to year 2000.

Many activities within NCC are dependent on highly functional IT-support. The IT-infrastructure, comprising such Group applications as economic and financial systems and most operational systems, have already been secured in compliance with year 2000, Y2K. This represents a guarantee that production will receive all required support and that NCC is equipped to present correct financial information.

Intensive work is now under way to monitor the Y2K readiness among NCC's suppliers and customers.

It is difficult to present specific information concerning costs incurred for Y2K compliance, since several replacements of IT-systems and other millennium date-related objects would have been made for other reasons. At year-end 1998, approximately SEK 2 m. had been used explicitly for investments in Y2K compliance, and an additional SEK 2 m. is expected to be allocated in 1999.

## PERSONNEL

The average number of employees in the NCC Group during 1998 was 21,645 (22,434).

## PARENT COMPANY

The Parent Company reported invoiced sales of SEK 14,948 m. (10,379). A loss of SEK 665 m. (loss: 360) was reported after net financial items. The average number of employees was 11,202 (10,261). The loss was due to an intra-Group transfer of shares that had no effect on consolidated income. The transfer was part of the restructuring of the Group following the merger with Siab.

## PROPOSED DIVIDEND

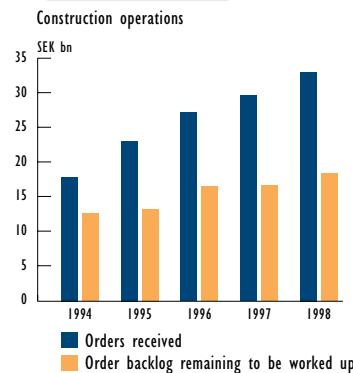
In December, the Board of Directors decided to raise the dividend objective, whereby half of annual profit after full tax is to be distributed to shareholders. The Board proposes that a dividend of SEK 2.50 (1.50) per share be paid for the 1998 fiscal year.

As part of efforts to concentrate NCC's operations on NCC's core business of construction and project development activities, the NCC Board has decided to liquidate the shareholdings in Neptun Maritime and Hufvudstaden, through either a sale in the market or a spin-off to NCC shareholders. The proposed distribution of profits is presented on page 71.

## Borrowing portfolio

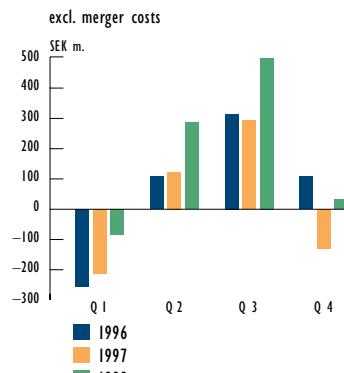
Dec. 31, 1998	SEK and foreign currencies		SEK and foreign currencies		SEK	
	Amortization SEK m.	Percentage	Fixed interest rate during period SEK m.	Average interest rate	Fixed interest rate during period, SEK m.	Average interest rate
1999	4 801	57%	4 808	57%	5.1%	5.2%
2000	823	10%	1 667	20%	6.3%	7.3%
2001	743	9%	1 178	14%	6.5%	7.1%
2002	93	1%	99	1%	5.8%	5.8%
2003	334	4%	412	5%	6.1%	5.5%
2004–	1 587	19%	217	3%	7.4%	4.9%
<b>Interest-bearing liabilities</b>	<b>8 381</b>	<b>100%</b>	<b>8 381</b>	<b>100%</b>	<b>6.0%</b>	<b>6.1%</b>
Liquid assets	3 135		3 135			1 931
Interest-bearing receivables	1 619		1 619			1 349
<b>Net debt</b>	<b>3 627</b>		<b>3 627</b>			<b>681</b>

### Orders received and order backlog



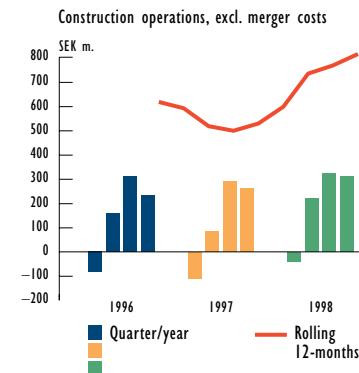
Orders received by the group's Construction Operations increased by 11 percent during 1998 compared with 1997.

### Consolidated income after net financial items



Income of approximately SEK 30 m. was generated during the fourth quarter, which was an improvement of SEK 160 m. compared with the year-earlier period.

### Consolidated income after net financial items



The coordination gains generated from the merger with Siab yielded substantial favorable effects on income from construction operations.

## CONSTRUCTION OPERATIONS

Orders received by the NCC Group's construction operations (the Civil Engineering, Housing, Building and Industry business areas) rose by 11 percent during the year to SEK 33.1 billion (29.8). The increase in orders received in the Nordic region mainly resulted from growth in Norway, whose building market peaked in 1998, combined with a stronger civil engineering market. Orders received by the Group's Swedish operations remained rose by 4 percent, due mainly to the initiation of several residential projects during the final quarter of the year. In addition, a number of major projects were started up in Germany during the latter part of 1998. Operations outside Sweden accounted for approximately 43 percent (39) of orders received.

Net sales amounted to SEK 31.9 billion (29.2), of which operations outside Sweden accounted for approximately 41 percent (38). An increase in net sales was noted by all Nordic units in their respective domestic markets, due mainly to a strong trend in the "Other buildings" segment.

Income after net financial items amounted to SEK 817 m. (533). The improvement was mainly attributable to coordination gains resulting from

the merger with Siab and to higher earnings from the projects of subsidiaries in Norway and Denmark. All business areas reported improved earnings.

The operating margin (operating income after depreciation as a percentage of net sales) for construction operations was 2.2 percent (1.4).

In February 1999, following fiscal year-end, NCC acquired the asphalt and ballast operations of Denmark's Superfos Group, with annual sales of approximately SEK 1.9 billion. The acquired company will be merged with NCC's wholly owned subsidiary NCC Rasmussen and Schiøtz to form the largest building and civil engineering company in Denmark. The acquisition is expected to add approximately SEK 100 m. annually to NCC's earnings. In addition, Superfos' 50-percent interest in the Finnish civil engineering company Valtatie will provide NCC Puolimatka with a solid base for the build-up of competitive industrial and civil engineering operations in Finland. The acquisition is in line with NCC's strategy of establishing a strong market position in all domestic markets in the Baltic Sea region.

SEK m.	Orders received			Order backlog remaining to be worked up			Net sales			Income after financial items			Net margin, %		
	January–December 1996	1997	1998	January–December 1996	1997	1998	January–December 1996	1997	1998	January–December 1996	1997	1998	January–December 1996	1997	1998
Civil Engineering	9 520	10 012	11 207	7 241	6 404	6 698	10 841	10 746	11 078	78	141	201	0.7	1.3	1.8
Housing	2 252	2 001	3 479	1 453	1 548	2 712	1 966	2 041	2 365	34	1	13	1.7	0.0	0.5
Building	14 606	17 071	17 560	7 887	8 804	9 050	14 635	15 700	17 603	229	181	312	1.6	1.2	1.8
Industry	2 633	2 603	2 998				2 633	2 603	2 998	278	210	291	10.5	8.1	9.7
Eliminations	-1 734	-1 915	-2 120	40			-1 813	-1 875	-2 123						
Construction operations	27 277	29 772	33 124	16 621	16 756	18 460	28 262	29 215	31 921	619	533	817	2.2	1.8	2.6

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5:00 p.m. on Thursday, April 15, 1999, at Sky City Expo, Arlanda, Sweden. Transportation to the Meeting will be provided on the Arlanda Express, which will depart from Stockholm Central Station.

## WORK OF THE BOARD OF DIRECTORS IN 1998

In 1998, the Board of Directors consisted of 10 members elected by the Annual General Meeting as well as three members and three deputies representing the employees. The Board had one Chairman and two Deputy Chairmen. The President of NCC is a member of the Board. Other executive officers attended Board meetings to present various issues and serve as Board secretary. The Board of Directors conducted nine meetings at which minutes were recorded in 1998, which complied with a pre-planned agenda.

Among other issues, the Board reviewed strategic issues, business plans, the financial accounts and major investments and divestments, in addition to other

decisions that, in accordance with the Articles of Association, have to be addressed by the Board of Directors.

Due to changes in the Swedish Companies Act, the Board of Directors established operating procedures for work conducted by the Board and instructions for divisions of responsibilities between the Board and the President, as well as procedures for financial reporting to the Board of Directors.

The Board has also appointed a committee to be responsible for remuneration paid to the President and other executives who report directly to the President. The committee consists of Jan Ekman, Hans Larsson and Bernt Magnusson.

# THE NCC SHARE

During 1998, approximately 13.8 million (18.4) NCC shares were traded on the Stockholm Stock Exchange. The shares traded corresponded to 13 percent (19) of the total number of NCC shares issued.

At year-end, the stock market price of NCC's Series B shares was SEK 61.50 (83.50). The highest price paid for Series B shares during the year was SEK 112, and the lowest SEK 57.

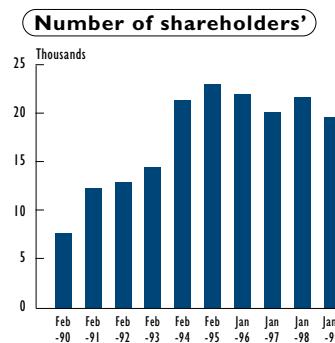
## DIVIDEND POLICY

In December, the Board of Directors decided to raise the dividend objective, whereby half of annual profit after full tax is to be distributed to shareholders. Where applicable, however, major nonrecurring items must be taken into account.

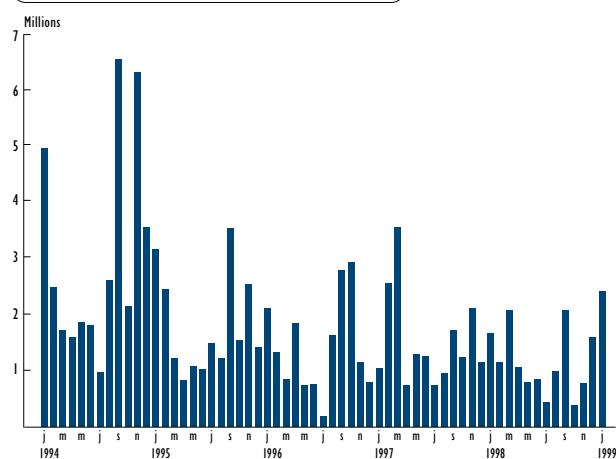
The Board proposes that a dividend of SEK 2.50 (1.50) per share be paid for the 1998 fiscal year.

	1998	1997
Income after full tax, SEK	<b>5.00</b>	-1.60
Visible shareholder' equity, SEK	<b>89.20</b>	85.20
Dividend, SEK	<b>2.50<sup>1)</sup></b>	1.50
Market price/visible shareholders' equity, %	<b>69</b>	98

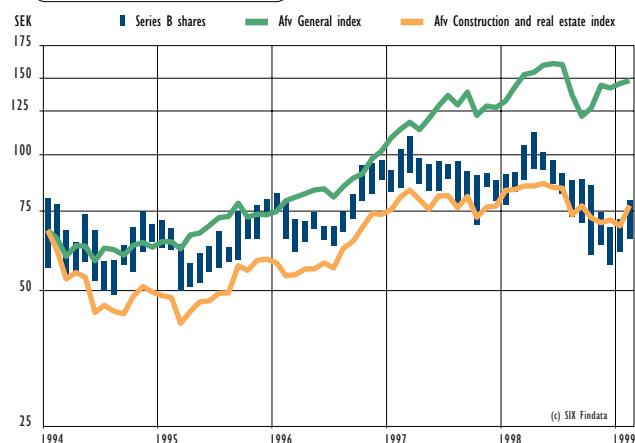
1) The Board of Directors' proposal to the Annual General Meeting.



## Number of Series B shares traded



## Trend of NCC shares



**Market value, SEK m.**

	Number of shares	Market value Dec 31, 1998	Market value Dec 31, 1997
A shares	63 111 682	3 881	5 175
B shares	45 324 140	2 788	3 785
<b>Total</b>	<b>108 435 822</b>	<b>6 669</b>	<b>8 960</b>

Each Series A share entitles the holder to ten votes and each Series B share to one vote. The par value of each share is SEK 25. A round lot amounts to 200 shares.

**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 placement 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 placement in connection with the acquisition of SIAB	28 303 097	708
1998	Year-end	108 435 822	2 711

**Distribution of shares, January 31, 1999**

Holding, no. of shares	Number of share- holders	Percent of share- holders	Number of shares held	Percent of share capital	Average No. shares per shareholder
1–1000	17 756	90.3	3 676 484	3.4	207
1 001–10 000	1 695	8.6	4 287 253	4.0	2 529
10 001–100 000	139	0.7	4 622 557	4.3	33 256
100 001+	78	0.4	95 849 528	88.3	1 228 840
<b>Total</b>	<b>19 668</b>	<b>100.0</b>	<b>108 435 822</b>	<b>100.0</b>	<b>5 513</b>

**Ownership structure, January 31, 1999**

	Shares, %	Votes, %
Nordstjernan AB	32.2	47.8
LE Lundbergföretagen AB	12.9	16.3
Föreningsparbankens Fonder	12.8	10.4
Fjärde AP-fonden	3.2	4.1
Svenska Handelsbankens Fonder & Pensionsstiftelse	4.1	4.0
Försäkringsbolaget SPP	4.2	2.2
Nordbankens Fonder & Pensionsstiftelse	5.4	1.6
Svenska Industrijänstemannaförbundet	1.1	1.5
Försäkringsbolaget Skandia	0.9	1.0
Trygg Hansa/SE-Bankens Fonder	2.6	0.6
Other	20.6	10.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The proportion of foreign ownership corresponds to 1 percent of the voting rights and 3 percent of share capital.

# Consolidated income statement

SEK m.	Note	1996	1997	1998
Net sales	1	22 149	29 581	34 160
Production and management costs	2	-19 856	-26 631	-30 832
<b>Gross income</b>		2 293	2 950	3 328
Selling and administrative expenses		-1 665	-2 288	-2 587
Result from sales of properties	3	-19	-74	323
Result from participations in associated companies	4	-55	26	-158
Result from sales of participations in Group companies	5	5	105	1
Result from sales of participations in associated companies	7			194
Merger costs			-449	
<b>Operating income</b>	6	559	270	1 101
Result from other financial fixed assets	9	27	23	28
Result from financial current assets	10	193	164	162
Interest expense and similar items	11	-568	-661	-561
<b>Income/loss after financial items</b>	12	211	-204	730
Tax on net income for the year	25	-47	35	-184
Minority interests		-5	-4	-3
<b>Net income/loss for the year</b>		<b>159</b>	<b>-173</b>	<b>543</b>

# Consolidated balance sheet – Assets

SEK m.	Note	Dec 31, 1996	Dec 31, 1997	Dec 31, 1998
<b>ASSETS</b>				
<b>Intangible fixed assets</b>	13	579	1 427	1 344
Buildings and land	14	1 2313	1 0262	9 150
Machinery and equipment		1 051	1 323	1 440
New construction in progress		881	856	1 060
<b>Tangible fixed assets</b>	15	14 245	12 441	11 650
Participation in associated companies	17	895	2 100	1 500
Receivables from associated companies		65	154	368
Other long-term holdings of securities		90	122	590
Other long-term receivables		279	1 315	1 146
<b>Financial fixed assets</b>	18	1 329	3 691	3 604
<b>FIXED ASSETS</b>				
<b>Properties held for future development</b>	19	372	899	1 154
Materials and inventories	20	401	453	428
Advances to suppliers		8	17	15
<b>Inventories, etc.</b>		409	470	443
Accounts receivable		3 275	4 605	5 460
Current receivables from associated companies		100	102	109
Other current receivables		655	650	986
Prepaid expenses and accrued income		307	450	574
<b>Current receivables</b>		4 337	5 807	7 129
<b>Short-term investments</b>		1 244	2 307	1 678
<b>Cash and bank balances</b>		1 406	1 302	1 457
<b>CURRENT ASSETS</b>		7 768	10 785	11 861
<b>TOTAL ASSETS</b>		23 921	28 344	28 459

## INTEREST-BEARING/INTEREST-FREE ASSETS

	Dec 31, 1996			Dec 31, 1997			Dec 31, 1998		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Financial fixed assets	162	1 167	1 329	1 213	2 478	3 691	1 274	2 330	3 604
Current receivables	245	4 092	4 337	199	5 608	5 807	344	6 785	7 129
Short-term investments	1 243	1	1 244	2 307		2 307	1 669	9	1 678
Cash and bank balances	1 406		1 406	1 302		1 302	1 457		1 457
Other current and fixed assets		15 605	15 605		15 237	15 237		14 591	14 591
<b>Total assets</b>	<b>3 056</b>	<b>20 865</b>	<b>23 921</b>	<b>5 021</b>	<b>23 323</b>	<b>28 344</b>	<b>4 744</b>	<b>23 715</b>	<b>28 459</b>

# Consolidated balance sheet

## – Shareholders' equity and liabilities

SEK m.	Note	Dec 31, 1996	Dec 31, 1997	Dec 31, 1998
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital	21	2 003	2 711	2 711
Restricted reserves		2 541	4 914	5 449
<b>Restricted shareholders' equity</b>		4 544	7 625	8 160
Unrestricted reserves		2 418	1 785	968
Net income/loss for the year		159	-173	543
<b>Unrestricted shareholders' equity</b>		2 577	1 612	1 511
<b>SHAREHOLDERS' EQUITY</b>	22	7 121	9 237	9 671
<b>Minority interests</b>		13	25	25
Provisions for pensions and similar obligations	24	702	1 272	1 356
Provisions for taxes	25	608	177	334
Other provisions	26	514	794	651
<b>Provisions</b>		1 824	2 243	2 341
Bond loans		100	100	201
Liabilities to credit institutions	27	3 975	3 126	2 051
Liabilities to associated companies			216	23
Other liabilities		3	132	5
<b>Long-term liabilities</b>		4 078	3 574	2 280
Liabilities to credit institutions	27	3 959	4 290	4 687
Advances from customers		265	218	287
Project invoicing not yet worked up		1 452	1 607	1 351
Accounts payable		2 298	3 151	3 743
Liabilities to associated companies		3	42	26
Tax liabilities		26	42	48
Other liabilities		1 210	1 507	1 764
Accrued expenses and prepaid revenues		1 672	2 408	2 236
<b>Current liabilities</b>		10 885	13 265	14 142
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Mortgages and other comparable collateral for own liabilities and provisions		4 214	4 384	2 775
Others assets pledged and comparable collateral		87	247	158
<b>Assets pledged</b>	30	4 301	4 631	2 933
<b>Contingent liabilities</b>	30	2 563	3 284	4 349

### INTEREST-BEARING / INTEREST-FREE LIABILITIES AND PROVISIONS

	Dec 31, 1996			Dec 31, 1997			Dec 31, 1998		
	Interest-bearing*	Interest-free	Total	Interest-bearing*	Interest-free	Total	Interest-bearing*	Interest-free	Total
Liabilities to credit institutions	7 934	7 934	7 934	7 416	7 416	7 416	6 738	6 738	6 738
Other liabilities	112	6 917	7 029	310	9 113	9 423	323	9 361	9 684
Provisions	658	1 166	1 824	1 230	1 013	2 243	1 320	1 021	2 341
Minority interests		13	13		25	25		25	25
Shareholders' equity		7 121	7 121		9 237	9 237		9 671	9 671
<b>Total shareholders' equity and liabilities</b>	<b>8 704</b>	<b>15 217</b>	<b>23 921</b>	<b>8 956</b>	<b>19 388</b>	<b>28 344</b>	<b>8 381</b>	<b>20 078</b>	<b>28 459</b>

\* See note 28.

# Consolidated statement of changes in consolidated financial position

SEK m.		1996	1997	1998
Income/loss before tax		211	-204	730
Depreciation		548	651	678
Write-up/down of properties and shareholdings, etc.		-2		71
Shares in income/loss of associated companies		159	-26	122
Translation differences		-31	28	68
Dividends to shareholder		-100	-120	-163
Tax		-9	-18	-27
<b>FUNDS PROVIDED FROM OPERATIONS</b>	(A)	776	311	1 479
Increase/decrease in material and inventories		-36	-24	25
Increase/decrease in accounts receivable and other current assets		-228	-135	-1 318
Increase/decrease in current interest-free liabilities		888	484	572
Increase in project invoicing not yet worked up		-797	-644	-256
<b>CHANGE IN WORKING CAPITAL</b>	(B)	-173	-319	-977
<b>NET FUNDS PROVIDED FROM OPERATIONS</b>	(A+B)	603	-8	502
Net investments in real estate held for resale		-96	-126	-255
Gross investments in buildings and land		-1 078	-863	-1 414
Gross investments in fixed assets		-1 163	-569	-652
Gross investments in shares		-305	-510	-349
Expenses, acquisition of Siab			-42	
<b>INVESTMENTS</b>	(C)	-2 642	-2 110	-2 670
<b>SALES, BOOK VALUE</b>	(D)	708	6 254	2 519
<b>OPERATING CAPITAL AFTER INVESTMENTS</b>	(A+..+D)	-1 331	4 136	351
Increase/decrease in current interest-bearing liabilities		767	312	417
Increase/decrease in long-term liabilities		180	-3 506	-1 193
Increase/decrease in long-term receivables		347	-937	-45
Change in minority interests, etc.		0	-8	-4
<b>FUNDS GENERATED EXTERNALLY</b>	(E)	1 294	-4 139	-825
<b>NET CHANGE IN LIQUID ASSETS</b>	(A+..+E)	-37	-3	-474
<b>OPENING CASH AND BANK BALANCE IN SIAB</b>			962	
<b>LIQUID ASSETS AT YEAR-END</b>		2 650	3 609	3 135

# Parent Company income statement

SEK m.	Note	1996	1997	1998
Net sales	1	11 860	10 379	14 948
Production and management costs	2	-10 919	-9 573	-13 706
<b>Gross income</b>		941	806	1 242
Selling and administrative expenses		-811	-1 010	-1 382
Result from sales of properties	3		2	12
Merger costs			-415	
<b>Operating income/loss</b>	6	130	-617	-128
Result from participations in Group companies	8	202	405	-427
Result from participations in associated companies	4	2	-151	22
Result from other financial fixed assets	9	23	6	-10
Result from financial current assets	10	162	105	128
Interest expense and similar items	11	-101	-108	-250
<b>Income/loss after financial items</b>	12	418	-360	-665
Appropriations	23	-178	-181	5
Tax on net income for the year	25		4	-7
<b>Net income/loss for the year</b>		240	-175	-667

# Parent Company balance sheet – Assets

SEK m.	Note	Dec 31, 1996	Dec 31, 1997	Dec 31, 1998
<b>ASSETS</b>				
<b>Intangible fixed assets</b>	13	4		
Buildings and land	14	207	216	247
New construction in progress			2	8
Machinery and equipment		259	266	515
<b>Tangible fixed assets</b>	15	466	484	770
Participations in Group companies	16	9 278	11 053	9 178
Receivables from Group companies		470	554	1 000
Participations in associated companies	17	616	776	615
Receivables from associated companies		46	67	154
Other long-term holdings of securities		20	41	461
Other long-term receivables		2	53	8
<b>Financial fixed assets</b>	18	10 432	12 544	11 416
<b>FIXED ASSETS</b>				
<b>Properties held for future development</b>	19	227	393	397
<b>Inventories etc.</b>	20	14	20	31
Accounts receivable		1 558	1 695	2 731
Receivables from Group companies		585	1 457	881
Receivables from associated companies		8	7	4
Other receivables		140	191	177
Prepaid expenses and accrued income		117	92	206
<b>Current receivables</b>		2 408	3 442	3 999
<b>Short-term investments</b>		707	685	1 135
<b>Cash and bank balances</b>		174	468	1 103
<b>CURRENT ASSETS</b>		3 530	5 008	6 665
<b>TOTAL ASSETS</b>		14 432	18 036	18 851

## INTEREST-BEARING / INTEREST-FREE ASSETS

	Dec 31, 1996			Dec 31, 1997			Dec 31, 1998		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Financial fixed assets	179	10 253	10 432	248	12 296	12 544	610	10 806	11 416
Current receivables	185	2 223	2 408	962	2 480	3 442	275	3 724	3 999
Short-term investments at NCC's internal bank	687	687	687	685	685	685	1 135	1 135	1 135
Short-term investments, other	20	20	20						
Cash and bank balances, NCC's internal bank	28	28	325	325	325	738	738	738	738
Cash and bank balances, other	146	146	143	143	143	365	365	365	365
Other current and fixed assets	711	711	897	897	897		1 198	1 198	1 198
<b>Total assets</b>	<b>1 245</b>	<b>13 187</b>	<b>14 432</b>	<b>2 363</b>	<b>15 673</b>	<b>18 036</b>	<b>3 123</b>	<b>15 728</b>	<b>18 851</b>

# Parent Company balance sheet

## – Shareholders' equity and liabilities

SEK m.	Note	Dec 31, 1996	Dec 31, 1997	Dec 31, 1998
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Share capital (108 435 822 shares)	21	2 003	2 711	2 711
Legal reserve		1 639	1 639	1 639
Premium reserve			1 751	1 751
<b>Restricted shareholders' equity</b>		3 642	6 101	6 101
Retained earnings or loss		2 357	2 277	1 808
Net income/loss for the year		240	-175	-667
<b>Unrestricted shareholders' equity</b>		2 597	2 102	1 141
<b>SHAREHOLDERS' EQUITY</b>				
<b>Untaxed reserves</b>	23	208	27	22
Provisions for pensions and similar obligations	24	634	1 204	1 293
Other provisions	26	82	169	162
<b>Provisions</b>		716	1 373	1 455
Bond loans		100	100	201
Liabilities to credit institutions	27	60	54	52
Liabilities to Group companies		3 096	3 444	3 943
Liabilities to associated companies			207	
Other liabilities				16
<b>Long-term liabilities</b>		3 256	3 805	4 212
Liabilities to credit institutions	27	10		14
Advances from customers		33	67	119
Work in progress on the account of others	29	1 601	1 459	2 101
Accounts payable		920	1 077	1 823
Liabilities to Group companies		405	493	478
Liabilities to associated companies		2	6	8
Tax liabilities		2	2	11
Other liabilities		476	549	438
Accrued expenses and prepaid revenues		564	975	928
<b>Current liabilities</b>		4 013	4 628	5 920
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Mortgages and other comparable collateral for own liabilities and allocations		200	61	57
Others assets pledged and comparable collateral		87	87	176
<b>Assets pledged</b>	30	287	148	233
<b>Contingent liabilities</b>	30	8 613	8 399	10 000

### INTEREST-BEARING / INTEREST-FREE LIABILITIES AND PROVISIONS

	Dec 31, 1996			Dec 31, 1997			Dec 31, 1998		
	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total	Interest-bearing	Interest-free	Total
Liabilities to credit institutions	70	70	70	54	54	54	66	66	66
Other liabilities	828	6 371	7 199	1 230	7 149	8 379	1 750	8 316	10 066
Provisions	634	82	716	1 204	169	1 373	1 293	162	1 455
Shareholders' equity and untaxed reserves		6 447	6 447		8 230	8 230		7 264	7 264
<b>Total shareholders' equity and liabilities</b>	<b>1 532</b>	<b>12 900</b>	<b>14 432</b>	<b>2 488</b>	<b>15 548</b>	<b>18 036</b>	<b>3 109</b>	<b>15 742</b>	<b>18 851</b>

# Statement of changes in Parent Company's financial position

SEK m.		1996	1997	1998
Income/loss before appropriations and tax		418	-360	-665
Depreciation		115	120	201
Write-down of shareholdings, etc.		47	202	258
Capital loss/gain on sale of shareholdings, etc. (excl. properties)		-21	-254	804
Group contributions and other appropriations related to subsidiaries		-245	-200	-131
Dividend to shareholders		-100	-120	-163
Tax			4	-7
<b>Funds provided from operations</b>	(A)	214	-608	297
Increase in materials and inventories		-3	-6	-11
Increase/decrease in other current assets		425	-1 034	-557
Increase in current interest-free liabilities		17	653	645
Increase/decrease in net work in progress		-624	-142	642
<b>CHANGE IN WORKING CAPITAL</b>	(B)	-185	-529	719
<b>NET FUNDS PROVIDED FROM OPERATIONS</b>	(A+B)	29	-1 137	1 016
Net investments in real estate held for resale		-102	-166	-3
Gross investments in buildings and land				-72
Gross investments in fixed assets		-130	-147	-457
Gross investments in shares		-3 123	-2 923	-1 682
<b>INVESTMENTS</b>	(C)	-3 355	-3 236	-2 214
<b>SALES</b>	(D)	28	1 032	2 277
<b>OPERATING CAPITAL AFTER INVESTMENTS</b>	(A+..+D)	-3 298	-3 341	1 079
Decrease/increase in current interest-bearing liabilities		-80	104	-3
Increase in long-term liabilities		1 048	1 206	497
Increase/decrease in long-term receivables		122	-156	-488
New share issue			2 459	
<b>FUND GENERATED EXTERNALLY</b>	(E)	1 090	3 613	6
<b>NET CHANGE IN LIQUID ASSETS</b>	(A+..+E)	-2 208	272	1 085
<b>LIQUID ASSETS AT YEAR-END</b>		881	1 153	2 238

# Accounting principles

**Consolidated accounting:** The Group has been consolidated in accordance with the Swedish Accounting Standards Council's recommendations regarding consolidated accounts and includes the Parent Company, all companies in which the Parent Company has a controlling interest and associated companies. Consolidation is based on the following main principles:

- Companies in which the Parent Company directly or indirectly owns shares carrying more than 50 percent of the voting rights or otherwise has a controlling influence are consolidated in their entirety, less minority interests in constituent companies. ("Full consolidation" in accordance with the purchase method.)
- The Group's participations in associated companies are consolidated in accordance with the equity method. Associated companies are companies in which the Group has holdings of between 20 and 50 percent of the voting rights, or in which the Group otherwise has a substantial influence. Notes 16 and 17 contain lists of Group and associated companies.
- Companies that are not subsidiaries and which undertake contracting projects in forms similar to those of a consortium – that is, with joint ownership and control and for limited periods of time – are consolidated in accordance with the proportional accounting method.

In the purchase method, the consolidated acquisition value of shares in subsidiaries is eliminated against the shareholders' equity (including the equity portion of untaxed reserves) in each subsidiary at the date of acquisition.

The shareholders' equity in the acquired subsidiary is calculated on the basis of a market valuation of assets and liabilities at the date of acquisition (a so-called purchase analysis). These market values constitute the acquisition value for consolidation purposes. The difference between the acquisition value of shares in subsidiaries and the estimated value of shareholders' equity assigned in the purchase analysis is reported as consolidated goodwill.

Surplus values attributed to specific assets are depreciated over the period that the assets are depreciated in the subsidiaries. Goodwill arising in this connection is amortized over the estimated economic life of the assets, which currently means five to 20 years.

In the equity method, the book value of shares in associated companies is adjusted by the Group's shares in the income of associated companies, less dividends received. As in the case of full consolidation, a purchase analysis is made. The resulting surplus values are depreciated over their estimated life; this depreciation also affects the book value of shares.

Acquired and divested companies are included in the consolidated Income Statement for the period when shares in such companies are held.

The current rate of exchange (current method) is used in translating income statements and balance sheets of foreign companies to Swedish kronor. All assets and liabilities in the balance sheets of subsidiaries have accordingly been translated at year-end exchange rates, and all income statement items at average exchange rates for the year. The translation differences arising in this connection have been taken directly to shareholders' equity.

When calculating the consolidated gain/loss on a divestment, the accumulated translation difference is reported as part of final realized income.

**Internal pricing:** Market prices are applied for deliveries between Group units.

**Depreciation:** Depreciation according to plan on machinery and equipment, buildings and land improvements, patents, and on those portions of surplus values related to goodwill and other assets, has been calculated on the basis of acquisition value and estimated economic life in the consolidated accounts. In the event of a permanent loss in value, assets are written down.

The depreciation rates vary depending on the type of asset: goodwill currently from 5 to 20 percent, machinery and equipment from 2.5 to 33 percent, buildings from 1.4 to 5 percent, land improvements from 3.7 to 4 percent, pits and quarries at actual depletion of net worth and managed properties at 1 percent.

The acquisition cost of goodwill related to the acquisition of NCC Eeg Henriksen is depreciated according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Puolimatka and NCC Rasmussen & Schiøtz is depreciated according to plan at a rate of 5 percent annually. These depreciation periods have been chosen because the acquisitions were part of NCC's Nordic strategy and are long term, because the acquired companies have strong market positions and market and because technical conditions were assessed to be such that the economic life of the acquisitions should be at least 10 and 20 years, respectively.

The acquisition cost of the goodwill related to the acquisition of Siab is depreciated over a period of 20 years, due to the strategic nature of the acquisition, which should be viewed in relation to the anticipated coordination gains.

NCC assesses the booked residual value of acquired goodwill each year, at which time any necessary write-down or adjustment of depreciation plans are undertaken.

**Short-term investments:** Short-term investments are defined as bonds and other interest-bearing instruments and are valued at the lower of acquisition and market value at year-end. This valuation principle applies to the entire portfolio. Accordingly, unrealized losses are eliminated against unrealized gains. Any surplus loss is reported as a financial expense, while corresponding gains are not reported.

Interest accrued on short-term investments is accrued in accordance with customary principles.

**Receivables and liabilities in foreign currency:** In accordance with the recommendation of the Swedish Accounting Board, receivables and liabilities in foreign currencies have been translated at the rate prevailing at year-end. The difference between the acquisition value and the year-end value has been added to/charged against income. Unrealized exchange-rate gains on long-term receivables and liabilities have been reported as a foreign exchange reserve among untaxed reserves. The change during the year is reported as an appropriation in the Parent Company's accounts.

Exchange-rate differences relating to loans undertaken to finance foreign contracts have been reported among income for the year in which the project was recognized as income.

Group companies have assumed loans in foreign currencies in order to hedge a portion of net investments in foreign subsidiaries, and in foreign associated companies consolidated in accordance with the equity method. In the Parent Company and consolidated accounts, these loans have been assigned values based on the year-end rate. In the consolidated income statement, exchange-rate differences on these loans, after taking deferred tax into account, are entered directly in shareholders' equity in an amount corresponding to the translation differences for the year.

**Inventories:** Inventories have been valued in accordance with the lowest-value principle, meaning at the acquisition or the replacement value, whichever was the lower. Manufactured products are valued at the lower of manufacturing value and sales value less sales overheads. Deductions for obsolescence were applied as appropriate. (The specific principles applying to properties classified as current assets are described below.)

**Properties classified as fixed or current assets:** Real estate is classified in accordance with the recommendation from the Swedish Construction Federation. The category of managed properties, is reported as a fixed asset. Such holdings have the character of fixed assets in that they form a base for ongoing property management operations.

In the balance sheet, properties classified as fixed assets are included in Building and land, while properties classified as current assets are included in Properties held for future development

Building and land are divided into the following categories:

- properties used in NCC's operations
- managed properties
- properties held for future development

Managed properties consist of the Group's holding of completed buildings under proprietary management. The properties held for future development that are reported as fixed assets are those intended to be used for the construction of managed properties or properties used in NCC's operations.

The properties held for future development that are reported as current assets consist of holdings of undeveloped land and redevelopment properties intended for future development by construction operations.

The acquisition value of properties includes:

- acquisition costs
- planning costs
- production costs for new buildings, extensions and renovations.

Costs incurred for the construction of managed properties are reported as investments in progress until the property is transferred to management. Properties transferred to management during a year are reclassified from investments in progress to managed properties as of January 1 of the following year. Depreciation commences as of the same date.

Production costs for ongoing investments in properties include capitalized interest expenses within the framework of actual interest payments.

Properties classified as current assets are valued at the lower of acquisition value and actual value.

In order to estimate the need for any write-downs, internal valuations are undertaken each year. The valuations are based on reasonable long-term yield requirements and estimated levels of rents, taking the reduction in interest-rate subsidies into account, as well as vacancy rates, in a five-year perspective. Dependent on location and other factors, the required yield varies from nearly 7 percent to slightly more than 10 percent. Each property has been valued in accordance with its own conditions. The deficit values of individual properties have not been offset against the surplus values of others.

If a property classified as a current asset is written down in one year's financial statements, a reversal to the lower of acquisition cost and actual value must be posted in a subsequent year's financial statements if the reason for the write-down has been fully or partly removed.

If a property classified as a fixed asset is written down, a reversal must be posted, in accordance with the Annual Accounts Act, when the reason for the write-down has been fully or partly removed. This also applies to write-downs effected before the Act came into force.

A write-down of a property classified for tax purposes as a current asset constitutes a tax-deductible cost, and its reversal is a taxable revenue.

**Real Estate business area – Real estate management:** Results from real estate management operations consist of the operating net less depreciation according to plan and administration costs relating to the real estate management operations. The item also includes corresponding shares in the results of associated companies after a deduction for net financial items. The operating net is the sum of rental and other revenues, less running, maintenance and rental costs. The operating net includes property tax and rental costs, costs for adaptations of properties to tenant requirements and external rental fees, in addition to costs for the unit's own rental organization.

**Real Estate business area – Sales of managed properties:** The results of sales of properties classified as managed properties at the sales date are reported under the heading Sales of managed properties. In addition to external sales costs, the sales costs include costs for the unit's own sales activities. The sales results are charged with overhead costs for both completed and non-completed transactions.

**Real Estate business area – Real Estate development:** Revenues and expenses (excluding interest payments) attributable to the balance sheet items investments in progress and properties held for future development are reported under the heading Real estate development. The term also includes results from other real estate projects, such as land sold together with an assignment to construct a building on the land sold. Up to 1996, results from these projects were not recognized

as sales income until completion. As of 1997, the percentage of completion principle is applied. Since the amount worked up at year-end 1996 was insignificant, items for that year have not been recalculated.

The item results from real estate development consists of the total of results of sales of investments in progress, properties held for future development and other real estate projects, as well as the operating net from properties held for future development, and administration costs relating to the real estate development business. The item also includes corresponding shares in the results of associated companies after a deduction for net financial items. In addition to external sales costs, the sales costs also include costs for the unit's own sales activities. Sales results are charged with overhead costs for both completed and non-completed transactions.

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

- project revenue – the value of all revenues related to the contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.
- project cost – all costs corresponding to project revenues related to the particular contract.
- work-up rate – the proportion of the contract worked up in relation to the total project.

The fundamental condition for recognizing income on a percentage of completion basis is that it is possible to reliably calculate project revenues and project costs and that the work-up rate is determined in a manner that is relevant with respect to the demand for reliability.

There may be individual projects for which it is not possible to reliably calculate project revenues and project costs when the final accounts are being prepared. In such cases, the revenue is determined with the help of so-called zero recognition, which entails reporting them at a revenue corresponding to the worked up costs; that is, zero income is reported until such time as it is possible to determine the actual income. The switch to percentage of completion is undertaken as soon as possible.

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

Income	Year1	Year2
According to earlier principle <sup>1)</sup>	SEK 0 m.	SEK 5 m.
According to percentage of completion	SEK 2.5 m.	SEK 2.5 m.

1) Income recognition on completion.

The advantage of percentage of completion method is that accounts more rapidly provide information on the trend of earnings. However, percentage of completion gives rise to one disadvantage. Unforeseen events may result in the final profit being higher or lower than the company expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or those that extend over a long period. Accordingly, the earnings reported by construction companies in the future may fluctuate more

extensively compared with the past. Considered over a longer time perspective, however, the average profit resulting from the two accounting methods should concur.

The switch to percentage of completion method will have a particularly noticeable impact on the quarterly reports of building contractors. Prior to 1997, income for each quarter consisted of one fourth of estimated full-year income. As of 1997, income instead reflects work actually completed during the quarter and income corresponding to this work. Since production is lower during the winter half of the year, operations during the first and final quarters normally yield lower income compared with the second and third quarters. This will amplify the seasonal variations already noticeable in NCC's quarterly reports and which mainly derive from Silja's operations, which are subject to equivalent seasonal variations.

Provisions have been posted for estimated losses, to the extent these exist, and these have been charged against income for the relevant year.

**Parent Company – work in progress in contracting operations:**

Contracts not completed at year-end are reported in the Parent Company balance sheet as work in progress. The invoicing amount is equivalent to the sum billed to the customer, excluding advances that are not matched by work performed and including amounts withheld by the customer in accordance with contract. Costs incurred are directly referable to the construction project concerned and include:

- costs of installation materials, consumption materials and construction tools
- wages, salaries and remuneration and all payroll surcharges for hourly-rated employees, supervisors and other staff on site
- costs of subcontracts and other external and internal services
- external and internal machine rentals and transport costs.

To the extent that losses actually occur, the estimated costs of such items have been deducted from costs incurred, and the amounts have been charged against income for the particular year.

The difference between invoicing and costs incurred is referred to as "net work in progress." This net figure is affected both by the profitability of work in progress and the rate of invoicing on outgoing and incoming invoices. The invoicing pace does not always match that at which contract work is progressing. Work in progress therefore contains an amount for work completed that has not yet been recognized as income.

**Deferred tax liability:** The deferred tax liability is calculated on the basis of the anticipated tax rate for the following year in the countries concerned. When calculating the size of the tax liability, it is taken into account that a part of untaxed reserves can be reversed without tax consequences by utilizing tax loss carryforwards. The fact that the consolidated accounts include provisions and write-downs for which it has not yet been possible to make tax claims is also taken into account. In connection with changes in tax rates, the change in the tax liability is reported in the tax cost for the year.

**Leasing and rental agreements:** The total acquisition value of financial car-leasing agreements entered into in 1998 amounted to approximately SEK 92 m. (23). Reporting of these contracts in accordance with the Financial Accounting Standards Council's recommen-

dation would give rise to considerable additional work and would not affect assessments of the Group's earnings and financial position.

With respect to other rental agreements, Group companies rent most of their premises internally and the properties in which operations are conducted are owned by Group companies. The amount for external rental agreements regarding premises, and normal leasing of office machinery and similar equipment, is insignificant.

**Group contributions and shareholder contributions in the Parent Company** have been reported in accordance with the principles recommended in a statement from the Financial Accounting Standards Council's Urgent Issues Committee. Accordingly, Group contributions are booked as equity and thus have no impact on Parent Company income.

Since the Parent Company's tax situation is such that considerable tax loss carryforwards remain to be utilized, the Group contributions reported directly against shareholders' equity in this manner have not been assigned any tax cost. Nor has tax been computed for the portion of Group contributions that gives rise to a deficit for tax purposes.

**Acquisition of ABV:** The goodwill totaling SEK 614 m. arising in connection with the merger with ABV in 1988 was written down directly against the premium in connection with the issue of new shares at that time. If this method had not been applied, the goodwill on this strategic acquisition would have been amortized over a period of 20 years.

No deferred tax is reported for the surplus value of the properties deriving from the merger with ABV. If this acquisition were to be reported in accordance with the Financial Accounting Standards Council's recommendation regarding consolidated accounts, which came into effect in 1992, it would have resulted in an increased deferred tax liability and an increased amount of goodwill.

If the ABV acquisition were reported in accordance with the main rule and not with the transitional rule stated in the Financial Accounting Standards Council's recommendation, the balance sheet effects at December 31, 1998 would have been an increase of SEK 543 m. (603) in reported goodwill, an increase of SEK 214 m. (221) in the reported deferred tax liability and an increase of SEK 328 m. (382) in reported shareholders' equity. The Group's net income for 1998 would have increased by SEK 53 m. (61), due to increases in amortization of goodwill by SEK 60 m. (60) and deferred tax revenues of SEK 7 m. (121). This corresponds to a negative amount of SEK 0.49 (pos: 0.56) per share.

**Siab acquisition:** The merger with Siab became effective on May 1, 1997 and Siab's income statement is included in the consolidated accounts as of that date.

**Pro forma accounts:** In order to illuminate the financial accounts of the new NCC after the merger with Siab, pro forma income statements and balance sheets are presented for 1996 and 1997. The Nordic subsidiaries are included in the pro forma accounts as of the date of acquisition applicable to each company.

The consolidated income statement for the new NCC is prepared as if the merger became effective on January 1, 1996 and the consolidated balance sheet for the new NCC is prepared on the basis of the balance sheets for NCC and Siab at December 31, 1996. In this context, adjustments were made in order to conform with the new percentage of completion accounting principles for building contractors.

## Exchange rates

Country	SEK	Currency	Average exchange rate			Year-end rate		
			1996	Jan-Dec 1997	1998	1996	Dec 31 1997	1998
Belgium	100	BEF	21.67	21.34	21.93	21.46	21.31	23.43
Cyprus	1	CYP	14.40	14.93	15.41	14.62	15.02	16.33
Denmark	100	DKK	115.72	115.61	118.81	115.55	115.45	127.15
Finland	100	FIM	146.13	147.14	148.92	147.95	145.30	159.18
The Netherlands	100	NLG	398.08	391.34	401.39	393.85	390.25	428.92
Norway	100	NOK	103.86	108.00	105.38	106.55	107.20	106.03
Great Britain	1	GBP	10.46	12.50	13.17	11.60	13.12	13.60
Germany	100	DEM	446.06	440.42	452.46	442.05	439.75	483.41

# Comments and notes

Amounts in SEK m., unless otherwise specified.

## NOTE 1 NET SALES

Operating sectors	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
<i>Construction operations</i>						
( <i>Parent Company</i> ):						
Invoicing for the year				10 306	10 277	17 605
Invoiced but not recognized as income on January 1				9 406	7 923	7 895
Invoiced but not recognized as income on January 1 (opening balance transferred from SIAB AB)						3 313
Less: Invoiced but not recognized as income on December 31				-7 923	-7 895	-13 951
Total revenues in construction operations				11 789	10 305	14 862
Civil Engineering	8 174	10 152	11 078	5 582	4 717	5 888
Housing			1 530	2 365	436	1 140
Building	10 329	14 540	17 603	6 431	5 300	8 060
Industry	2 188	2 491	2 998	619	554	863
Elimination	-1 513	-1 797	-2 123	-843	-702	-1 089
Total revenues in Construction Operations	19 178	26 916	31 921	11 789	10 305	14 862
<i>Real estate operations:</i>						
Rental revenues, etc	1 167	1 228	871			
Other invoicing			351	345		
Interest subsidies	53	55	15			
Total revenues in real estate operations	1 220	1 634	1 231			
Invest	1 843	1 339	1 486	1	1	1
Others and eliminations	-92	-308	-478	70	73	85
Total other revenues	1 751	1 031	1 008	71	74	86
Total net sales	22 149	29 581	34 160	11 860	10 379	14 948
<i>Geographic markets</i>						
Sweden	14 614	18 047	20 596	11 860	10 379	14 948
Denmark	1 583	4 056	4 363			
Finland	2 126	2 734	3 388			
Other EU countries	107	776	1 237			
Norway	2 788	3 221	4 100			
Eastern Europe	61	234	85			
Russia		222				
Middle East	809	34	19			
South America		88	87			
Rest of world	61	169	285			
Total net sales	22 149	29 581	34 160	11 860	10 379	14 948

## Intra-Group purchases and sales

Of the Parent Company total purchases and sales measured in terms of SEK, transactions with other Group companies accounted for 12 percent of purchases and 1.7 percent of sales.

## NOTE 2 PRODUCTION AND MANAGEMENT COSTS

	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Production and management costs, excl. property tax	-19 813	-26 573	-30 790	-10 916	-9 572	-13 703
Property tax	-43	-58	-42	-3	-1	-3
Total production and management costs	-19 856	-26 631	-30 832	-10 919	-9 573	-13 706

## NOTE 3 RESULT FROM SALES OF PROPERTIES

	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Sales value less sales expenses	527	6 227	2 566		17	48
Book value	-546	-6 301	-2 243		-15	-36
Result from sales of properties	-19	-74	323		2	12

## NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	1996		1997		1998	
	Real estate operations	Others	Real estate operations	Others	Real estate operations	Others
Dividend					20	1
Participation in results of associated companies	-1	-54	23	-9	37	-167
Capital gains/loss on sales of participations		8		-2		
Write-downs					-57	-2
Reversal of write-downs		6			10	
Total result from participations in associated companies	-1	-54	37	-11	10	-168

The amounts above include SEK 0.8 m. in earnings from associated companies. The equity accounting method is not used for these associated companies because they are of minor importance to providing an accurate picture.

Parent Company	1996		1997		1998	
	Real estate operations	Others	Real estate operations	Others	Real estate operations	Others
Dividend		2		3	6	4
Capital gains/loss on sales					195	
Write-down		-5		-154		-183
Reversal of write-downs		5				
Total result from participations in associated companies		2		-151	201	-179

## NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

Group	1996		1997		1998	
	Real estate managing Group companies	Others	Real estate managing Group companies	Others	Real estate managing Group companies	Others
Real estate managing Group companies					1	
Other Group companies					5	104
Total					5	105

## NOTE 6 OPERATING INCOME

Operating sectors	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Civil Engineering	-85	32	102	119	-11	62
Housing		32	23		-64	31
Building	61	78	214	57	-89	215
Industry	265	243	320	92	37	134
Construction operations	241	385	659	268	-127	442
Real Estate business area	547	477	879			
Invest	-34	57	-236	-11	-18	-29
Merger costs		-449			-415	
Others and eliminations	-195	-200	-201	-127	-57	-541
Total operating income/loss	559	270	1 101	130	-617	-128

Operating income includes depreciation in an amount of -548 -651 -678 -115 -120 -201

Income includes acquisition costs.

## NOTE 7 RESULT FROM SALES OF PARTICIPATIONS IN ASSOCIATED COMPANIES

Group	1996		1997		1998	
	Real estate operations	Others	Real estate operations	Others	Real estate operations	Others
Capital gains					173	21
Total					173	21

Amounts in SEK m., unless otherwise specified.

#### NOTE 8 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

Parent Company	1996		1997		1998	
	Real estate operations	Others	Real estate operations	Others	Real estate operations	Others
Dividend		4				630
Group contributions		245		213		
Capital gain/loss on sales	4		152	87		-1 018
Write-downs		-183		-47		-39
Reversal of write-downs		131				
Other		1				
Total result from participations in Group companies		202	152	253		-427

#### NOTE 12 INCOME AFTER FINANCIAL ITEMS

Operating sector	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Civil Engineering	73	122	159	302	117	209
Housing			22	8		-69
Building	122	125	252	113	-83	218
Industry	241	196	275	196	121	237
Construction operations	436	465	694	611	86	684
Real Estate business area		-4	-107	436		
Invest	-25	68	-229	38	-61	-196
Merger costs		-449			-415	
Others and eliminations	-196	-181	-171	-231	30	-1153
Total income/loss after net financial items	211	-204	730	418	-360	-665

Income includes acquisition costs.

#### NOTE 9 RESULT FROM OTHER FINANCIAL FIXED ASSETS

	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Dividends received		2	2			
Interest income, Group companies				4	2	18
Interest income, others	27	16	69	19	1	4
Exchange-rate differences		2				
Capital gain on sales		5	6		4	6
Write-downs		-2	-49		-1	-38
Total result from other financial fixed assets	27	23	28	23	6	-10

#### NOTE 13 INTANGIBLE FIXED ASSETS

	Group			Parent Company		
	Usu-fructs	Good-will	Other	Usu-fructs	Good-will	Other
On January 1	26	1 536	25		1	2
New acquisitions	1	15	1			
Divestment and scrappage	-1	-10	-1			-2
Reclassifications		-1				
Translation difference		7	2			
Closing accumulated acquisition value	26	1 547	27		1	
Opening depreciation according to plan	-5	-142	-13		-1	-2
Divestment and scrappage		8				2
Translation difference during the year		-2				
Depreciation according to plan during the year	-1	-98	-3			
Closing accumulated depreciation according to plan	-6	-234	-16		-1	
Closing planned residual value	20	1 313	11		0	0

#### NOTE 14 BUILDINGS AND LAND

	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Managed properties	10 905	8 526	7 557	55	51	70
Properties used in operations	450	488	479	152	165	177
Properties held for future development	958	1 248	1 114			
Total buildings and land	12 313	10 262	9 150	207	216	247

#### NOTE 11 INTEREST EXPENSE AND SIMILAR ITEMS

	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
Interest expense, Group companies				-38	-60	-66
Interest expense, others	-620	-688	-575	-41	-52	-83
Capitalization of interest expense	25	27	23			
Exchange-rate differences	27		-9	-22	4	-101
Total interest expense and similar items	-568	-661	-561	-101	-108	-250

Amounts in SEK m., unless otherwise specified.

#### NOTE 15 TANGIBLE FIXED ASSETS

Group	Managed properties	Properties used in operations	Properties held for future development	Machinery and Equipment	New construction in progress	Total
On January 1	11 315	668	1 831	4 430	863	19 107
New acquisitions	251	57	218	607	711	1 844
Divestment and scrappage	-1 570	-41	-128	-121	-539	-2 399
Reclassifications	269	-36	-324	-524	-97	-712
Translation difference	92	8	127	62	23	312
Closing accumulated acquisition value <sup>1)</sup>	10 357	656	1 724	4 454	961	18 152
Opening depreciation and write-downs	-2 830	-184	-583	-3 107	-7	-6 711
Through acquired companies			-7		-8	-15
Divestment and scrappage	90				71	161
Reclassifications	2	30	22	524	83	661
Translation difference during the year	-32	-1	-51	-32	23	-93
Reversal of write-downs	150		4			154
Depreciation and write-downs during the year	-221	-19	-2	-462		-704
Closing accumulated depreciation depreciation and write-downs <sup>2)</sup>	-2 841	-181	-610	-3 014	99	-6 547
Opening write-ups	41	4				45
Closing accumulated write-ups	41	4				45
Closing book value	7 557	479	1 114	1 440	1 060	11 650

1) The acquisition value includes capitalized interest in an amount of

157 2 159

2) Accumulated write-downs at year-end

-1 384 -404 -1 788

Tax assessment value

4 002 352 195 4 549

Parent Company	Managed properties	Properties used in operations	Properties held for future development	Machinery and Equipment	New construction in progress	Total
On January 1	60	209		1 219	1	1 489
New acquisitions		46		444	7	497
Divestment and scrappage		-27		-36		-63
Reclassifications	23			9	-1	31
Closing accumulated acquisition value	83	228		1 636	7	1 954
Opening depreciation according to plan	-9	-37		-953		-999
Divestment and scrappage				22		22
Depreciation according to plan during the year	-4			-190		-194
Closing accumulated depreciation according to plan	-13	-37		-1 121		-1 171
Opening write-ups					1	1
Closing accumulated write-ups					1	1
Opening write-downs of acquisition value		-7				-7
Write-downs during the year		-7				-7
Closing accumulated write-downs		-14				-14
Closing book value	70	177		515	8	770
Tax assessment value	5	219				224

Amounts in SEK m., unless otherwise specified.

#### NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	Registered number	Registered office	Shareholding, % <sup>1)</sup>	Number of Participations <sup>2)</sup>	Book value	Market value
<b>Real estate companies:</b>						
NCC Fastigheter AB	556080-5631	Solna	100	84	5 274	
Total participations in real estate companies					5 274	
<b>Other companies:</b>						
Alsite Utvecklings AB	556245-9452	Uppsala	100	16	2	
Ballast Nord AB	556109-8954	Umeå	100	1	6	
Ballast Stockholm AB	556078-3515	Stockholm	100	0	0	
Ballast Syd AB	556137-8893	Lund	100	3	5	
Ballast Väst AB	556181-6496	Gothenburg	100	3	19	
Ballast Öst AB	556063-6697	Linköping	100	8	3	
Bergnäsets Bygg & Industriservice AB	556393-2838	Luleå	100	1	6	
Binab i Stockholm AB	556050-6130	Solna	100	1	6	
Cressida, AB	556085-2468	Solna	100	100	10	
Fabriksbetong AB	556065-0599	Norrköping	100	2	7	
Flexi-Hus AB	556524-3390	Värgård	100	1	0	
Fricks A/S	154.466	Denmark	100	2	0	
Frsunda Exploatering KB	916636-6451	Stockholm	100	0	1	
Försäkrings AB Norden	516401-8151	Solna	100	500	74	
Hercules Grundläggning	556129-9800	Stockholm	100	196	59	
JCC Johnson Construction Company AB	556113-5251	Solna	100	1	0	
Jordskorpan Väst AB	556171-7058	Halmstad	100	10	1	
Kasper Höglund AB	556009-9433	Solna	100	11	1	
Kompri HB	916765-5738	Malmö	75	0	2	
Kvidinge Stenkross AB	556090-5332	Ästorp	100	5	4	
Lava Leasing AB	556308-2139	Solna	100	660	3	
Linder & Antonsson Byggnads AB	556099-5614	Gothenburg	100	1	2	
Luzern, AB	556336-4727	Lund	100	1	3	
Magenta Måleri AB	556174-4078	Uppsala	100	3	5	
Metodbyggen AB	556085-3243	Stockholm	100	2	3	
Mobileaspahlt SIA	0003 222 930	Latvia	60	1	1	
NCC Allemansfond AB	556136-3978	Solna	100	3	0	
NCC Bygg A/S	959 606 803	Norway	100	7	85	
NCC Egg-Henriksen A/S	911274426	Norway	100	11 731	841	
NCC Finans, AB	556223-6371	Solna	100	60	75	
NCC Industri Latvia SIA	40 003 250 537	Latvia	100	1	5	
NCC Industries AB	556001-8276	Solna	100	15	107	
NCC International AB	556033-5100	Solna	100	501	307	
NCC Invest BV	33263925	The Netherlands	100	0	58	
NCC Leasing Alfa AB	556522-7724	Solna	100	1	33	
NCC Nordic Construction Company AB	556065-8949	Solna	100	3 809	1 018	
NCC Polska Sp. Z.o.o.	851-10-27-240	Poland	100	65	10	
NCC Puolimatka OY	0988855-2	Finland	100	2	279	
NCC Rasmussen & Schiøtz A/S	A/S 212.887	Denmark	100	200	550	
NCC Reinsurance AG	020.3.003.243-9	Switzerland	100	3	77	
NCC Siab Immobilien GmbH	HRB 59164	Germany	100	0	71	
NCC Specialföretag AB	556144-6732	Solna	100	275	33	
NCC Treasury AB	556030-7091	Solna	100	120	17	
Nils P Lundh, AB	556062-7795	Malmö	100	1	0	
Nordic Invest Cyprus Ltd	40505	Cyprus	100	250	3	
Norske Siab A/S	918 355 367	Norway	100	5	1	
NVS Nordiska Värme Sana AB	556053-6194	Malmö	100	100	69	
Nybergs Entreprenad AB	556222-1845	Visby	100	1	12	
Oppunda Bygg AB	556174-2973	Norrköping	100	6	2	
Per Jacobsson Fastighets AB	556380-1231	Tjörn	100	1	1	
R.A.D i Sverige AB	556439-1307	Stockholm	90	20	5	
Renopipe AB	556305-1991	Solna	100	1	1	
Siab Trading AB	556104-9932	Stockholm	100	2	1	
Sundsvalls Ställnings AB	556077-3847	Sundsvall	100	0	8	
Svenska Fräs och Asfallsåtervinning AB	556214-7354	Märkaryd	80	4	7	
Umeå Markplanering AB	556195-2226	Umeå	100	2	1	
Westerholm & Co AB	556218-5396	Solna	100	1	1	
Total participations in other companies					3 904	
Total participations in Group companies					9 178	

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 210.

A complete specification may be ordered from NCC AB.

1) The shareholding corresponding to the voting rights for the total number of shares held

2) Number of shares in thousands

Amounts in SEK m., unless otherwise specified.

#### NOTE I7 PARTICIPATIONS IN ASSOCIATED COMPANIES

	Registered number	Registered office	Shareholding % <sup>1)</sup>	Number of Participation <sup>2)</sup>	Parent Company Book value	Group Book value	Market value
A-Train AB	556500-3745	Stockholm	44%	22 143	176	157	
Allgon GmbH	HRB 4923	Germany	50%			6	
Ankaret Invest SA	526.209	Belgium	50%	5 000		10	
Betonelement A/S	202.624	Denmark	50%			46	
Betongfabriken i Eskilstuna KB	969639-5145	Eskilstuna	67%	100		4	
Björnö Mark KB	916638-1419	Täby	50%		1	1	
Bovård i Sverige AB	556429-6126	Uppsala	40%			9	
Brustar One SA	540.886	Belgium	20%			-2	
Dalkarlen Byggnads AB	556329-5251	Norrköping	50%			1	
Ejendomsinteressentskabet Tuborg Nord B	225.802	Denmark	15%			39	
Fastighets AB Strömsstaden	556051-7202	Norrköping	32%	2	2	2	
Fastighets AB Vreten i Västerås	556417-3952	Västerås	33%			2	
Fastighetsbolaget Mulön AB	556541-4546	Luleå	48%		2	2	
Gräsloken nr 1 KB	916444-6586	Gothenburg	50%			20	
Gladökrossen HB	969615-7917	Uppsala	50%			4	
H-Tek Service i Eskilstuna AB	556453-3072	Eskilstuna	50%		4	4	
Holmenbyggarna Byggnads AB & Co KB	916693-1783	Norrköping	50%			53	
I/S Ejendommen Hylkedalsvej	229.142	Denmark	50%	1		3	
Interform AB	556132-2545	Vellinge	33%	1	2	2	
Junebyggen, Byggnads AB Pilten	916701-5651	Jönköping	50%			7	
Järnvägsparken HB	916618-3310	Norrsljöle	49%			8	
Kiruna Grus & Stenförädlning AB	556074-8237	Kiruna	45%			28	
Kvillebäcken i Göteborg nr 1 KB	916444-2403	Gothenburg	50%			3	
Kvillebäcken i Göteborg nr 2 KB	916559-4228	Gothenburg	50%			2	
Neptun Maritime, A-aktier	5916	Finland	33%	17 137	301	320	335
Neptun Maritime, K-aktier	5916	Finland	33%	3 386	112	86	86
Norrvikens Trädgårdar AB	556245-3356	Bästad	29%			4	
Norslundsfastigheter HB	916464-2309	Solna	67%			3	
Närkes Kross och Asfalsprodukter KB	916500-1372	Örebro	50%			1	
PG Skalnik Sp Z.O.O	657-02-36-197	Poland	45%	2		1	
Plovleje Aps	051.137	Denmark	25%			1	
Projektförmedling Nord A/S	191.726	Denmark	46%			4	
Rydlokrossen HB	916609-3956	Solna	50%			1	
Råstof og Genanvendelse Selskabet af 1990 A/S	197.776	Denmark	50%			71	
Scanstone GMBH	HRB 128	Germany	50%		1	1	
Sacione SA	A-48265169	Spain	31%	1 125		123	
Sollentuna Centrum Fastighets AB	556393-1046	Sollentuna	50%			-6	
Sonnengarten Glienick Gbr		Germany	50%			17	
Storvreta Centrum HB	916514-6029	Uppsala	50%			15	
Söderby Park Fastigheter HB	916630-4817	Stockholm	50%			19	
Sörmlands Asfalt och Krossprodukter KB	952000-1950	Örebro	50%			1	
Talter AS	10.114.029	Estonia	49%		3	4	
Tasfil Estland AS	1.054.972	Estonia	42%	1	2	3	
Trelleborgs Hammfront HB	916762-1938	Trelleborg	33%			2	
Uminova Fastighets AB	556269-4728	Umeå	50%			3	
Vasaterminalen AB	556118-8722	Stockholm	33%			402	
Vägmästarna i Bergslagen AB	556408-1437	Vansbro	33%	3	3	3	
Västerbottens Byggbetong AB	556072-7876	Umeå	37%	30	5	6	
Återvinna i Sverige AB	556560-7883	Stockholm	25%	20	1	1	
Östhammarskrossen KB	916673-1365	Uppsala	50%			1	
Other, 83 <sup>3)</sup>						2	
Group participations in associated companies					615	1 500	

Undistributed accumulated participations in the income of associated companies is deposited in an equity participation reserve, which is part of the Group's hidden reserves.

The equity participation reserve for directly owned associated companies amounts to SEK -108 m.

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

2) Number of shares in thousands.

3) Including companies consolidated in the balance sheet and income statement in accordance with the proportional method.

A complete specification may be ordered from NCC AB.

Amounts in SEK m., unless otherwise specified.

#### NOTE 18 FINANCIAL FIXED ASSETS

Group	Participations in associated companies	Receivables associated companies	Other longterm securities	Other receivables	Total
Acquisition value on January 1	2 689	154	132	1 315	4 290
Assets added	761	215	568	93	1 637
Assets removed	-1 627	-1	-46	-262	-1 936
Closing accumulated acquisition value	1 823	368	654	1 146	3 991
Opening write-downs of acquisition value	-589		-10		-599
Assets removed	475				475
Write-downs during the year	-148				-196
Reversal of write-downs	10		-48		10
Reclassifications	-65		-6		-71
Translation difference during the year	-6				-6
Closing accumulated write-downs	-323		-64		-387
Closing book value	1 500	368	590	1 146	3 604

#### The securities above include listed shares:

	Book value	Market value
BPA, Series A shares	22	45
BPA, Series B shares	16	36
BPA, warrants	1	12
Hufvudstaden, Series A shares	443	349
Realia Fastighets AB	28	15
OM-Gruppen	3	3
Other unlisted shares	77	
Total value of these shares	590	460

Parent Company	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables associated companies	Other longterm securities	Other receivables	Total
Opening acquisition value	11 477	554	1 164	67	46	53	13 361
Assets added	3	446	197	87	499		1 232
Assets removed	-1 833		-495		-37	-45	-2 410
Closing accumulated acquisition value	9 647	1 000	866	154	508	8	12 183
Opening write-downs of acquisition value	-424		-388		-5		-817
Assets removed			319				319
Write-downs during the year	-45		-182		-42		-269
Closing accumulated write-downs	-469		-251		-47		-767
Closing book value	9 178	1 000	615	154	461	8	11 416

#### NOTE 19 PROPERTIES HELD FOR FUTURE DEVELOPMENT

	Group		Parent Company			
	1996	1997	1998	1996	1997	1998
Properties held for future development, buildings and land	288	802	1 075	227	393	397
Ongoing investments in properties held for future development	84	97	79			
Total properties held for future development	372	899	1 154	227	393	397
<i>Buildings and land</i>						
On January 1	299	811		237	395	
New acquisitions	805	528		178	142	
Divestment and scrappage	-260	-275		-20	-114	
Reclassifications	-12	-23			-23	
Translation difference	-21	42				
Closing accumulated acquisition value <sup>1)</sup>	811	1 083		395	400	
Opening depreciations and write-downs	-7	-9		-5	-2	
Divestment and scrappage	23	2		3		
Through acquired companies	-27	-1			-1	
Translation difference during the year	2					
Closing accumulated depreciation and write-downs <sup>2)</sup>	-9	-8		-2	-3	
Closing planned residual value	802	1075		393	397	

1) Acquisition values include capitalized interest in an amount of

6

2) Accumulated write-downs at year-end

-5

-5

Tax assessment value

263

289

233

255

#### NOTE 21 SHARE CAPITAL

The share capital is divided into 108,435,822 shares with a par value of SEK 25 each.

Distributed as follows by class of shares:

	Series A shares	Series B shares	Total
Unrestricted	63,111,682	45,324,140	108,435,822

Each Series A share entitles the holder to ten votes and each Series B share to one vote.

#### NOT 22 SHAREHOLDERS' EQUITY

Group	Restricted equity		Unrestricted equity	
	Share capital	Restricted reserves	Unrestricted reserves	Net income/loss
Balance on Dec 31, 1997	2 711	4 914	1 785	-173
Transfer between unrestricted and restricted capital		382	382	
Dividend			-163	
Translation differences, etc.		153	-99	
Other profit allocations			-173	173
Net income/loss for the year			543	
Closing balance on Dec 31, 1998	2 711	5 449	968	543

Parent Company	Restricted equity		Unrestricted equity		
	Share capital	Legal reserve	Premium reserve	Retained earnings	Net income/loss
Balance on Dec 31, 1997	2 711	1 639	1 751	2 477	-375
Change in accounting principles <sup>1)</sup>				-200	200
Total	2 711	1 639	1 751	2 277	-175
Dividend				-163	
Other profit allocations				-175	175
Group contributions granted				-131	
Net income/loss for the year					-667
Closing balance on Dec 31, 1998	2 711	1 639	1 751	1 808	-667

1) In accordance with a statement from the Financial Accounting Standards Council's Urgent Issues Committee. See the Reporting of Group contributions section of the accounting principles, pages 60–62.

#### NOTE 20 MATERIALS- AND INVENTORIES

	Group		Parent Company			
	1996	1997	1998	1996	1997	1998
Crushed products	151	179	188			
Building materials	200	218	209			
Other	50	56	31	14	20	31
Total materials and inventories	401	453	428	14	20	31

Amounts in SEK m., unless otherwise specified.

#### NOTE 23 UNTAXED RESERVES AND APPROPRIATIONS

Parent Company	Untaxed reserves			Appropriations		
	1996	1997	1998	1996	1997	1998
Accumulated depreciation in excess of plan						
- buildings and land	23	21	20	1	2	1
- machinery and equipment	31	1	1	-29	30	
Foreign exchange reserve		4			-4	4
Reserve for obsolescence in work in progress	154	1	1	-150	153	
Total untaxed reserves and appropriations	208	27	22	-178	181	5

#### NOTE 24 PROVISIONS FOR PENSIONS

Group	Parent Company					
	1996	1997	1998	1996	1997	1998
Provisions for FPG/PRI pensions	654	1 186	1 298	630	1 160	1 272
Provisions for other pensions	48	86	58	4	44	21
Total provisions for pensions	702	1 272	1 356	634	1 204	1 293

#### NOTE 25 PROVISIONS FOR TAXES AND TAXES ON NET INCOME FOR THE YEAR

Group	Parent Company					
	1996	1997	1998	1996	1997	1998
Deferred tax due to different principles for computing revenues from contracting assignments when reported by the Group and by other legal entities in the Group						
Other taxes	170	294	445			
Other taxes	438	-117	-111			
Total provisions for taxes	608	177	334			
Group	Parent Company					
	1996	1997	1998	1996	1997	1998
Swedish income tax	-4	-6	-8			
Foreign tax	-5	-12	-23		4	-7
Total Group tax, excl. deferred tax and shares in associated companies	-9	-18	-31		4	-7
Deferred tax	-39	74	-140			
Shares in taxes of associated companies	1	-21	-13			
Total tax on net income for the year	-47	35	-184		4	-7

#### NOTE 26 OTHER PROVISIONS

Group	Parent Company					
	1996	1997	1998	1996	1997	1998
Guarantees	145	206	191	31	24	91
Other provisions	369	588	460	51	145	71
Total other provisions	514	794	651	82	169	162

#### NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS

Group	Parent Company					
	1996	1997	1998	1996	1997	1998
Overdraft facility (Limit)	59	48	22	10		14
			(248)	(30)		(14)
Other liabilities to credit institutions	7 875	7 368	6 716	60	54	52
Total liabilities to credit institutions	7 934	7 416	6 738	70	54	66
Pledged collateral	4 214	4 384	2 775	200	61	57

#### NOTE 28 INTEREST-BEARING LIABILITIES

Group	1996			1997			1998		
	Amount	SEK m.	SEK m.						
Current interest-bearing liabilities	3 971			4 383			4 801		
Long-term interest-bearing liabilities	4 075			3 343			2 260		
Provisions for pensions	658			1 230			1 320		
Total interest-bearing liabilities	8 704			8 956			8 381		

Currency	1996			1997			1998		
	Amount	SEK m.	SEK m.						
Swedish kronor	MSEK	5 049	5 049	4 837	4 837	4 069	4 069	4 069	
Pounds sterling	MGBP	30	352	41	537	28	382		
German marks	MDEM	65	287	124	544	247	1 196		
Norwegian kronor	MNOK	1 261	1 344	1 048	1 124	451	478		
Danish kronor	MDKK	912	1 054	727	842	638	811		
Belgian francs	MBEF	2 055	441	2 222	475	2 715	636		
Finnish mark	MFIM	120	177	379	551	459	730		
Other currencies					46		79		
Total		8 704			8 956		8 381		
Of which, current liabilities		3 971			4 383		4 801		
Total long-term liabilities		4 733			4 573		3 580		
Repayment plan	1998		1 814	1999	1 407	2000	823		
			534		2000	828	2001	743	
			634		2001	633	2002	93	
			403		2002	109	2003	334	
			1 348	2003-	1 596	2004-	1 587		
Total long-term liabilities		4 733			4 573		3 580		

#### NOTE 29 WORK IN PROGRESS ON THE ACCOUNT OF OTHERS

Parent Company	1996			1997			1998		
	Invoiced sales			Costs incurred			Total work in progress on the account of others		
	7 923			7 895			13 951		
	-6 322			-6 436			-11 850		
	1 601			1 459			2 101		

#### NOTE 30 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

Pledged collateral	Group			Parent Company		
	1996	1997	1998	1996	1997	1998
<b>Pledged collateral</b>						
<i>For own liabilities:</i>						
Property mortgages	3 951	3 822	1 975	12	10	10
Chattel mortgages	4	93	448			
Shares in subsidiaries	133			133		
Assets with attached liens	91	127	55	55	51	47
Restricted bank deposits	35	342	297			
Total	4 214	4 384	2 775	200	61	57
<i>Other pledged collateral:</i>						
Shares in associated companies	87	247	158	87	87	176
Total	87	247	158	87	87	176
Total pledged collateral	4 301	4 631	2 933	287	148	233
<b>Contingent liabilities</b>						
<i>Own contingent liabilities:</i>						
Guarantees on behalf of Group companies				7635	7 937	9 166
Other guarantee and contingent liabilities	1 017	1 102	1 422	747	329	669
<i>Held jointly with other companies:</i>						
Liabilities in partnerships and limited partnership	1 546	2 182	2 927	231	133	165
Total contingent liabilities	2 563	3 284	4 349	8 613	8 399	10 000

1) The item other guarantees and contingent liabilities includes SEK 158 m. relating to the negative effects of a reassessment by the tax authorities of NCC's income tax returns for 1997. The authorities rejected a capital loss of SEK 565 m. on sales of shares. The increased taxable amount corresponds to a tax demand of SEK 158 m. NCC is of the opinion that the tax authorities will be unable to pursue this matter successfully in a court of law.

Amounts in SEK m., unless otherwise specified.

#### NOTE 31 AVERAGE NUMBER OF EMPLOYEES

	1996		1997		1998	
	Total number of employee	Of whom men	Total number of employee	Of whom men	Total number of employee	Of whom men
<b>Parent Company</b>						
Sweden	8 399	7 910	10 261	9 666	11 202	10 521
<b>Subsidiaries</b>						
Sweden	2 915	2 581	3 399	3 019	2 991	2 618
Belgium	10	6	10	6	10	7
Costa Rica			9	9	3	3
Denmark	1 254	1 183	2 639	572	2 648	2 398
Estonia					14	10
Finland	1 437	1 250	1 634	1 422	1 814	1 597
India	581	581	16	16		
Latvia			16	15	93	92
Lithuania					45	43
The Nederlands	1	1	1	1		
Norway	1 266	1 137	1 601	1 488	2 059	1 971
Poland	7	4	48	43	51	45
Russia	22	16	19	18	166	144
Saudi Arabia	58	58	38	38	14	14
United Kingdom	5	3	2	1		
Germany			580	580	525	466
Hungary	9	6	10	8	9	6
<b>Total in subsidiaries</b>	<b>7 565</b>	<b>6 825</b>	<b>10 022</b>	<b>7 235</b>	<b>10 443</b>	<b>9 414</b>
<b>Group total</b>	<b>15 964</b>	<b>14 735</b>	<b>20 283</b>	<b>16 901</b>	<b>21 645</b>	<b>19 935</b>

#### NOTE 32 WAGES, SALARIES AND OTHER REMUNERATIONS

Wages, salaries and other remuneration by country and distributed among Board of Directors and presidents and other employees	1996			1997			1998		
	Board of Directors and presidents (of which bonuses)	Other employees	Total	Board of Directors and presidents (of which bonuses)	Other employees	Total	Board of Directors and presidents (of which bonuses)	Other employees	Total
<b>Parent Company</b>									
Sweden	8	1 881	1 889	6	2 590	2 596	9	3 362	3 371
<b>Total in Parent Company (of which bonuses)</b>	<b>8</b>	<b>1 881</b>	<b>1 889</b>	<b>6</b>	<b>2 590</b>	<b>2 596</b>	<b>9</b>	<b>3 362</b>	<b>3 371</b>
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)
<b>Subsidiaries</b>									
Sweden (of which bonuses)			14	805	819	13	733	746	
(of which bonuses)			(1)	3	(1)	(1)	(1)	(1)	(1)
Belgium			1	3	4	1	3	4	
Costa Rica								3	3
Denmark			12	891	903	20	1 076	1 096	
Finland			4	370	374	5	455	460	
Estonia							2	2	2
India				3	3			6	6
Latvia							2	2	2
Lithuania									
The Netherlands			1	1					
Norway			5	560	565	5	591	596	
Poland				6	6	1	5	6	
Russia				9	9	7	7	7	
Saudi Arabia				6	6	3	3	3	
United Kingdom				1	1				
Germany (of which bonuses)			3	123	126	3	133	136	
Hungary			(2)	3	(2)	(1)			(1)
<b>Total in subsidiaries (of which bonuses)</b>			40	2 780	2 820	48	3 019	3 067	
			(3)	(3)	(2)	(2)		(2)	
<b>Group total (of which bonuses)</b>			46	5 370	5 416	57	6 381	6 438	
			(4)	(4)	(4)	(4)		(4)	
	1996			1997			1998		
	Wages, salaries and other remuneration	Social security expenses	Wages, salaries and other remuneration	Social security expenses	Of which pensions costs*	Wages, salaries and other remuneration	Social security expenses	Of which pensions costs*	
Wages, salaries, other remuneration and social security expenses									
Parent Company	1 889	887	2 596	1 089	152	3 371	1 479	177	
Subsidiaries	1 231	516	2 820	666	184	3 067	647	166	
<b>Group total</b>	<b>3 120</b>	<b>1 403</b>	<b>5 416</b>	<b>1 755</b>	<b>336</b>	<b>6 438</b>	<b>2 126</b>	<b>343</b>	

\* Of the Parent Company's pensions costs, the Board of Directors and President category accounts for SEK 2 m. (2). The Company's outstanding pension commitments to these persons amounts to SEK 47 m. (46). The stated pension costs are reported net after compensation from the pension foundation. Of the Group's pensions costs, Boards of Directors and Presidents account for SEK 6 m. (7). The Group's outstanding pension commitments to these persons amounts to SEK 48 m. (47). The stated pension costs are reported net after compensation from the pension foundation.

#### Senior executives — employment conditions and remuneration

The President of the Company is subject to a one-year period of notice and will receive two years of severance payment, payable if employment is terminated by the employer. The payment is adjustable against remuneration received in the form of a salary or otherwise from a new employer, should the President terminate his employment. A temporary pension is payable between age 55 and 60, in an amount of 50 percent of the most recently paid salary and between age 60 and 65 in an amount of 60 percent, if employment is terminated by the President, and of 70 percent if employment is terminated by the Company. As of age 65, customary old-age pension corresponding to the ITP plan (individual supplementary pension) is payable, as well as a life-long pension with a current capital value of SEK 1.3 m.

The contracted retirement age for vice presidents is 60, with a three-year period of notice. There are no agreements regarding severance pay. Other members of Group Management may retire at the age of 60, are subject to a one-year period of notice and generally receive 1.5 years of severance payment, payable if employment is terminated by the employer.

Remuneration to the President and members of Group Management is determined by the Board following a proposal from the Board's Compensation Committee, which consists of Jan Ekman, Hans Larsson and Bernt Magnusson.

During 1998, the Chairman received the Board fees shown below and a pension.

During 1998, the President received remuneration and benefits from the Company in an amount of SEK 4,259,000, including a bonus of SEK 700,000 for 1997. The bonus for 1998 will be established following approval of the financial accounts for that year.

As approved by the Annual General Meeting in 1998, the Board received fees of SEK 1,475,000, which was paid in 1999. The corresponding amount approved by the 1997 Annual General Meeting was SEK 1,226,000. During 1998, SEK 225,000 was paid to the Chairman of the Board. The external Board members, who are also members of business area boards, received remuneration of SEK 7,000 for each business area board meeting attended.

# Proposed disposition of unappropriated earnings

The Group's unrestricted shareholders' equity amounts to SEK 1 511 m. It is proposed that no transfers be made to restricted shareholders' equity. The Board of Directors and the President propose that the funds at the disposal of the Annual General Meeting:

• earnings retained from			
previous year (see note 22)	SEK 1 808 064 117		
• net loss for the year	SEK -667 099 707		
	SEK 1 140 964 410		

The Board has decided to liquidate the shareholdings in Neptun Maritime and Hufvudstaden, through either a sale in the market or a spin-off to NCC's shareholders. Accordingly, the Board may supplement its proposal to the Annual General Meeting regarding the disposition of unappropriated earnings.

be disposed as follows:

• dividend to shareholders			
SEK 2.50 per share	SEK 271 089 555		
• to be carried forward	SEK 869 874 855		
	SEK 1 140 964 410		

The Board has also decided to propose that the Annual General Meeting approve a reduction in the premium reserve by the entire amount of SEK 1,751,275,914 through a transfer to unrestricted shareholders' equity.

Solna, February 24, 1999

BERNT MAGNUSSON

FREDRIK LUNDBERG	HANS LARSSON	ULRIC VON ROSEN	LARS BERGQVIST
JAN EKMAN	JACOB PALMSTIerna	CARL WILHELM ROS	PER WELIN
MARCUS STORCH	JONTE SÖDERSTRÖM	KOSTI MARKKANEN	JAN SJÖQVIST <i>President and CEO</i>

## Auditor's report

To the general meeting of the shareholders of NCC AB.  
Registered Number 556034-5174

We have audited the annual report and the consolidated financial statements and accounts and the administration of the Board of Directors and the President of NCC AB for 1998. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of

any Board Member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below. In our opinion, the Parent Company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend

- that the income statements and the balance sheets of the Parent Company and the Group be adopted, and
- that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report.

In our opinion, the Board Members and the President have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

- that the Members of the Board of Directors and the President be discharged from personal liability for the financial year.

Solna, March 8, 1999

THOMAS JANSSON  
*Authorized Public Accountant*

WILLARD MÖLLER  
*Authorized Public Accountant*

○ Elected by the Annual General Meeting

---

**BERNT MAGNUSSON**

Born 1941

Member and Chairman of the NCC AB Board. Member since 1985, Chairman since 1991. Chairman of Swedish Match AB and the Swedish Industry and Commerce Tax Delegation. Deputy Chairman of Avesta Sheffield AB, Net Insight AB and the Stockholm Chamber of Commerce. Board member of Burmah Castrol plc, Neptun Maritime Abp, Emtinga International AB, Höganäs AB, ICB Shipping AB, MeritaNordbanken Abp and the Federation of Swedish Industries. Adviser to the European Bank for Reconstruction and Development.

*Shareholding in NCC AB: 186,838 series B shares.*

**FREDRIK LUNDBERG**

Born 1951

President and Chief Executive Officer of L E Lundbergföretagen AB. Deputy Chairman of NCC AB Board since 1997. Chairman of Mo och Domsjö AB, Cardo AB and Hufvudstaden AB. Board member of L E Lundbergföretagen AB and Bilia AB.

*Shareholding in NCC AB: 301,540 series A shares and 74,464 series B shares (via private companies).*

**HANS LARSSON**

Born 1942

President of Nordstjernan AB. NCC Board member since 1992. Deputy Chairman since 1994. Chairman of Althin Medical AB and Nobia AB. Board member of Bilia AB, BTL AB, Handelsbanken AB and Mo och Domsjö AB, among other companies.

*Shareholding in NCC AB: 25,000 series B shares.*

**ULRIC VON ROSEN**

Born 1944

Chairman of the Axel and Margaret Ax:son Johnson Foundation and AB Sangtec Medical. Board member of Nordstjernan AB. NCC Board member since 1997.

*Shareholding in NCC AB: 3,000 series A shares.*

**JAN EKMAN**

Born 1929

Bank executive. Deputy Chairman of Handelsbanken. NCC Board member since 1985. Chairman of WMI Sellbergs AB and SAKAB. Board member of Catella AB and INGKA Holding BV, Amsterdam, among other companies. Member of the Advisory Panel of the International Finance Corporation (IFC), Washington.

*Shareholding in NCC AB: 16,000 series B shares.*

**JACOB PALMSTIerna**

Born 1934

NCC Board member since 1991. Chairman of Bilia AB and Siemens Elema AB. Deputy Chairman of MeritaNordbanken Abp. Board member of Avesta Sheffield AB, ICB Shipping and Nordstjernan AB, among other companies.

*Shareholding in NCC AB: 470 series B shares.*

**CARL WILHELM ROS**

Born 1941

First Vice President, Telefonaktiebolaget LM Ericsson. NCC Board member since 1994. Board member of Allmäna Pensionsfonden, fjärde fondstyrelsen, LKAB and VLT AB, among other companies.

*Shareholding in NCC AB: 1,000 series B shares.*

**PER WELIN**

Born 1936

NCC Board member since 1997. Chairman of L E Lundbergföretagen AB. Board member of Allgon AB, Autoliv AB, Mo och Domsjö AB and Östgöta Enskilda Bank, among other companies.

*Shareholding in NCC AB: 5,000 series A shares (via private companies).*

**JAN SJÖQVIST**

Born 1948

President of NCC AB. NCC Board member since 1994. Board member of StoraEnso, Hufvudstaden AB and Neptun Maritime Abp.

*Shareholding in NCC AB: 60,089 series B shares.*

*Warrants in NCC AB: corresponding to 50,000 series B shares.*

**MARCUS STORCH**

Born 1942

NCC Board member since 1998. Chairman of ConNova AB, among other companies. Board member of Dagens Industri AB, Hemköpsskedjan AB, Axel Johnson AB, the Nobel Foundation, Nordstjernan AB and the Stockholm Stock Exchange Ltd.

## ○ Appointed by employee organizations



**LARS BERGQVIST**  
Born 1951  
Employee representative for the Swedish Association of Supervisors. NCC Board member since 1991.  
Deputy Chairman of the Swedish Association of Supervisors.  
*Shareholding in NCC AB: 1,251 series A and 78 series B shares.*



**JONTE SÖDERSTRÖM**  
Born 1965  
Employee representative of the Swedish Building Workers' Union. NCC Board member since 1994.  
Member of the executive council of the Swedish Building Workers' Union.

## ○ Deputy members



**KARL-OLOF FRANSSON**  
Born 1941  
Employee representative for SEKO (union for employees in the service and communication sectors). Deputy NCC Board member since 1993.  
Chairman of SEKO's road and rail department in southeast Sweden.  
*Shareholding in NCC AB: 100 series B shares.*



**KOSTI MARKKANEN**  
Born 1938  
Representative of the Swedish Building Workers' Union. NCC Board member since 1996.  
Member of Department 2 (in Malmö) of the Swedish Building Workers' Union.  
*Shareholding in NCC AB: 115 series A shares.*



**MARKUS HELLEBERG**  
Born 1954  
Employee representative of the Swedish Metal Workers' Union. Deputy NCC Board member since 1998.



**MARITA MANNERFJORD**  
Born 1944  
Employee representative for Sifo (the Swedish Industrial Salaried Employees' Association). Deputy NCC Board member since 1998.  
Member of Sifo's Industry Delegation No. 3.  
*Shareholding in NCC AB: 100 series B shares.*

## ○ Secretary



**ULF WALLIN**  
Born 1949  
Senior legal counsel in NCC AB.  
NCC AB's Board Secretary since 1996.  
*Warrants in NCC AB: corresponding to 2,000 series B shares.*

## ○ Auditors

### Regular Auditors

**THOMAS JANSSON**  
Authorized Public Accountant.  
KPMG Bohlins AB.  
Auditor of NCC since 1998.  
Formerly, deputy auditor of NCC since 1991.

**WILLARD MÖLLER**  
Authorized Public Accountant.  
SET Revisionsbyrå AB.  
Auditor of NCC since 1991.

### Deputy Auditors

**CARL LINDGREN**  
Authorized Public Accountant.  
KPMG Bohlins AB.  
Deputy auditor of NCC since 1998.

**STEFAN ANDERSSON**  
Authorized Public Accountant.  
SET Revisionsbyrå AB.  
Deputy auditor of NCC since 1991.

### Nomination Committee

The Board has decided to propose the establishment of a nomination committee to present proposals to the Annual General Meeting regarding the election of Board members and auditors, and the fees to be paid to these.

**JAN SJÖQVIST**

Born 1948  
President and Chief Executive Officer.  
Employed since 1985.  
Other data: see page 72.

**LARS WUOPIO**

Born 1939  
President of Civil Engineering business area.  
Employed since 1987.  
Chairman of the Board of the Swedish Construction Federation. Chairman of KTH Byggnaskap.  
*Shareholding in NCC AB: 2,857 series A shares.*  
*Warrants in NCC AB: corresponding to 25,000 series B shares.*

**LENNART ERIKSSON**

Born 1942  
President of Housing business area.  
Employed since 1964.  
Chairman of the Board of SBUF.

**KENNETH ORRGREN**

Born 1942  
President of Building business area.  
Employed since 1967.  
Board member of AB Previa Rikshälsan, Section Board I at the Chalmers Institute of Technology and the Western Sweden Chamber of Commerce.  
*Shareholding in NCC AB: 2,100 series B shares.*  
*Warrants in NCC AB: corresponding to 20,000 series B shares.*

**HANS KJELLGREN**

Born 1944  
President of Industry business area.  
Employed since 1964.  
Board member of the Employers' Association of Swedish Building Material Manufacturers and EAPA.  
*Warrants in NCC AB: corresponding to 35,000 series B shares.*

**MAGNUS MANNESON**

Born 1952  
President of Real Estate business area.  
Employed since 1977.  
Board member of NK Cityfastigheter AB, Vasaterminalen AB and Sollentuna Centrum AB.  
*Shareholding in NCC AB: 2,000 series B shares.*  
*Warrants in NCC AB: corresponding to 35,000 series B shares.*

**TOMMY NILSSON**

Born 1944  
President of Invest business area.  
Employed since 1968.  
Board member of BPA AB, Neptun Maritime Abp and A-Train AB.  
*Warrants in NCC AB: corresponding to 35,000 series B shares.*

**HANS ENGBRETSSEN**

Born 1944  
Environment and Quality.  
Employed since 1979.  
Board member of A-Train AB.  
*Shareholding in NCC AB: 8,000 series B shares.*

**GUNNAR LILJESTRÖM**

Born 1943  
Personnel and Legal Affairs.  
Employed since 1974.  
*Shareholding in NCC AB: 6,500 series B shares.*  
*Warrants in NCC AB: corresponding to 35,000 series B shares.*

**BO FRIBERG**

Born 1957  
Business Control and IT.  
Employed since 1988.  
Board member of Eldon AB.

**HANS-OLOF KARLSSON**

Born 1946  
Corporate Communications.  
Employed since 1989.  
Board member of Byggförlaget.  
*Shareholding in NCC AB: 1,000 series B shares.*  
*Warrants in NCC AB: corresponding to 10,000 series B shares.*

**STAFFAN BENNERDT**

Born 1954  
Finance  
Employed since 1985.  
Chairman of the Board of Industrins Finansförening.  
*Warrants in NCC AB: corresponding to 10,000 series B shares.*

**LENNART APLEBERGER**

Born 1943  
NCC Technology and R&D.  
Employed since 1968.  
Chairman of Section Board V at the Chalmers Institute of Technology.  
*Shareholding in NCC AB: 380 series A and 56 series B shares.*  
*Warrants in NCC AB: corresponding to 6,000 series B shares.*

**LARS WIRDEMARK**

Born 1938  
SEC alliance and EU matters.  
Employed since 1964.  
Chairman of the Board of A-Train AB.  
Boardmember of Société Européenne de Construction S.A. and the INS Alliance.  
*Warrants in NCC AB: corresponding to 10,000 series B shares.*

**KLAS FRISK**

Born 1957  
Purchasing  
Employed since 1997.

# ADDRESSES

## NCC AB

S-170 80 Solna  
Visit: Vallgatan 3  
Tel: +46 8 655 20 00  
Fax: +46 8 85 77 75  
E-mail: info@ncc.se

## NCC Treasury AB

S-170 80 Solna  
Visit: Vallgatan 3  
Tel: +46 8 655 20 54  
Fax: +46 8 624 23 33

## Försäkrings AB Norden

c/o NCC AB  
S-170 80 Solna  
Visit: Vallgatan 3  
Tel: +46 8 655 20 00  
Fax: +46 8 624 09 09

## NCC Re AG

P.O. Box 4558  
CH-8022 Zürich  
Switzerland  
Visit: Schipfe 2  
Tel: +41 1 226 5555  
Fax: +41 1 226 5565

## NCC TECHNOLOGY

**Gothenburg**  
S-405 14 Gothenburg  
Tel: 031-771 50 00  
Fax: 031-15 11 88

### Malmö

S-205 47 Malmö  
Thomsons väg 40  
Tel: 040-31 70 00  
Fax: 040-21 67 02

### Stockholm

S-115 86 Stockholm  
Tegeluddsvägen 21  
Tel: 08-782 00 00  
Fax: 08-663 34 03

## SUBSIDIARIES

### NCC Eeg-Henriksen AS

P.B 454, Sentrum  
NO-0104 Oslo  
Norway  
Tel: +47 22 98 68 00  
Fax: +47 22 11 45 49

### NCC Puolimatka Oy

Jönsaksentie 4  
FIN-01600 Vantaa  
Tel: +358 9 507 51  
Fax: +358 9 507 5262

### NCC Rasmussen & Schiøtz A/S

Datavej 24  
DK-3460 Birkerød  
Tel: +45 45 82 66 00  
Fax: +45 45 82 66 90

## NCC Siab Bau GmbH

Trebuser Strasse 47  
DE-15517 Fürstenwalde  
Tel: +49 3361 6700  
Fax: +49 3361 670 457

## NCC Siab Immobilien GmbH

Fasanenstrasse 81  
DE-10623 Berlin  
Tel: +49 30 3186 410  
Fax: +49 30 3186 4122

## NCC Polska

Ul. Fabryczna 15/22  
00-446 Warsaw, Poland  
Tel: +48-22 628 4956  
Fax: +48 22 628 4956

## NCC CIVIL ENGINEERING

S-170 80 Solna  
Visit: Vallgatan 3  
Tel: +46-8-655 20 00  
Fax: +46-8-624 05 19

## NCC International

S-170 80 Solna  
Visit: Vallgatan 3  
Tel: +46-8-655 20 00  
Fax: +46-8-624 00 14

### Regional offices:

#### Northern Norrland

Box 803  
S-971 25 Luleå  
Visit: Ålgatan 17 B  
Tel: +46-920-734 00  
Fax: +46-920-22 34 65

#### Southern Norrland

Box 704  
S-851 21 Sundsvall  
Visit: Erstagatan 2  
Tel: +46-60-16 16 00  
Fax: +46-60-61 04 45

#### Stockholm

S-112 89 Stockholm  
Visit: Strandbergsgatan 61  
Tel: +46-8-13 63 00  
Fax: +46-8-13 66 00

#### Central

Box 1433  
S-701 14 Örebro  
Visit: Slöjdgatan 8  
Tel: +46-19-17 75 00  
Fax: +46-19-18 31 70

#### Eatern

Box 1061  
S-551 10 Jönköping  
Visit: Klubbhusgatan 15  
Tel: +46-36-30 16 00  
Fax: +46-36-30 16 95

#### Western

S-405 14 Gothenburg  
Visit: Järnvågsgatan 3  
Tel: +46-31-771 50 00  
Fax: +46-31-15 84 28

## Southern Region

S-205 47 Malmö  
Visit: Thomsons väg 40  
Tel: +46-40-31 70 00  
Fax: +46-40-94 67 13

### Subsidiaries:

#### Hercules

**Grundläggning AB**  
Box 1283  
S-164 28 Kista  
Visit: Torshamngatan 39  
Tel: +46-8-750 33 00  
Fax: +46-8-750 60 57

## South

S-205 47 Malmö  
Visit: Thomsons väg 40  
Tel: +46-40-31 70 00  
Fax: +46-40-31 71 07

### Subsidiaries:

#### Flexihus AB

Box 119  
S-447 23 Vårgårda  
Tel: +46-322-258 70  
Fax: +46-322-215 20

## NCC BUILDING

S-405 14 Gothenburg  
Visit: Gullbergs Strandgata 2  
Tel: +46-31-771 50 00  
Fax: +46-31-15 30 49

### Regional offices:

#### Luleå

Box 803  
S-971 25 Luleå  
Visit: Ålgatan 17 B  
Tel: +46-920-734 00  
Fax: +46-920-22 34 65

#### Umeå

Löpvägen 3  
S-906 20 Umeå<sup>1</sup>  
Visit: Tegeluddsvägen 31  
Tel: +46-90-16 80 00  
Fax: +46-90-17 29 36

#### Sundsvall

Box 704  
S-851 21 Sundsvall  
Visit: Erstavägen 4  
Tel: +46-60-16 16 00  
Fax: +46-60-61 28 41

#### Karlstad

Box 96  
S-651 03 Karlstad  
Visit: Elverumsgatan 7  
Tel: +46-54-17 08 00  
Fax: +46-54-85 49 73

#### Uppsala

Box 486  
S-751 06 Uppsala  
Visit: Fålhagsleden 51  
Tel: +46-18-16 15 00  
Fax: +46-18-14 98 28

#### Västerås

Box 810  
S-721 22 Västerås  
Visit: Tunbytorpsgatan 2A  
Tel: +46-21-10 55 00  
Fax: +46-21-81 03 67

#### Linköping

Box 1505  
S-581 15 Linköping  
Visit: Hertig Karlsgatan 2  
Tel: +46-13-24 64 00  
Fax: +46-13-31 35 17

**Stockholm I**  
 S-115 86 Stockholm  
 Visit: Tegeluddsvägen 31  
 Tel: +46-8-782 00 00  
 Fax: +46-8-667 14 30

**Stockholm II**  
 S-115 86 Stockholm  
 Visit: Tegeluddsvägen 31  
 Tel: +46-8-782 00 00  
 Fax: +46-8-782 07 71

**Gothenburg**  
 S-405 14 Gothenburg  
 Visit: Gullbergs  
 Strandgata 2  
 Tel: +46-31-771 50 00  
 Fax: +46-31-15 30 49

**Jönköping**  
 Box 1061  
 S-551 10 Jönköping  
 Visit: Klubhusgatan 15  
 Tel: +46-36-30 16 00  
 Fax: +46-36-30 16 90

**Växjö**  
 Box 175  
 S-351 04 Växjö  
 Visit: Arabygatan 11  
 Tel: +46-470-355 00  
 Fax: +46-470-481 94

**Helsingborg**  
 Box 22090  
 S-250 22 Helsingborg  
 Visit: Garnisonsgatan 20  
 Tel: +46-42-17 03 00  
 Fax: +46-42-20 18 34

**Malmö**  
 S-205 47 Malmö  
 Visit: Thomsons väg 40  
 Tel: +46-40-31 70 00  
 Fax: +46-40-21 34 59

**Building services Sweden**  
 S-405 14 Gothenburg  
 Visit: Gullbergs  
 Strandgata 2  
 Tel: +46-31-771 50 00  
 Fax: +46-31-15 35 60

**Subsidiaries:**  
**Däldehög AB**  
 Box 8704  
 S-402 75 Gothenburg  
 Visit: Södra  
 Hildedalsgatan 9  
 Tel: +46-31-50 07 50  
 Fax: +46-31-51 51 85

**NCC INDUSTRY**  
 S-170 80 Solna  
 Visit: Vallgatan 5  
 Tel: +46-8-655 20 00  
 Fax: +46-8-624 36 37

**Regional offices:**

**Ballast Nord AB**  
 Box 455  
 S-901 09 Umeå  
 Visit: Renmarkstorget 12 C  
 Tel: +46-90-16 80 30  
 Fax: +46-90-12 86 27

**Ballast Stockholm AB**  
 Box 745  
 S-194 27 Upplands Väsby  
 Visit: Stockholmsvägen 40  
 Tel: +46-8-590 049 00  
 Fax: +46-8-590 049 29

**Ballast Väst AB**  
 Tagenevägen 25  
 S-425 37 Hisings Kärra  
 Tel: +46-31-57 85 00  
 Fax: +46-31-57 85 60

**Ballast Öst AB**  
 Skyttegatan 2 C  
 S-582 30 Linköping  
 Tel: +46-13-13 11 88  
 Fax: +46-13-12 51 27

**Ballast Syd AB**  
 S-205 47 Malmö  
 Visit: Thomsons väg 40  
 Tel: +46-40-31 73 00  
 Fax: +46-40-21 53 77

**NCC Maskin North**  
 Box 1200  
 S-901 22 Umeå  
 Visit: Förrådsvägen 14  
 Tel: +46-90-16 80 00  
 Fax: +46-90-14 28 22

**NCC Maskin Stockholm**  
 Box 909  
 S-175 29 Järfälla  
 Visit: Äggelundavägen 4  
 Tel: +46-8-621 23 00  
 Fax: +46-8-761 26 30

**NCC Machinery West**  
 Tagenevägen 25  
 S-425 37 Hisings Kärra  
 Tel: +46-31-57 67 00  
 Fax: +46-31-57 67 50

**NCC Machinery East**  
 Box 13069  
 S-580 13 Linköping  
 Visit: Strids Gata,  
 Malmslätt  
 Tel: +46-13-28 97 00  
 Fax: +46-13-29 80 62

**NCC Machinery South**  
 Box 18  
 S-260 23 Kågeröd  
 Visit: Stenuggaregatan 34  
 Tel: +46-418-841 00  
 Fax: +46-418-807 09

**NCC Industry New Markets**  
 S-170 80 Solna  
 Visit: Vallgatan 5,  
 Markkontoret  
 Tel: +46-8-655 20 00  
 Fax: +46-8-655 19 50

**NCC REAL ESTATE**  
 S-170 80 Solna  
 Visit: Vallgatan 3  
 Tel: +46-8-655 20 00  
 Fax: +46-8-85 54 11

**SWEDEN**

**Regional offices:**

**North**  
 Box 704  
 S-851 21 Sundsvall  
 Visit: Erstagatan 4  
 Tel: +46-60-16 16 00  
 Fax: +46-60-61 28 41

**Stockholm**  
 Box 1114  
 S-164 22 Kista  
 Visit: Torshamnsgatan 39  
 Tel: +46-8-750 35 00  
 Fax: +46-8-751 17 13

**Malmö**  
 S-205 47 Malmö  
 Visit: Thomsons väg 40  
 Tel: +46-40-31 70 00  
 Fax: +46-40-94 87 16

**Gothenburg**  
 S-405 14 Gothenburg  
 Visit: Gullbergs  
 Strandgata 2  
 Tel: +46-31-771 50 00  
 Fax: +46-31-15 98 51

**OUTSIDE SWEDEN**

**Belgium**  
 Eurobalken S.A.  
 Av van Nieuwenhuysse 5  
 B-1160 Bryssel  
 Tel: +32 2 672 35 44  
 Fax: +32 2 672 06 30

**Denmark**

**NCC Rasmussen & Schiøtz Ejendomme A/S**  
 Datavej 26  
 DK-3460 Birkerød  
 Tel: +45 45 82 66 15  
 Fax: +45 45 82 66 18

**Great Britain**

**NCC UK Group**  
 Kent House  
 14-17 Market Place  
 GB-London WIN 8 AS  
 Tel: +44 171 915 68 00  
 Fax: +44 171 631 32 64

**Finland**

**NCC Puolimatka Oy**  
 Jönsaksentie 4  
 PL 77  
 FIN-01601 Vantaa  
 Tel: +358 9 507 51  
 Fax: +358 9 507 55 28

**Netherlands**

**NCC Property Development BV**  
 Burgemeester  
 Haspelslaan 131  
 NL-1181 NC Amstelveen

Tel: +31 20 640 04 01  
 Fax: +31 20 640 04 26

**Norway**

**NCC Eeg-Henriksen Eiendom AS**  
 Postboks 56, Sentrum  
 NO-0101 Oslo  
 Visit: Marieboes gae 13  
 Tel: +47 22 98 68 00  
 Fax: +47 22 98 69 70

**Poland**

**Pod Orlęm Spółka Zoo**  
 Ul. 11 Listopada 60-62  
 PL-43-300 Bielsko Biala  
 Tel: +48-33 8 164 220  
 Fax: +4833 8 123 600

**West Gate Polska Spółka Z.O.O.**  
 Ul. Poznanska 12/100  
 PL-00 680 Warsaw  
 Tel: +48-22 625 67 01  
 Fax: +48 22 625 31 74

**Hungary**

**NCC Fastigheter AB**  
 Rözse Körz 4  
 H-1125 Budapest  
 Tel: +36 1 202 08 98  
 Fax: +36 1 356 02 94

**Germany, Agent**

**NCC Property Consulting GmbH**  
 Niederkasseler Lohweg 185  
 40547 Düsseldorf  
 Tel: +49-211 520 14 400  
 Fax: +49-211 520 14 444

**NCC INVEST**

S-170 80 Solna  
 Visit: Vallgatan 3  
 Tel: +46-8-655 20 00  
 Fax: +46-8-624 00 47

**Subsidiaries:**

**NVS Nordiska Värme Sana AB**  
 Box 384  
 S-201 23 Malmö  
 Visit: Singelgatan 12  
 Tel: +46-40-28 77 00  
 Fax: +46-40-29 48 83

**Associated companies**

**Neptun Maritime Abp**  
 Bulivardi 1 A, PB 659  
 FIN-00101 Helsinki  
 Tel: +358 9 180 45 10  
 Fax: +358 9 17 66 23

**A-Train AB**

Box 935  
 S-195 05 Arlandastad  
 Visit: Eurostop  
 Tel: +46-8-595 114 40  
 Fax: +46-8-595 114 50

**ALLIANCES**

**Société Européenne de Construction S.A. – SEC**  
 c/o NV STRABAG

Benelux SA  
 Zetel Brussel/Wallonië  
 Terhulpssteenweg, 181  
 B-1170 Brussels  
 Tel: +32 3 560 19 03  
 Fax: +32 3 560 19 00

**INS Contractors**

Lippo Life Building, S.te 807  
 Jl. Rasuna Said Kav. B 10-11  
 Jakarta 12910  
 Indonesia  
 Tel: +62 21 525 14 61  
 Fax: +62 21 520 73 22

Jollibee Center, s.te 1605  
 San Miguel Ave.,  
 Ortigas Center  
 1600 Pasig City, Philippines  
 Tel: +63 2 633 95 61  
 Fax: +63 2 910 16 12



NCC's CORPORATE VISION IS TO:

- Be the industry leader in the Baltic Sea region in terms of profitability and market position and to use this as a basis to develop strong international project operations.
- Be regarded as the leading construction and real estate company in terms of quality, the environment, efficiency and development power in all markets in which it is active.
- Be regarded as a young, exciting company in which the focus is on innovation, participation and the expertise of each employee.



NCC AB, S-170 80 Solna, Sweden, Tel +46-8-655 20 00, Fax +46-8-85 77 75  
[www.ncc.se](http://www.ncc.se)