

NCC CONTRACTING focuses on building and civil engineering projects, international project activities and BOT projects. Operations are highly specialized. Sales in 2000 totaled SEK 29 billion, with approximately 17,000 employees.

NCC HOUSING initiates, develops and implements housing projects with a focus on high-growth regions, primarily in the Nordic and Baltic Sea region. It is expanding rapidly and showing favorable profitability. Sales in 2000 totaled SEK 5.4 billion, with about 2,100 employees.

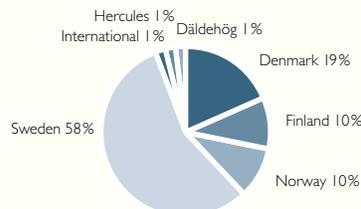
NCC PROPERTY DEVELOPMENT conducts property development operations in selected high-growth markets, particularly in the Nordic and Baltic Sea region. The business area will continue to reduce its portfolio of managed properties so that it consists exclusively properties with considerable development potential. The portfolio of projects in progress amounted to SEK 7.2 billion at year-end.

NCC INDUSTRY manufactures such building materials as asphalt, crushed-rock products and ready-mixed concrete and offers machinery-rental services and building assistance. The business area has grown through several acquisitions, including Superfos Construction and Rieber Roads, and is the Nordic leader in the asphalt and crushed-product segments. Sales in 2000 totaled SEK 5.0 billion, with approximately 3,200 employees.

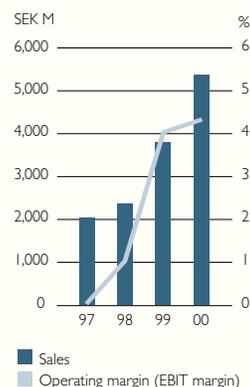
NCC TELECOM is a new business area formed in 2000 in order to develop NCC's existing operations in the telecommunications sector. It builds base stations for mobile networks and offers fiber-optic contracts. Rapid growth is expected in the next few years, in pace with the build-out of 3G mobile phone networks.

NCC SERVICE is a newly formed business area whose core operations are based on the well-established NCC Building Services unit. It conducts service and maintenance activities and develops new concepts and products.

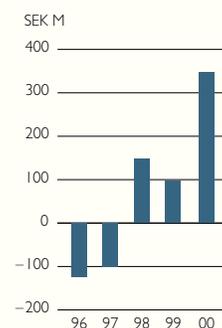
NCC CONTRACTING SALES BY SEGMENT



NCC HOUSING TREND



PROPERTY DEVELOPMENT AFTER FINANCIAL ITEMS



HIGHLIGHTS OF 2000

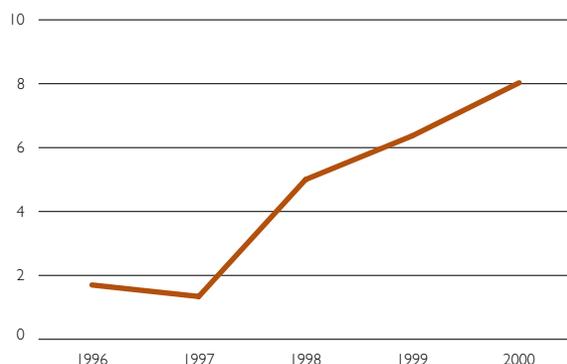
- The Group's profit after net financial items for 2000 amounted to SEK 2,153 M (1,251). This includes SEK 912 M deriving from the surplus pension funds repaid by SPP. Excluding items affecting comparability, earnings amounted to SEK 1,241 M (1,050), up 18 percent compared with 1999.
- Earnings per share amounted to SEK 14.00 (7.70). Excluding items affecting comparability, earnings per share amounted to SEK 8.00 (6.40), up 25 percent.
- The Group's return on equity, excluding items affecting comparability, rose to 9 percent (7).
- NCC sold managed properties for a total of SEK 2,173 M (1,862), which yielded gains of SEK 405 M (98). Sales of real estate development projects totaled SEK 3,028 M (712), generating gains of SEK 432 M (164). The return on investments in sold projects exceeded 20 percent.
- The year-end book value of the real estate portfolio was SEK 4.3 billion (5.8). The surplus value in the portfolio was SEK 1.1 billion, according to an independent appraisal.
- The Board of Directors proposes a dividend of SEK 4.50 (4.00) per share.
- Jan Sjöqvist is to retire but will continue to serve as President and CEO of NCC until a successor has been appointed.

KEY FIGURES

| | 1998 | 1999 | 2000 |
|--|-----------|-----------|---------------|
| Sales | 34,160 | 37,460 | 38,728 |
| Profit after financial items | 730 | 1,251 | 2,153 |
| Profit after financial items, excluding items affecting comparability | 730 | 1,050 | 1,241 |
| Earnings per share after full tax | 5.00 | 7.70 | 14.00 |
| Earnings per share after full tax, excluding items affecting comparability | 5.00 | 6.40 | 8.00 |
| Orders received | 33,124 | 36,160 | 42,624 |
| Book value, managed properties, NCC Property Development | 7,416 | 5,834 | 4,314 |
| Cash flow | 592 | -605 | -2,356 |
| Dividend per share | 2.50+3.00 | 4.00+7.00 | 4.50 |
| Return on shareholders' equity, % (excluding items affecting comparability) | 6 | 7 | 9 |
| Return on capital employed, % (excluding items affecting comparability) | 7 | 8 | 9 |
| Equity/assets ratio | 34 | 34 | 27 |
| Number of employees | 21,645 | 24,122 | 25,192 |

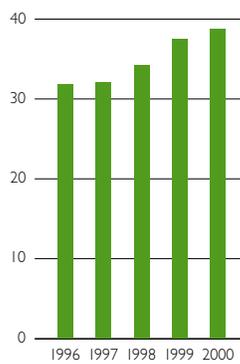
EARNINGS PER SHARE AFTER FULL TAX

Excluding items affecting comparability, SEK



SALES, 1996-2000

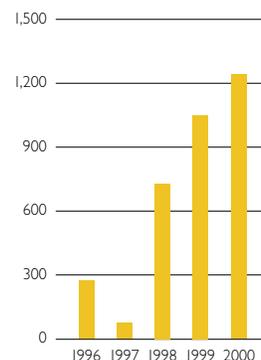
SEK BN, pro forma



Pro forma 1996 and 1997.

PROFIT AFTER FINANCIAL ITEMS, 1996-2000

Excluding items affecting comparability SEK M



STABLE BASE FOR CONTINUING IMPROVEMENT IN EARNINGS

The NCC Group's financial position is continuing to become stronger. The profit reported in 2000 amounted to SEK 2.2 billion. Nearly SEK 1 billion of total earnings derived from a refund of pension contributions from SPP, which strengthened the consolidated balance sheet. Adjusted for the SPP funds and other items affecting comparability, profit after net financial items amounted to SEK 1.2 billion, 18 percent higher than in the preceding year. Although NCC is on the right track, there is further potential for earnings improvements. Following a few years of relatively large investments, the Group has now entered a phase characterized by a lower level of investments. This applies mainly to Industry, where the large company acquisitions of recent years have created a strong market-leading position and where no additional acquisitions are being considered. Net investments will probably also be reduced in Property Development and Housing, although gross investments are expected to remain high.

NCC's financial objectives are based on the return on shareholders' equity and on capital employed. The Group's profitability target is a 12-percent return on shareholders' equity after tax, and our long-term development plan calls for us to reach this level in 2001. During 2000, we improved the return on equity by 2 percentage points to slightly more than 9 percent, excluding items affecting comparability. The margin on our contracting business in 2000 matched that of our closest competitors, but this does not



Construction of Kista Science Tower, close to Stockholm, commenced during 2000.

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mean that we are pleased with the level. There is substantial potential for improvement. We experienced difficult market conditions in Denmark and Norway, where we have adapted our operations, which resulted in considerable costs. In the Swedish building segment, we are feeling the effects of the polarization that is taking place throughout the country, with strong growth in certain large cities and weak development in other locations. This resulted in a very mixed trend of earnings for NCC Building

in Sweden, where certain regions reported losses while others are showing strong earnings. The polarization has also been felt in parts of the civil engineering business. We have now adapted our capacity to the changes in the market. Effective January 1, 2001 we also introduced a new organization in the contracting sector, in which increased specialization and a focus on locations offering high growth are the guiding principles. In other locations, we are implementing rationalization measures and mobilizing our resources. As a result of all of these factors, we believe that a solid foundation has been created for improved earnings from our Swedish operations in 2001.

FRAGMENTED MARKET PICTURE

The market picture is fragmented in both Sweden and other markets. While the upward trend of total investments in the Baltic Sea area is rather stable, the growth figures are not large and they vary sharply in both geographical areas and from segment to segment. The market for large infrastructure projects,

for example, has declined by nearly half in both Norway and Denmark in a few years, which has affected NCC's contracting operations adversely and has also had certain repercussions on industrial operations. In contrast, the market for residential construction and property development has been strong, notably in the Nordic capital cities. An increase in private initiatives, due mainly to the construction of telecommunications infrastructure for the future, marks an important change in the trend of civil engineering investments. This is creating new opportunities for construction companies and NCC will be in a good position when construction of third-generation mobile networks commences.

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SIMPLIFIED GROUP STRUCTURE

In order to capitalize on new market opportunities, we implemented a number of changes in our Group structure during the latter part of 2000 that were designed to increase our internal effectiveness. We reduced or realigned our resources in regions where our markets had declined and we downsized our Norwegian and Danish civil engineering operations. We also reviewed our management resources and made changes, principally in Denmark and Norway. Our former, largely matrix-based, organization has been replaced by a simplified Group structure in which the business-area dimension is the critical factor. We also expect the new structure to reduce our overhead costs. The former Civil Engineering and Building business areas have been merged to form a strong contracting operation that will seek to increase the percentage of project-development work, expand our value chain and work in an even more specialized manner. We also established two completely new business areas, Telecom and Service,

to take advantage of the business opportunities resulting from the new market conditions and changed customer-behavior patterns. By working in a more specialized manner, offering customers turnkey solutions and developing the service content of our products, we can expand our value chain. This will enable us to improve the profitability of our contracting operations.

INCREASED PROPORTION OF PROJECT DEVELOPMENT

For a number of years, NCC has worked to boost the Group's profitability. In our real estate business, the strategy of focusing increasingly on property development projects has been successful, whereby NCC Property Development is a leading player in several markets. The increased focus on housing development has also been successful. We are now raising the percentage of project-development work throughout the Group with a view to improving our profitability. Our strategy includes continued growth, mainly through supplementary acquisitions, and also the divestment of units that do not fit in with the structure that we need to optimize our profitability. This applies particularly to certain segments of our industrial operations.

The real estate business has historically tied up a large percentage of our capital. As a result of considerable sales of properties in 2000, we trimmed the portfolio of managed properties to approximately SEK 4 billion, and it will be further reduced. Ultimately, the real estate portfolio will consist exclusively of properties that offer substantial development potential, or projects that are held for a limited period after completion in order to maximize the return on the sale. The present portfolio has a surplus value of slightly more than SEK 1 billion, based on an independent appraisal.

BETTER BALANCE BETWEEN INVESTMENTS AND SALES

We have gradually increased our portfolio of development properties in recent years. As a result, we have increased our tied-up capital, which has had an adverse impact on our return on capital. At year-end, we had a total of SEK 7.2 billion tied up in projects in progress, of which costs already incurred accounted for SEK 2.7 billion, and there now appears to be a balance between investments and sales in our portfolio. Assuming the market remains strong, this means that we will have a high rate of project sales, which will release additional capital and improve return ratios. The internal return requirement for each project amounts to at least 16 percent on invested capital. We achieved a return of more than 20 percent on the development projects sold in 2000.

In the housing sector, we have raised our ambitions successively. We have established operations in a number of markets and have invested in land in strategic locations, in order to take advantage of the strong market trend. As a result, our investments have exceeded the rate of project completion and sales, which has increased the amount of tied-up capital and adversely affected our return on capital in a short-term perspective. As we achieve a better balance between investments and completion in our housing portfolio, the return on capital employed in the business area will improve substantially.

OPTIMIZED CAPITAL STRUCTURE

Another way to optimize our capital structure is to repurchase NCC shares. We have been authorized to repurchase up to 10 percent of the number of shares outstanding. We purchased 3.5 percent of the shares during 2000 and will utilize the authorization if we believe such action will benefit the capital structure, for which an equity/assets ratio of 30 percent is a key aim. Our dividend policy is to distribute approximately half of after-tax earnings to shareholders. A dividend of SEK 4.50 per share is proposed for 2000.

GOOD PROSPECTS TO ACHIEVE A 12-PERCENT RETURN THIS YEAR

From NCC's viewpoint, 2000 was an eventful year, with successes noted in a number of areas, combined with investments for the future. Other areas, where we experienced more difficult conditions, required a great deal of time and energy. We were forced to make some changes; we made others because we saw major new opportunities. We continued to make progress toward our vision of being the leading construction and property-development company in the Nordic region, not least in terms of environmental and quality considerations. The focus continues to be on innovativeness, participation and the competencies of every employee. In our "Stakeholder Report" – which is being distributed together with our Annual Report for 2000 – we take a much broader approach to our "soft" values by portraying the Group from a stakeholder viewpoint and by covering the entire value chain from our customers to our customers' customers. The foundation of our business consists of skilled and committed employees who create added value for our customers.

The NCC Group has established a solid foundation for continuing improvements. On the whole, we expect to be able to increase our profitability in 2001. The percentage of project-development activities is increasing, while the rate at which we

sell properties and projects is accelerating. Our industrial operations are entering a phase in which they will derive synergy gains from acquisitions, increase their capital turnover rate and capitalize on a strong market position in the Nordic countries. The combination of an increased operating margin and faster capital turnover will benefit return figures. As part of the long-term view of NCC's financial development, the objective for 2001 is to achieve a return on equity of at least 12 percent. Based on current market conditions, we have every prospect of achieving the targeted level of profitability in 2001.

We also established two completely new business areas, Telecom and Service, to take advantage of the opportunities that are being created through new market conditions and changed customer-behavior patterns.

After eight years as Chief Executive Officer, I have decided that the time is now right to hand over to someone else. During these years, the Group has changed immensely and grown organically and through acquisitions. Large investments have been made in acquisitions, concepts and project development of both commercial premises and residential properties. As a result, it is natural that we now enter a new phase characterized by lower net investments and concentration on the efficient use of the solid base that has been established.

Solna, February 2001



Jan Sjöqvist
President and Chief Executive Officer

THE NCC SHARE

During 2000, 33.9 million (26.0) NCC shares were traded on the OM Stockholm Exchange. The shares traded corresponded to 32 percent (24) of the total number of NCC shares issued. At year-end, the stock market price per NCC Series B share was SEK 69 (98). The highest price paid per share during the year was SEK 103, and the lowest SEK 58.50.

During 2000, NCC AB repurchased a total of 2,775,289 Series B shares. Less the repurchased shares, the total number of Series A and B shares outstanding at year-end was 105,660,533. Up to February 20, 2001, a total of 3,474,589 Series B shares had been repurchased. Following these repurchases, the total number of Series A and B shares was 104,961,233. The intention is to use the repurchased shares in connection with exercise of options within the framework of NCC's rolling options program, also see page 82.

According to a decision at the 1996 Annual General Meeting, a paragraph was added to the Articles of Association that enables holders of Series A shares to convert such shares to Series B shares. During 2000, 665,914 Series A shares were converted to Series B shares. The number of shareholders at the end of the year was 25,591, up 3,764 compared with the end of 1999.

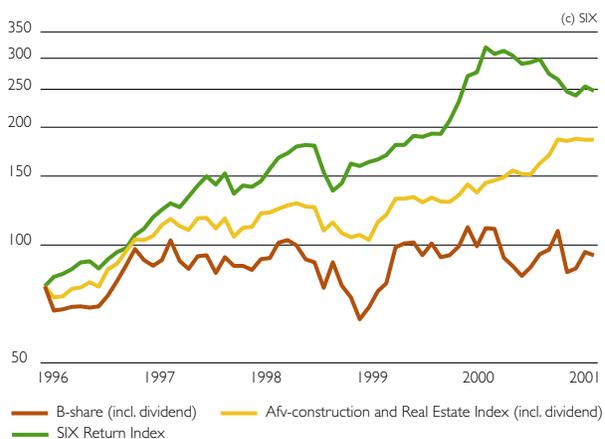
SHARE DATA

| | 1998 | 1999 | 2000 |
|--|--------------------|-------|--------------------|
| Profit after full tax, SEK | 5.00 | 7.70 | 14.00 |
| Shareholders' equity, SEK | 89.20 | 90.30 | 94.40 |
| Dividend, SEK | 2.50 | 4.00 | 4.50 ¹⁾ |
| Extraordinary dividend, SEK | 3.00 ²⁾ | 7.00 | |
| Market price/visible shareholders' equity, % | 69 | 108 | 73 |

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

²⁾ Hufvudstaden shares with a value of SEK 3 each.

SHARE PERFORMANCE 1996–2001 AND 2000



MARKET CAPITALIZATION SEK M

| SEK M | Number of shares | Market capitalization | | Change |
|-----------------|------------------|-----------------------|--------------|--------|
| | | Dec 31, 1999 | Dec 31, 2000 | |
| Series A shares | 62,445,768 | 6,122 | 4,371 | -1,751 |
| Series B shares | 43,214,765 | 4,442 | 2,982 | -1,460 |
| | 105,660,533 | 10,564 | 7,353 | -3,211 |

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.

OWNERSHIP STRUCTURE, DECEMBER 31, 2000*

| Owner | No. of Series | | Share | |
|---------------------------------------|-------------------|-------------------|--------------|--------------|
| | A shares | B shares | capital, % | Votes, % |
| Nordstjeman AB | 32,031,500 | 2,862,740 | 33.0 | 48.4 |
| Lundbergs | 10,721,140 | 3,242,860 | 13.2 | 16.5 |
| Robur fonder | 6,445,620 | 4,483,868 | 10.3 | 10.3 |
| Nordea fonder | 395,200 | 3,621,300 | 3.8 | 1.1 |
| Skandia | 1,313,175 | 965,824 | 2.2 | 2.1 |
| SHB | 1,400,000 | 782,599 | 2.1 | 2.2 |
| HQSE fonder | 0 | 1,719,000 | 1.6 | 0.3 |
| Alecta | 943,191 | 768,351 | 1.6 | 1.5 |
| Industritjänstemannaförbundet | 984,856 | 396,948 | 1.3 | 1.5 |
| SHB fonder | 317,800 | 639,182 | 0.9 | 0.6 |
| Kunskap och kompetens stift | 575,000 | 350,000 | 0.9 | 0.9 |
| Östersjöstiftelsen | 0 | 922,973 | 0.9 | 0.1 |
| Andra AP-fonden | 673,000 | 175,000 | 0.8 | 1.0 |
| Fjärde AP-fonden | 673,000 | 175,000 | 0.8 | 1.0 |
| Första AP-fonden | 673,000 | 175,000 | 0.8 | 1.0 |
| Tredje AP-fonden | 673,000 | 175,000 | 0.8 | 1.0 |
| Svolder | 0 | 615,600 | 0.6 | 0.1 |
| Arbetsgivareföreningen SAF | 0 | 600,000 | 0.6 | 0.1 |
| Odin fonder (Norge) | 0 | 587,800 | 0.6 | 0.1 |
| Robur Förbundsfond | 0 | 500,000 | 0.5 | 0.1 |
| Total, 20 largest shareholders | 57,819,482 | 23,759,045 | 77.2 | 90.2 |
| Others | 4,626,286 | 19,455,720 | 22.8 | 9.8 |
| Total | 62,445,768 | 43,214,765 | 100.0 | 100.0 |
| Votes per share | 10 | 1 | | |

* Calculated after a deduction for share repurchases



OWNERSHIP STRUCTURE, LARGEST CHANGES

| Owner | No. of Series | | Share capital, % | Votes, % |
|---------------------------|---------------|------------|------------------|----------|
| | A shares | B shares | | |
| Robur fonder | -25,000 | -3,900,900 | -3.7 | -0.6 |
| Nordea fonder | -12,800 | -3,291,633 | -3.1 | -0.5 |
| Fjärde AP-fonden | -2,021,484 | -568,072 | -2.5 | -3.1 |
| SEB fonder | 0 | -2,208,500 | -2.1 | -0.3 |
| SHB | 1,399,991 | 768,092 | 2.1 | 2.2 |
| SEB-Trygg Försäkring | -110,600 | -1,729,300 | -1.7 | -0.4 |
| SHB pensionsstiftelse | -1,400,000 | 0 | -1.3 | -2.1 |
| HQ,SE fonder | 0 | 1,360,000 | 1.3 | 0.2 |
| Franklin Templeton fonder | 0 | -1,031,200 | -1.0 | -0.2 |
| Alecta | -163,501 | -760,500 | -0.9 | -0.4 |

DISTRIBUTION OF SHARES, DECEMBER 31, 2000

| From-To | Percent of shareholders | Percent of share capital |
|----------------|-------------------------|--------------------------|
| 1-1,000 | 89.5 | 5.3 |
| 1,001-10,000 | 9.4 | 6.2 |
| 10,001-100,000 | 0.8 | 5.6 |
| 100,001- | 0.3 | 82.9 |
| Total | 100.0 | 100.0 |

SHARE CAPITAL BY CATEGORY

| Percent | Holding | Change ¹⁾ |
|---|---------|----------------------|
| Foreign shareholders | 3.6 | -0.8 |
| Swedish shareholders | 96.4 | 0.8 |
| of whom | | |
| Institutions | 32.6 | 2.0 |
| Mutual funds | 17.9 | -5.3 |
| Private individuals, including closely held companies | 45.9 | 4.1 |

¹⁾ Percentage points**CONCENTRATION OF SHARE CAPITAL**

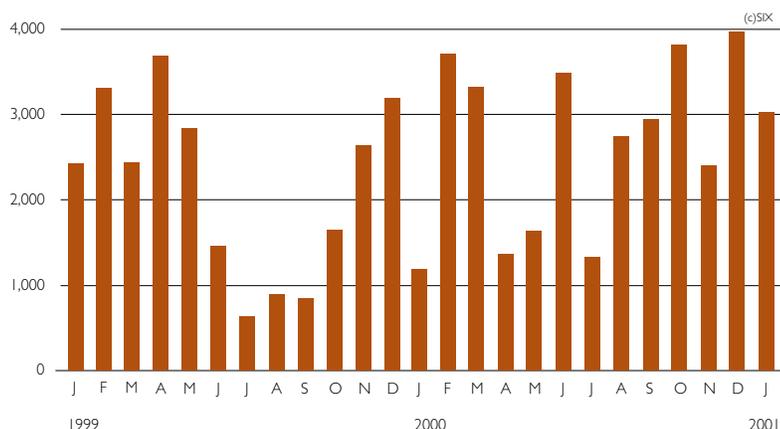
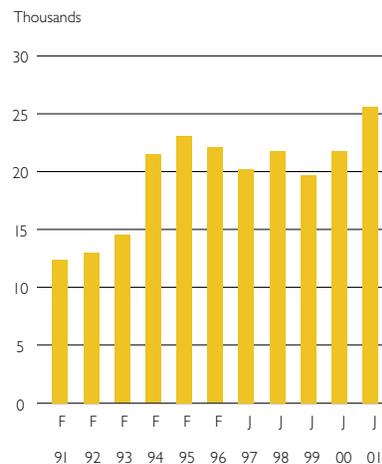
| Percent | Holding | Change ¹⁾ |
|--------------------------|---------|----------------------|
| 10 largest shareholders | 70.8 | -7.9 |
| 25 largest shareholders | 77.8 | -7.2 |
| 100 largest shareholders | 82.4 | -6.3 |

¹⁾ Percentage points**SHARE CAPITAL, FIVE LARGEST COUNTRIES**

| Percent | Holding | Change ¹⁾ |
|---|---------|----------------------|
| Sweden (incl. all holders of <500 shares) | 93.5 | -2.1 |
| UK | 1.5 | 1.0 |
| Norway | 0.6 | 0.0 |
| Luxembourg | 0.5 | -0.1 |
| Switzerland | 0.4 | 0.1 |

¹⁾ Percentage points**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 |
| Conversion of debentures | 13,394,804 | 335 |
| 1997 Directed placement, in connection with acquisition of SIAB | 28,303,097 | 708 |
| 2000 Year-end | 108,435,822 | 2,711 |
| 2000 Share repurchases ¹⁾ | -2,775,289 | |
| 2000 Number of shares outstanding at year-end | 105,660,533 | |

¹⁾ This corresponds to 2.6 percent of the share capital.**NUMBER OF SERIES B SHARES TRADED****NUMBER OF SHAREHOLDERS**

INCREASED PROJECT DEVELOPMENT FOCUSED ON GROWTH AREAS

VISION

NCC's corporate vision is to:

- be the industry leader in the Nordic and 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 property-development 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 the innovativeness, participation and expertise of each employee.

NCC'S CORPORATE ORIENTATION

The NCC Group has decided to implement a gradual repositioning. The focus will shift from operations in mature markets towards a greater degree of project development and more negotiated contracts*, combined with a greater focus on growth areas and profitable consolidation of industrial operations. Through an increased capital turnover rate and strong cash flow, the rate of expansion will be maintained within the framework of the equity/assets target of 30 percent.

CORPORATE STRATEGY

NCC has grown by an average of approximately 15 percent annually since 1994. Most of the growth has been achieved through acquisitions. NCC will continue to participate actively in the ongoing restructuring of the sector and the aim is to be the sector leader within selected segments of all of the markets in which the Group is represented. The Group will expand through organic growth and through acquisitions in the Nordic and Baltic Sea markets. Growth will be achieved in combination with favorable profitability. The following key factors have been identified:

Strengthened focus on project development

- Increased resources for continued growth in the Housing and Property Development business areas.
- Increased focus on project development within Contracting.
- Strengthened competency in Contracting in order to increase focus on negotiated contracts.

Increase in service operations

- A special business area, Service, has been established to exploit growth opportunities within service-related operations, including Facility Management.

- Within Contracting, efforts will be made to increase the share of small, local, service-oriented projects, including operation and maintenance activities.

Increased focus on telecommunications

- A special business area, Telecom, has been established to focus on base stations for mobile telephony and fiber-optic contracts.

Finalize investments in industrial operations

- Since acquiring Superfos Construction and Rieber Roads, NCC Industry has become the clear Nordic leader in the market for asphalt and crushed-rock products. Prioritized tasks at present are to derive synergy gains from these acquisitions, increase efficiency, reduce the amount of tied-up capital and increase the return on capital employed.
- The Group's position in the industrial segment is to be strengthened through supplementary acquisitions.

Systematic program for serving key customers

- NCC's focus on key accounts is increasing as a result of changes in customers' purchasing behavior (fewer suppliers, partnerships, greater volume of simultaneous purchasing).
- A program for the systematic cultivation of key customers has been initiated.
- The objective is to offer customers a coordinated range of services/products from NCC.

Strengthened market positions

- The Baltic Sea area is still regarded as the Group's domestic market.
- NCC will continue to grow organically and through acquisitions within prioritized segments.
- Evaluations will be made of various growth centers within the Baltic Sea area, to determine their potential to become new domestic markets.
- International growth will be achieved within specialist market areas, in the form of concentrated project operations within International.

Rationalization and cost reductions throughout the Group

- The new structure will simplify management and control of the Group.

*Negotiated contracts: These are contracts in which the supplier (for example, NCC) assumes turnkey responsibility in relation to the customer for an entire project. The order could be for the building of a functional head office, for example. In such instances, NCC's undertaking includes the purchase of land, contact with architects, technical consultations, construction work and maintenance.

- Speed and simplicity will be assigned greater priority.
- Economies of scale within purchasing will be exploited through the established segment-based purchasing organization.
- Rationalization of production and support functions will continue.
- Development and implementation of quality and environmental systems will continue.
- Costs savings and rationalizations will be implemented within the Contracting business area through the merger of Civil Engineering and Housing.
- By capitalizing on synergistic potential and reducing tied-up capital, the Industry business area will boost its production efficiency and increase its return on capital employed.

Skills and organizational development

- The supply of competencies will be expanded in order to reflect NCC's broader need of strategically important skills in the future.
- Incentive programs will be clearly defined and linked to strategic objectives.

FINANCIAL OBJECTIVES

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 – that is competitive in the sector. The dividend objective is to distribute half of annual profit after full tax to shareholders.

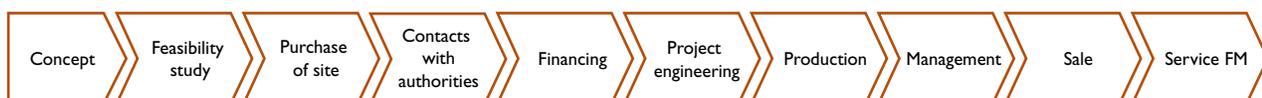
The principal profitability measurement is the return on shareholders' equity. The profitability objective set by the Group is based on such factors as the stock market's required return on the NCC share. The required return consists of the risk-free interest rate on a long-term investment, which is currently 4.5 percent, plus a risk premium. According to NCC's assessments based on the company's risk profile, the stock mar-



ket currently requires a risk premium of about 4.5 percent. This means the required return on NCC's shareholders' equity after full tax is 9.0 percent. Since NCC's ambition is to exceed the capital markets' required return, the objective is to achieve a return on equity of at least 12 percent. In 2000, a return on equity of 9 percent (7) was achieved after full tax, excluding items affecting comparability.

The corporate objective is then reformulated for each business area, in the form of targets for the return on capital employed and net margins. Combined, the targets set for the individual business areas should at the very least match the corporate profitability objective. Based on current tax rates, interest rates and NCC's equity/assets target, the long-term corporate objective corresponds to a return of 12 percent on capital employed.

NCC'S CONCEPT FOR CONSTRUCTION AND PROPERTY DEVELOPMENT



NCC operates across the entire value chain, from project concept to operation, service and maintenance and sales. There is considerable synergistic potential between civil engineering, housing, building, and property-development operations and in the development and production of building materials.

For construction-related operations, the net margin is the key control parameter. Margin requirements for building contractors are generally lower than those in other industries, mainly due to a lower level of capital tied up in operations. During 2000, the average net margin on construction operations was 2.7 percent.

The principal control parameter for housing and property development is the return on capital employed. During 2000, this return figure was 9 (8) percent. The appreciation in the value of the real estate portfolio is an additional factor. Including this value appreciation, the return on capital employed was 12 (9) percent.

The equity/assets ratio is an expression of the Group's financial strength. NCC has concluded that an equity/assets ratio of approximately 30 percent over a business cycle would reflect a strong financial position and the current risk level.

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

FINANCIAL OBJECTIVES

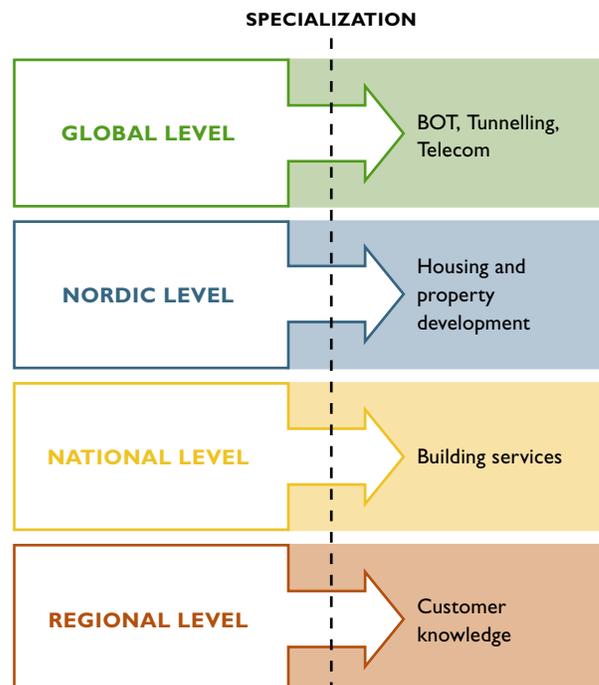
| | Corporate objective | Outcome | | | | |
|--|---------------------|-----------------------|-------|------|-------|---------|
| | | 1996 | 1997 | 1998 | 1999 | 2000 |
| Profitability goals | | | | | | |
| Return on shareholders' equity after full tax, % ¹⁾ | 12 | 2 | 3 | 6 | 7 | 9 |
| Return on capital employed, % ¹⁾ | 12 | 5 | 5 | 7 | 8 | 9 |
| Financial goals | | | | | | |
| Equity/assets ratio, % | 30 | 30 | 33 | 34 | 34 | 27 |
| Cash flow, SEK M ²⁾ | positive | - 1,331 ²⁾ | 4,223 | 592 | - 605 | - 2,356 |

¹⁾ Excluding items affecting comparability.
²⁾ Companies purchased and sold are not taken into consideration in cash flow for 1996.

INCREASED SPECIALIZATION WITHIN SEGMENTS OFFERING HIGH ADDED VALUE AND STRONG GROWTH

NCC's operations have undergone a specialization process for a number of years, with the aim of providing customers with leading-edge competencies and, accordingly, the market's premiere range of products and services. NCC is a world leader within the field of tunnelling through extremely hard rock species. NCC's expertise in the Property Development area has created a range of successful projects that have yielded highly favorable returns. NCC's specialist units in the Housing business area offer total-package projects in a number of countries in the Baltic Sea region. Within the industry segment, NCC is the leading player in the Nordic market for asphalt and crushed-rock products.

The main operations of a traditional construction company are related to the actual building process. In NCC's case, the focus is on becoming involved from the very start; to be the company that finds and acquires the most attractive locations, that builds the right projects, designs them in an attractive manner and finds the optimal end customer. The services offered also include the provision of "intelligent" services to tenants. Taken as a whole, an increased value chain generates higher margins for the overall production process. Based on this strategic direction, NCC selects the projects that it can best complete for a particular customer, rather than attempting to build anything for anyone.





In Kista, NCC is building what will become a symbol for the information society, as well as a new landmark in Stockholm.

A symbol of the new transparency

PERHAPS WE SHOULD use a picture of a cable stuck into the earth instead of a spade. After all, we are building in Kista, one of the world's foremost high-tech industrial parks, where international mobile telephony and IT companies are standing in line for premises. We are building something unique – not only for Kista, but for all of Stockholm.

The Kista Science Tower will be a new landmark in Stockholm. When the building is finished in 2003, its 32 stories will make it the tallest office building in the country – 158 meters, counting a 30-meter mast.

With its six triangular building sections of various heights and the glass skyscraper shooting up like a prism from a greenery-filled terrace, Kista Science Tower will express some of the key values of the new information society – belief in the future, strong individualism, openness, transparency and an invitation to interaction.

Kista Science Tower is being built next to the subway station in central Kista. The 2,500 people who will be working there will spend their days in an environment defined by openness and flexibility. New, smart solutions are influencing the technical infrastructure and offering a new kind of adaptability. The customer rents a "hole in the wall" – the cable jack – that can be filled with services that satisfy all communications need. When the organization changes, the smart

network can be customized for every situation without having to install new cables.

The more than 60,000 square meters of rentable floor space (including garages) can be rapidly customized to meet each customer's needs and wishes, with few limitations. Like a living organism, it will be possible to develop the building in continual interaction among tenants, users, property owners and construction companies. This is made possible by ideas and solutions based on fundamental trends in contemporary and future working methods.

Kista Science Tower could be likened to a display window offering a peek into NCC Property Development's new office concept, in which we prioritize six vital areas: architecture and design, environment and health, generality and flexibility, safety and security, services, and the entire IT and telecom infrastructure.

Kista Science Tower is also a textbook example of how all NCC business areas can interact in the property development process and in the business model; how we work across the entire value chain, from concept and planning to continual enhancement of the finished product. And how innovative thinking, responsibility, participation and optimum use of the competencies of every NCC employee are guiding principles at every link of the chain.

KNOWLEDGE AS A FOUNDATION FOR FUTURE VALUE

For several years, NCC’s strategy has been to work with a higher degree of specialization to enable it to offer customers cutting-edge competencies and a stronger line of products and services with a higher process value. Staying ahead of the competition is not solely a matter of delivering good products. The company must also be perceived as the best supplier, the right partner and a supplier of a product or service that creates added value for customers. Knowledge, experience and innovativeness – value-creating resources – are becoming increasingly important to NCC.

NCC’S QUALITY POLICY

In a dialog with our customers, all our operations shall focus on satisfying the needs and expectations of customers with respect to the products and services we provide.

HUMAN RESOURCES FOR PROFITABLE GROWTH

NCC works continuously to recruit, retain and develop dedicated and competent employees. The organization is becoming increasingly flexible and human resources can be moved within the Group to ensure that they are utilized where they are needed most. The current trend, whereby construction companies are required to offer a higher service content and complex products, is creating new business opportunities for NCC in such specialist areas as IT, purchasing, environmental issues, facility management and service management.

At NCC, the aim of competency-supply activities is to recruit attractive human resources from outside the company and to inspire dedicated and knowledgeable employees to stay and grow within the company. The fundamental premise for

successful competency supply is a stimulating corporate culture in which personal self-improvement and training are prioritized areas.

CREATING NEW VALUE THROUGH RESEARCH

As a result of the major changes under way within the construction industry, research and development have become key strategic issues. A considerable part of development work takes place locally during our construction projects. This is exemplified by the Öresund Tunnel project, where tunnel builders led by NCC devised an entirely new casting method, built the largest lock in northern Europe and placed gigantic concrete elements on the ocean floor using satellite navigation. The results were tremendously successful and a valuable spin-off was that the experience gained from the project established NCC as a world leader in concrete engineering. More long-term research and development work takes place within the R&D unit, whose activities are coordinated and directed by the Group’s R&D Council.

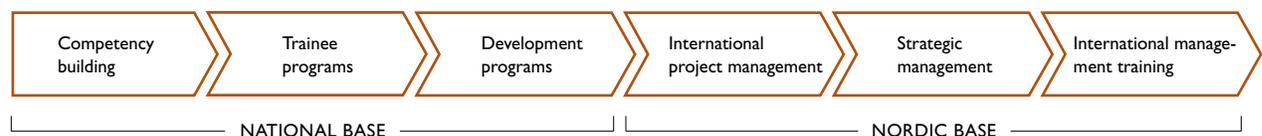
The research areas that have been assigned highest priority are:

- The environment, with a specific focus on energy issues
- IT
- Intelligent buildings

Through a combination of in-house research and a comprehensive academic network NCC, aims to secure strategic development within various R&D areas. Each year, NCC leads or participates in several national and international programs and funds about ten industrial doctorate students; that is, Group employees who conduct post-graduate research at universities.

R&D related to building methods and materials has had a significant impact in certain cases, especially on the working environment and the strength of materials. Self-compacting concrete is one example of how research projects have made the work process significantly simpler and less injurious. In the past, vibrations from concrete were a common cause of occupational injury, but self-compacting concrete requires no vibration. The

COMPETENCY-DEVELOPMENT PROCESSES WITHIN NCC



method is being used extensively in the building of the tunnel at the Southern Link highway project in Stockholm. In tunnel construction, sealing and injection are complicated tasks that are difficult to compute. NCC is conducting a research project at the Royal Institute of Technology aimed at developing better calculation methods that may make the sealing process considerably more efficient.

The use of wooden structures in the construction sector is increasing, partly for environmental reasons. NCC recently concluded a doctoral project at the Lund Institute of Technology that resulted in proposals for frame-stabilizing solutions in multistory buildings. Within the wooden structures segment, NCC is also developing a solid-wood framing system in partnership with several sawmills.

NCC is positioned at the leading edge of development in the environment field and has been awarded prizes for innovation. In the NCC Housing project in Hammarby Sjöstad, the company made developmental investments that led to solar cells for power production that will be used in combination with several other environmental and energy-conserving measures.



**JAN BYFORS,
IN CHARGE OF R&D:**

How can R&D create new value for NCC?

– Companies of today cannot survive if they do not invest in research and development. NCC is no exception. For us, R&D results in higher customer value and

greater revenue opportunities. It's also a matter of rationalization, which boosts profitability in the long run. R&D also entails the generation of new competencies in the Group, enabling us to accept more extensive and complex projects and to increase the value we add to our products and services. It also attracts young, well-educated people to the company, which benefits the entire Group.

What is the most exciting R&D project at NCC right now?

– We have many exciting projects in the pipeline. But if I am to only name one or two, I would have to say that the development work we're now conducting in the area of smart buildings is perhaps the most intriguing. Virtual technology is closely related to that. Nowadays, we can create an entire building in a computer and simulate the construction process, a development that has given us fantastic opportunities. Another exciting area is the environment, especially the practical use of new environmental technologies in our products – that is, in buildings. In this area, the crucial aspect is not only to solve the problem, but also to create pleasant, comfortable living environments in which sound, light and design are critical factors.

New technology is being applied to a greater extent in our buildings, partly in the form of "smart buildings." This technology is making rapid advances and there are many visions concerning the functions that a smart office or home should be able to provide. Various sensors, technical features and equipment can be built in and linked in a communicating network. During the year, NCC developed a number of smart housing and office concepts that are now being launched in the market.

EFFECTIVE IT SUPPORT IN ALL PROCESSES

Information technology is a strategic development area for the NCC Group. IT is increasing NCC's internal efficiency and rationalizing production, while also creating new products and services.

IT work at NCC is conducted mainly in four dimensions:

- IT infrastructure
- Integrated business support
- E-business
- Virtual products

**GÖRAN SUNDELL,
IN CHARGE OF IT:**



What does e-business mean for NCC?

– There's enormous potential for e-business in the construction industry, in terms of both rationalizing the management of, for example, purchasing activities and of cutting costs. We will have the technical capacity to implement radical efficiency measures in the supply chain. But it takes time to fully develop this process and we aren't finished yet. Part of the e-business system has already been deployed, including billing and call orders. Now we're working on developing a fully functional e-business portal for the construction industry.

What is your view of the future role IT will play in the construction industry?

– IT has given us substantial opportunities to work differently and more cost-effectively. By using various systems, we can digitally store blueprints and descriptions that are easily accessible by all project participants. Blueprints are increasingly being replaced by digital product models that store far more information. In a product model, you can see the materials that an interior wall consists of, its strength, and its precise dimensions and properties, for instance. A model like that greatly facilitates our environmental and quality efforts, since it catalogues and evaluates all the materials we use while giving us far superior input data upon which to base estimates and production. The model will become the information hub of NCC's operations.



Development of information technology is a strategic activity within NCC. The building blueprints of today have considerably more dimensions than in the past. Various types of animations make it possible to, for example, “enter” a building and “feel” one’s way around.

■ **IT infrastructure projects** are aimed primarily at maintaining and enhancing existing IT support for all processes in the Group. NCC has made continual investments in this area, which have resulted in a standardized technical platform that is highly reliable and can be applied in all markets.

■ **Integrated business support** means that every business area and function in the NCC Group works with the Corporate IT function to develop and manage the systems needed within their specific area of operations. Applying this fundamental approach in IT projects and management activities provides each operation with systems that yield the anticipated effects in the operation’s own processes, while also assuring integration between the Group’s systems.

■ **E-business** within NCC is an umbrella term covering the development of e-business and e-business portals, which are separate projects. The use of electronic invoices and call orders is one aspect of e-business. We believe the system will be mature enough for more extensive deployment in 2001. There is significant potential for rationalization here, considering that the Group generates some 900,000 invoices a year.

Within e-business, NCC has developed an in-house project management system called PDC, Project Document Control.

This is a tool that funnels the information in all project processes into a searchable database. Many internal and external users have access to the information at various levels of privilege.

■ **Virtual products** is a general term for a number of development projects aimed at improving processes in the industry. Product modeling is a means of constructing virtual buildings that contain significantly more information than traditional drawings. When planning and production management are linked to the model, we have what is referred to today as 4D. Virtual Reality, VR, is primarily a means by which an outside observer can describe what a project looks like from “the inside” as well. NCC is participating in the development and standardization of the industry through its role in various programs and projects. NCC is also cooperating with CIFE at Stanford University in the United States.

EFFICIENT PURCHASING

In a group like NCC, which generates enormous flows of information and has numerous customers, purchasing costs are a major item. Purchasing accounts for two thirds of NCC’s total annual costs. Due to the large volumes involved, an efficient purchasing process and utilization of the existing economies of scale have an immediate impact on total costs.

The tools for increasing the efficiency of purchasing operations include control of purchasing authority and patterns, skills enhancement, coordination of transactions between business areas and subsidiaries and development of administrative support for buyers. IT is playing a pivotal role, as exemplified by the tremendous impact of developments in the e-business field. In this area, NCC is the company in the industry that has progressed furthest, for which it received an award in early 2001.

By concentrating on product-line purchasing and product-line buyers, we have built up specialist expertise in large and important product segments. A number of central purchasing agreements have been concluded, some of which have resulted in substantially reduced costs.

One of the most critical steps in the purchasing process is the selection of suppliers. By dividing up product lines, a strategy can be devised for every segment. By building long-term relationships with selected suppliers, NCC and its customers can establish joint development strategies aimed at achieving maximum customer value. Another essential feature is the systematic build-up of a supplier base that enhances total competencies in the Group. Reducing the number of suppliers is one aspect of NCC’s objectives for the purchasing process.

QUALITY SYSTEMS ARE POWERFUL TOOLS

A smooth-running and effective quality system is a powerful tool in the management and development of NCC’s businesses, in both the construction process and at corporate-staff and management levels. Documented and established procedures for follow-up and control of project costs, for example, and for managing and harmonizing projects in line with the established strategy, are essential elements of a flexible company.

Quality problems in the construction industry give rise to fault-correction costs in building products that average 5–10 percent of the total production cost. Experience shows that 80 percent of the problems stem from recurring errors. This indicates significant potential for systematic improvement efforts. Accordingly, a special program for systematic, IT-based knowledge transfer is being implemented throughout the Group.

Management, development and follow-up are key ingredients in strategy work. In order to gain a better overall picture, NCC introduced a management model in 1999 based on the Balanced Scorecard method. A Balanced Scorecard is followed up by translating the strategy into operational terms that are measured and communicated in four perspectives: the shareholder, customer, process and employee perspectives. NCC uses its scorecard to ensure that the decided strategies are being pursued.

ENVIRONMENTAL LEADER IN THE SECTOR

NCC’s aims to be the environmental leader in its sector. The Group is taking two routes towards achieving this ambition: delivering the most environmentally compatible services and products in the market and communicating its environmental expertise to the market and other stakeholders.

The principal product improvements are those that reduce environmental impact the most. The most critical environmental aspect in the buildings we produce is energy consumption.

Accordingly, the largest portion of resources is devoted to that area. In NCC’s own housing production, where we can set our own standards, projected energy consumption has been lowered by 25 percent in four years.

The majority of new construction these days is built on land used previously for other purposes. This means that the builder must have considerable expertise in order to assess, study and, if necessary, remediate any soil contamination.



**KLAS FRISK,
IN CHARGE OF
PURCHASING:**

What is the best way to make NCC’s purchasing more efficient?

– Building up a skillful purchasing organization and letting the professionals do the job! This mainly involves continually building competency in the company, while also admitting external impulses.

continually building competency in the company, while also admitting external impulses.

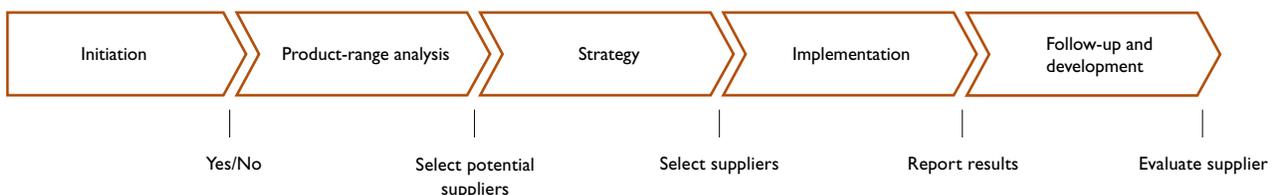
How far has NCC come?

– We have made some progress, but we have a long way to go before we can start comparing ourselves with the global leaders in other industries. On the other hand, our international benchmarking studies indicate that we’re far ahead of most other companies in our sector. We now have the functional structure we need to be flexible and to continue breaking down the cost masses and working with them in a relevant fashion. For example, by building knowledge about various product ranges and converting this into more profitable transactions.

What is your greatest challenge as Head of Purchasing in the NCC Group?

– The cultural challenge, which requires breaking down the engrained patterns in the industry. We need more teamwork and fewer solo performances.

NCC’S PURCHASING PROCESS





At the beginning of 2001, Ebba Lonaeus, project manager for NCC's e-business program, was awarded the newly established "Innovation Prize" by the Swedish publication Inköp & Logistik. The features of the upgraded e-business system include the ability to transfer information from production calculations and other systems, which ensures control at all stages of an activity.



**ANNA SANDER,
IN CHARGE OF ENVIRONMENT AND QUALITY:**

As the head of environmental matters, what is your greatest challenge?

– Making environmental issues something positive for all of parts of NCC, for our customers and for the larger community. In Sweden, we can see opportunities for both increased revenues and reduced costs thanks to our environmental work, a perspective that must be spread throughout the Group.

How can environmental commitment help to boost profitability?

– By marketing our environmental offering to our customers. We have to find out what the customers are willing to pay for. Certain services are taken for granted and customers resist paying a premium for them, while others are perceived as representing a higher standard – the choice of materials for instance. – We can also generate cost savings by saving energy, reducing the quantities of waste we produce and cutting down on environmentally harmful transports.

What does the concept of "quality" mean to you?

– Quality is actually business development. The objective is to meet our customers' needs as well as possible while carrying out efficient internal programs in which our employees feel satisfied with their jobs. All of this contributes to higher profitability and value growth.

NCC assumes responsibility for ensuring that the homes and workplaces we build do not constitute risks to the end user. That means that our new construction projects virtually always include environmental improvements and reduced risks for the spread of contamination. One current example is LilleBorg in Oslo, where housing is being built on the site of a former soap factory.

ENVIRONMENTAL WORK GENERATES BUSINESS OPPORTUNITIES

Expertise related to the inventory and limitation of contamination, as well as remediation of contaminated water and soil, can also be applied in other contexts. As a result, new business opportunities are created for the Group. NCC is in charge of one of Sweden's largest remediation projects ever, Jungnerholmarna in Mörrumsån, which includes demolition of a battery factory and encapsulation of large quantities of contaminated soil. In Gothenburg, NCC has screened off an existing landfill from the surrounding groundwater in order to prevent pollution. NCC has also developed a unique technology that can be used – at a very competitive price – to seal the bottom of landfills and similar facilities. As a result of the more stringent demands imposed on landfills, large new markets are being created for innovative solutions.

An environmental assessment is carried out for every NCC construction project in order to identify the preventive measures necessary in each case. This assessment is also a tool for surveying possible risks, which can be substantial for construction companies. We also prepare an environmental profile for all NCC projects and larger housing construction projects, to clearly illustrate NCC's environmental ambitions for the project.

CREATING NEW VALUE THROUGH THE BRAND

A strong brand is a prerequisite for the success of NCC's strategic orientation towards geographical expansion, stronger market positions and higher process value. NCC works determinedly to continuously build the brand. A new logo designed in 1999 was introduced in all markets in 2000, in order to clarify the values that the NCC Group represents. In 2000, all communications resources that conduct producing activities were concentrated in an in-house unit called NCC Communication. The aim is to enhance the efficiency of communications activities through the joint commissioning of suppliers and to make the Group's messages more uniform. With the aim of reinforcing



The Holmen property block at Hammarby Sjöstad, construction of which commenced in 2001, is NCC's contribution to environmentally compatible building and living conditions.

Responsible enterprise a winning concept

“MINIMAL ENVIRONMENTAL IMPACT, due to a well thought-out strategy in which environmental management is a constant theme in the entire planning and production process.” That was the jury’s reason for awarding NCC Housing first prize in the City of Stockholm Environmental Competition 2000.

In the Holmen property block, construction of which commenced in 2001, NCC has developed modern housing in close cooperation with the City of Stockholm, government agencies, suppliers and, not least importantly, prospective apartment owners. Hammarby Sjöstad is the result of a very ambitious municipal program, in which the design specifications for this new city district were firmly established. It was within this framework that NCC conducted design and engineering work aimed at satisfying the high standards that we know people expect of a new home. In this particular case, we also went to unusual lengths to reduce the environmental impact.

The contractors involved in the new construction projects in Hammarby Sjöstad were invited by the City of Stockholm to participate in an environmental competition. The competition was based on the environmental impact report for the buildings, which details emissions to soil, water and air during the lifetime of the building. NCC’s project had the lowest environmental impact in 15 of the 17

categories evaluated and won the competition, as well as prize money of SEK 7 million.

When explaining why NCC had received the award, the jury stated that the company’s design for Holmen covered more environmental aspects, compared with the other competitors. The very low energy consumption, estimated at 60 kWh/m² for the finished building, is nearly half the normal level and approaches the standards we believe necessary for long-term ecological sustainability.

The Holmen property block is the largest project in Scandinavia to date for which solar cells were integrated from the design stage. Everyone who moves into Holmen will be able to track his or her personal consumption of water and energy via the Internet.

Priority was given to the selection of environmentally sound materials. Common allergies were taken into consideration when selecting landscaping plants, nickel-free hardware and the fixtures in all common areas. In addition, tenants will have an opportunity to borrow electric bikes.

Holmen is NCC’s contribution to environmentally friendly construction and housing. It features many innovative solutions which, in all certainty, will promote a much-desired trend in building design.

long-term efforts to build the NCC brand, a multi-year partnership agreement with the Ogilvy communications group was concluded. The strength of the brand is a reflection of high recognition and credibility for the Group's core business and we intend to further reinforce these aspects. The joint Nordic/Baltic image is to be made even more distinct. NCC is to be perceived as innovative and responsible.

**FINANCIAL KNOW-HOW HELPS
BOOST COMPETITIVENESS**

Private funding of infrastructure projects (BOT) is one example of how financing solutions can be a business-critical factor. Growing through acquisitions and proactive real estate and housing development also entail stringent demands in terms of limits on and control of financial risks. Specialist financial expertise within NCC is gathered in a central finance function, whose main orientation is to provide direct business support and active management of financial risks.

NCC's financial flows and associated risks are actively coordinated and managed by NCC Treasury AB, which also functions as the Group's internal bank. The unit is also responsible for management of NCC's total borrowing.

In order to reach new markets and sources of financing, a Swedish short-term commercial paper program in an amount of SEK 3 billion was introduced during 2000. This complements the current Swedish medium-term (MTN) program and a short-term Finnish commercial paper program. The yield on liquidity-management activities is measured in relation to Handelsbanken's money market index, which was exceeded in 2000.

■ **NCC Project Finance** is a specialized unit that develops and implements customized financing solutions, such as the A2 highway BOT project in Poland, rental solutions for clients who do not wish to own their premises and other types of structured financing.

■ **NCC Insurance** is the Group's unit for insurance solutions. Efforts aimed at devising efficient risk management were further developed during 2000 through the Group's own self-insurance company. This required that NCC allocated capital to cover the Group's own risks, combined with an ongoing risk-management program at all levels. Eventually, these efforts should lead to a reduction in premium volumes. Combined with effective risk management, this will generate cost savings for the Group. NCC has for some time had two well-consolidated captives (reinsurance companies) that further distribute risks and channel them into the open market. NCC also has the

All companies have to create value for their main stakeholders: customers, employees, shareholders and users. It is vital, however, that the creation of value is undertaken with responsibility and with respect for other groups in society and their interests. It must never be achieved at their expense.

NCC has identified two core values for its operations: innovativeness and responsibility. Responsibility for quality and the environment has been a prioritized area within NCC for many years, and systematic and ISO-certified work is conducted in these fields. But our obligations as a responsible

New value

company also extend to the approach we adopt in relation to other stakeholders, such as suppliers, authorities and the local communities in which we are active.

Sound business ethics and community achievements are increasingly important features in brand-building efforts and are also becoming a factor in commercial success. We are now expanding our environmental perspective into a broader program of responsible business practices, in the firm conviction that this will create new value for our shareholders and other main stakeholders.

NCC Stakeholder Report 2000
NCC*

NCC's Stakeholder Report, which accompanies the 2000 Annual Report, takes a more comprehensive look at the Group's soft values. NCC is reflected through the eyes of its stakeholders, and the entire chain from customers to the customers' customers is described.

capacity and expertise to offer the Group's customers a wide range of products and concepts on market terms. One example is the legally mandated guarantee for correcting construction defects, which can now be insured through NCC.

The business areas

GROUP STRUCTURE NCC AB

| | NCC CONTRACTING | NCC HOUSING | NCC PROPERTY DEVELOPMENT | NCC INDUSTRY | NCC TELECOM | NCC SERVICE |
|---------------|-----------------|-------------|--------------------------|--------------|-------------|-------------|
| Denmark | | | | | | |
| Finland | | | | | | |
| Germany | | | | | | |
| Norway | | | | | | |
| Poland | | | | | | |
| Sweden | | | | | | |
| International | | | | | | |

The division of operations into business areas enables specialization and focus in terms of customers, technology, development and expertise.

CONCENTRATION OF RESOURCES TO BOOST PROFITABILITY

NCC introduced a new Group structure on January 1, 2001. Organizationally, the main changes occurred in the Building and Civil Engineering business areas, which were combined to form NCC Contracting. At the same time, NCC Telecom and NCC Service were separated from their former domiciles to form independent business areas. In terms of structure, the new organization for contracting operations is attuned to the change in market conditions and to NCC's intensified specialization efforts and to the aim of increasing NCC's presence in local growth markets.

BUSINESS CONCEPT

- NCC Contracting will initiate, develop, plan and produce construction and civil engineering projects in the Nordic and Baltic Sea region and produce housing in these markets. The business area will also provide operation and maintenance services in the civil engineering sector.
- NCC Contracting will implement projects based on the Group's leading-edge expertise and offer an international key-account concept in prioritized markets outside the Nordic region.
- NCC Contracting will identify infrastructure solutions with a considerable construction content, develop and offer financing solutions, and be responsible for the operation of the resulting projects.
- NCC Contracting will work in close interaction with its customers and conduct assignments hallmarked by a high degree of expertise, quality and cost-effectiveness.

OBJECTIVE

The business area's overall objective is to strengthen its competitiveness and thus achieve high and sustainable profitability.

STRATEGY

NCC will boost its competitiveness and profitability through continued specialization and programs to secure the supply of necessary competencies. Building production will be rationalized and costs reduced through more efficient purchasing activities, among other measures. With respect to project development, NCC's broad range of skills will be utilized to implement projects that span the entire process, from concept and production to management, in the building and civil engineering sectors. The aim of all this is to create turnkey solutions for customers.

The specialization process is conducted at both a business area level and in individual countries.

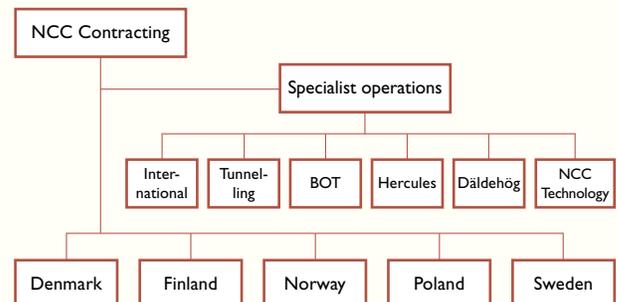
NCC Contracting aims to cover a larger portion of the value chain through a combination of cooperation with key customers and an increased share of operation, maintenance and service contracts, particularly in the civil engineering sector. To increase business opportunities in the field of privately financed or co-financed projects, a special BOT unit has been formed to develop, own and implement projects in Nordic and international markets.

MARKET TREND

The underlying trend in the Nordic construction market is relatively stable. Growth of approximately 4 percent was noted for the entire Nordic market in 2000, while only marginal growth is expected in 2001. At a local level, however, there are striking differences within the Nordic region from country to country, city to city and region to region, as well as between the various segments. For example, the roadwork and civil engineering market in Norway and Denmark has been weak in the past few years, while the market for residential building has increased significantly, particularly in Sweden and Finland.

Historically, the business cycles in the Danish and Norwegian construction markets have been a few years ahead of the cycles in Sweden and Finland. The Danish market peaked in 1998 and construction activity is expected to decline in 2001. Although the Norwegian market for housing and other buildings was strong in 2000, it is difficult to estimate the future trend. Growth in Denmark and Norway is mainly being inhibited by a slowdown in roadwork and civil engineering investments. In Sweden and Finland, total construction volume is expected to rise in the next few years. Sweden is experiencing economic growth, which has resulted in a recovery in the construction industry. However, the upswing is characterized by considerable regional fluctuation and there is a large upside to the investment

NCC CONTRACTING



levels that prevailed in the early 1990s. Major cities and towns with universities are showing the greatest growth, a trend that is expected to continue. During 2001, investments are expected to increase in all sectors, with the housing segment showing the largest rise. Private investments in telecommunications infrastructure are expected to rise sharply, albeit from a relatively low level, as a result of the anticipated build-out of future telecom systems.

In Finland, investments rose by 5 percent in 2000, and growth of approximately 3 percent is expected in 2001.

MAIN MARKETS

Sweden

In the Swedish market, which accounts for slightly more than half of NCC Contracting's sales, civil engineering operations developed well and showed improved earnings, despite a stagnating market. Building operations were severely affected by the increasingly polarized Swedish market, in which metropolitan and high-growth regions are showing healthy profitability while losses are being reported in other areas. Operations were reorganized during the year to enable continued specialization in high-growth regions, while activities in other regions were coordinated in a joint contracting business.

Finland

NCC Finland experienced a good year, with increased sales, improved earnings and a higher margin on contracting operations. A rise was also noted in the year-end order backlog, of which negotiated contracts accounted for more than half. NCC Finland is characterized by its strong building operations, which in cooperation with NCC Property Development have developed a concept for Business Parks that has been highly successful. The company's civil engineering operations are limited and concentrated to a few major projects.

Denmark

NCC Denmark is Denmark's largest construction and real estate company, with strong market positions in all of its operating sectors. The building market is strong and the order backlog for NCC Denmark's construction operations rose sharply during the year. A number of new concepts were launched in cooperation with Property Development and Housing. During 2000, considerable nonrecurring costs were expensed in order to adapt civil engineering operations to the weak market conditions and a comprehensive efficiency program was implemented.



Norway

From NCC Norway's viewpoint, the year was characterized by the reorganization and efficiency measures needed to adapt operations, particularly in the civil engineering sector, to the sharp drop in activity. A foundation for profitable growth was laid through the acquisition of Statkraft Anlegg and the concentration of all underground-engineering operations in the specialist NCC Tunnelling unit. NCC Norway's order backlog rose 45 percent during the year to slightly more than NOK 3.2 billion, mainly as a result of building operations.

Poland

Efforts to develop Poland into one of NCC's domestic markets entered a new phase when the contract for construction of the A2 highway project was signed. This created a stable platform for expansion of NCC's contracting operations in Poland. The operating base was further expanded through acquisitions.

INCREASED SPECIALIZATION

The NCC Group's strategy is to continue to expand in the Nordic and Baltic Sea region. During 2000, NCC acquired a total of 47 percent of the shares in PRInz, Poland's third largest highway construction company, with annual sales of slightly more than SEK 500 M and approximately 2,300 employees. At the beginning of 2001,

NCC acquired 75 percent of Hydrobudowa, a Polish company that focuses on marine facilities, bridges and foundation engineering. In Norway, Statkraft Anlegg AS, an underground-engineering specialist with state-of-the-art TBM (Tunnel Boring Machine) expertise, was acquired in 2000. This company has been merged with NCC's previously existing underground-engineering activities in Norway and Sweden to form NCC Tunnelling, a new specialist unit. During the year, NCC Tunnelling received contracts to build the Nya Bjölvo power plant in Norway, an order worth approximately SEK 225 M, and to participate in the construction of an underwater tunnel in the Faeroe Islands.

BOT operations

Traditionally, major investments in infrastructure, such as highways, bridges and railways, have always been financed using public funds. The need for privately financed or co-financed projects has increased recently. BOT (Build, Operate and Transfer) is a collective term for privately financed projects. The number of BOT projects in the Nordic region is expected to increase in the next few years.

NCC Contracting includes a specialist unit called NCC BOT, which is active in the Nordic region and other parts of the world. Sweden's best-known BOT project to date is the Arlanda Link, which was opened in November 1999. NCC owns 44 percent of A-Train, the company that holds the concession to operate the Arlanda Express rail service between Stockholm City and Arlanda Airport until 2040. The other owners of A-Train are Alstom (29 percent), Vattenfall (20 percent) and Mowlem (7 percent). Passenger growth was very favorable during 2000 and the service is showing very high reliability. NCC believes that its investment in A-Train will be profitable. The objective set for the A-Train holding is a return of at least 15 percent on invested capital. NCC's ultimate intention is to divest the A-Train holding.

NCC's other BOT projects are a district heating plant in Skurup, the Kallax Cargo airport (both in Sweden) and the A2 highway project in Poland.

INTERNATIONAL OPERATIONS

NCC utilizes its leading-edge competencies in selected markets

The strategy for international project operations is based on a concentration of activities in terms of products and geographic coverage. Poland, Central Europe, India/Nepal, Central America,

Singapore and China are NCC's selected international markets. The main products are underground rock, hydropower and infrastructure assignments in Europe.

During 2000, NCC participated in the reconstruction of highways and bridges in Nicaragua, following the severe damage caused by Hurricane Mitch. This assignment is worth approximately SEK 200 M.

During autumn 2000, NCC received orders for the construction of two hydropower plants in Costa Rica and a dam facility and water-supply project in the Dominican Republic worth a combined total of SEK 1.3 billion. These orders strengthen NCC's position in Central America, which is fully in line with the Group's strategic orientation. The projects will affect order bookings during 2001.

A2 highway – strategic breakthrough in Poland

At the end of 2000, NCC signed the contract for its largest order to date – a BOT project for construction of the A2 highway, in Poland. This order relates to one of three highway sections between the German border and Warsaw, a total of 150 kilometers, and is worth slightly more than SEK 8 billion, including financing. The construction portion is worth SEK 5.4 billion, of which NCC's share amounts to SEK 2.4 billion. Construction work will be conducted by the A2 Bau Development GmbH consortium, which is owned equally by NCC and Strabag of Austria. The highway operator will be EGIS (formerly Transroute), a French company that currently operates 90 percent of the highways in France.

ORDERS RECEIVED AND EARNINGS

NCC Contracting was formed on January 1, 2001 through the merger of NCC Civil Engineering and NCC Building. Pro forma net sales amounted to SEK 28.9 billion. Orders received by comparable units totaled SEK 34.2 billion at year-end, a strong level. Orders received by housing operations rose by 22 percent during the year. The large increase was noted in Sweden, where orders rose by 25 percent. The order received by NCC International for construction of the first phase of the A2 highway in Poland contributed to the strong order situation.

Profit after financial items, including acquisition costs, for NCC Civil Engineering amounted to SEK 57 M (160). The decrease in earnings was due to such factors as weaker market conditions for civil engineering operations in Norway and Denmark. Adaptation costs of approximately SEK 100 M were charged against earnings during the year. However, improved earnings were noted for civil engineering operations in Sweden.



The world's longest car tunnel has created a direct link between Oslo and Bergen. A three-hour ferry trip was reduced to a 20-minute car journey through the tunnel.

How travel time became quality time

IF TIME IS MONEY, then the new Laerdal Tunnel has created substantial value for everyone who travels between Oslo and Bergen, the two largest cities in Norway. The world's longest car tunnel has shortened travel time by about three hours. But time also has other benefits that cannot be measured in money.

In the worst case, getting from Bergen to Oslo used to mean a 14-hour drive, including a three-hour ferry crossing. Inhospitable winter weather could cause hazardous conditions on the narrow mountain roads traversing Aurland, sometimes doubling the normal travel time for the trip.

But since the Laerdal Tunnel, the world's longest car tunnel, was opened, travelers no longer have to worry about making departure times for the ferry or negotiating tricky mountain roads between Bergen and Oslo. The Laerdal Tunnel between Laerdal and Aurland established a direct passage between Norway's two largest cities, bypassing the ferry altogether. The segment that used to take a bit more than three hours by ferry over the Sognefjorden fiord now takes about 20 minutes through the tunnel.

When the Norwegian Highways Authority started building the tunnel in 1995, half of the contract was opened to competition from private construction companies. NCC's Norwegian subsidiary was

contracted as a partner in the project and commenced work in late 1995 at the northern face of the mountain. Drilling and blasting deep into a mountainside requires highly complex technology and is also very risky for workers. The success of the project owed a great deal to NCC's leading-edge expertise in tunnel work.

"The rock itself and drilling conditions were relatively good," relates Frank Nilsen, site manager for NCC. Nevertheless, the pressure from above became excessive in certain places and boulders up to a cubic meter in size dislodged from the roof and walls inside the tunnel. "It sounded like a rifle shot when it happened," Nilsen remembers.

By the time the work was finished in June 1999, NCC had drilled 13.5 kilometers through the rock to meet the tunnel builders from the Highways Authority who had drilled from the southern face of the mountain.

Now that the 24.5-km long car tunnel is finished, it saves a great deal of time for people who used to be forced into stressful daily ferry crossings to get from Laerdal to Aurland. If time is money, the new Laerdal Tunnel has generated tremendous gains. But time also holds other – priceless – benefits. The time people save can now be spent with family and friends instead of sitting in the car. Travel time has become quality time.

Profit after financial items, including acquisition costs, for NCC Building amounted to SEK 190 M (236). One of the reasons for the reduced profit was a mixed trend of earnings in Sweden during 2000. Although a stable trend and healthy profitability were noted in high-growth areas, such as Stockholm and southern Sweden, the trend in the rest of Sweden was unsatisfactory. An unsatisfactory earnings trend was also shown by certain parts of building operations in Norway. Adaptation costs of about SEK 100 M were charged against earnings.

NCC BOT, which is reported separately within the Contracting business area, reported a loss of SEK 107 M (loss: 16), including a loss of SEK 84 M deriving from NCC's 44-percent shareholding in A-Train. The loss reported by A-Train was due mainly to a delay in the start-up of the Arlanda Express and low passenger volumes during the start-up phase. At the beginning of 2001, however, growth in passenger volume was developing in line with expectations.

With respect to the new combined business area, NCC Contracting, pro forma profit after financial items, including acquisition costs and BOT, amounted to SEK 122 M. Excluding BOT, earnings amounted to SEK 229 M.

MEASURES TO ENHANCE PROFITABILITY

During 2000, a number of actions were taken to increase profitability in the former Civil Engineering and Building business areas. In Sweden, NCC Building reduced the number of regions from 14 to 8, the number of business managers by 15 percent and the number of local offices by 50 percent. As a result of regional action programs, the number of administrative employees was reduced by 35 percent (about 130 employees) in the three most severely exposed areas. In high-growth areas, such as Stockholm and southern Sweden, resources were mobilized to ensure that the increasing demand could be satisfied. The new organization involves continued specialization within civil engineering and building operations in high-growth regions, while activities in other regions have been coordinated in a joint contracting business.

In the new organization, the degree of specialization is even greater than before. In addition to the highly specialist Tunneling, Däldehög and BOT units, special key account concepts are being formulated within the Heavy Industry unit – for the paper and steel industries, among others. The new business areas, NCC Telecom and NCC Service, are results of specialization work initiated at an early stage.

In Denmark, a completely new organization was introduced

under new management. Regions were merged and certain offices closed. The number of administrative employees in Danish civil engineering operations was reduced by about 10 percent. In Norway, offices were combined, staff resources coordinated and a new management team was appointed for civil engineering operations. In total, the number of administrative employees in Norwegian civil engineering operations was cut by about 30 percent.

OUTLOOK

The coordination and adaptation measures conducted during 2000 to meet the changed market conditions, which resulted in considerable costs, have created a solid platform for improved profitability within contracting operations. The new organization is resulting in a mobilization of resources, reduced dependence on volume and a geographic concentration to high-growth areas. The year-end order backlog amounted to slightly more than SEK 12 billion, up more than 30 percent compared with the end of 1999. As a result of the strong order backlog, which is also expected to yield higher margins, and a better adapted organization, the business area is expected to show a significant increase in earnings during 2001.

MARGIN IN LINE WITH COMPETITION

NCC undertakes continuing analyses of the financial reports of its main competitors in order to facilitate comparisons with similar operations. It can be difficult to compare margins in the constructions sector, due to such factors as differences in asset structures, reporting of project development activities, the way machinery and ballast operations are organized and acquisition costs.

NCC Contracting's operating margin of 0.5 percent does not include project-development gains related to residential and commercial premises, but includes acquisition costs. Excluding acquisition costs, the operating margin was 0.7 percent.

The operating margin for all of NCC's construction operations, including project-development activities within the Housing and Property Development business areas, Industry and the installation company NVS, was 3.4 percent in 2000. Excluding acquisition costs, the operating margin was 3.7 percent.

According to NCC's calculations, the operating margin for NCC's construction operations was comparable with that of the Group's major Swedish competitors.

| NCC CONTRACTING, SEK M (pro forma) | | 2000 |
|--|---------------|------|
| (Incl. acquisition costs) | | |
| Orders received | 34,183 | |
| Order backlog | 20,298 | |
| Profit after financial items | 122 | |
| Profit after financial items, excl. BOT | 229 | |
| Capital employed at year-end | 4,473 | |
| Cash flow before dividends | -519 | |
| Ratios | | |
| Operating margin, excl. BOT, % | 0.5 | |
| Net margin, excl. BOT, % | 0.8 | |
| Net margin, excl. BOT and acquisition costs, % | 1.1 | |
| Return on capital employed, % ^{1,2)} | 7 | |
| Other | | |
| Average number of employees | 17,256 | |
| INCOME STATEMENT, SEK M | | |
| Net sales | 28,887 | |
| Production expenses | -27,204 | |
| Gross profit | 1,683 | |
| Selling and administrative expenses | -1,588 | |
| Shares in associated companies | -64 | |
| Capital gain on sales of associated companies | -1 | |
| Gain on sales of properties | 3 | |
| Operating profit | 33 | |
| Financial items | 89 | |
| Profit after financial items | 122 | |
| BALANCE SHEET, SEK M | | |
| Properties classed as fixed assets | 271 | |
| Tangible and intangible fixed assets | 1,542 | |
| Shares and participations | 411 | |
| Properties held for future development | 519 | |
| Interest-bearing receivables | 1,593 | |
| Interest-free receivables | 7,873 | |
| Liquid assets | 2,844 | |
| Total assets | 15,053 | |
| Shareholders' equity | 2,666 | |
| Minority interests | 8 | |
| Interest-bearing liabilities and provisions | 2,328 | |
| Interest-free liabilities and provisions | 7,876 | |
| Project invoicing not yet worked up | 2,175 | |
| Total equity and liabilities | 15,053 | |

¹⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.
²⁾ Return figures are based on average capital employed.

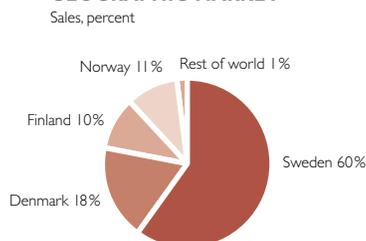


- NCC Contracting, Northern Norrland
- NCC Contracting, Southern Norrland
- NCC Contracting, Central Sweden
- NCC Contracting, Southern Sweden

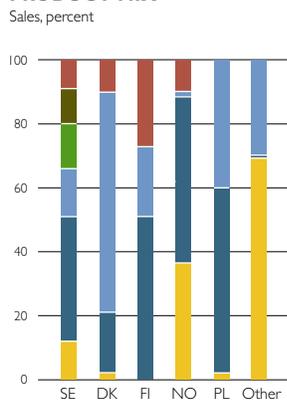
NCC CONTRACTING SWEDEN

In the Swedish market, a very mixed trend has been noticeable during recent years. In high-growth regions, such as Stockholm and southern Sweden, the market for building and civil engineering construction has been highly buoyant. In these regions, NCC continues to conduct specialized building and civil engineering operations. In other areas, resources have been coordinated.

GEOGRAPHIC MARKET

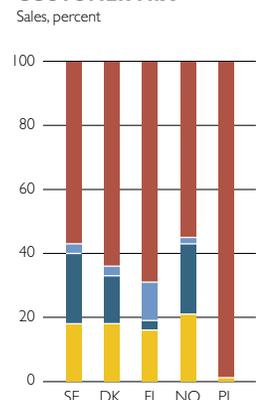


PRODUCT MIX



- Housing
- Local Market
- Road surfacing, highways and railways
- Industrial buildings and process plants
- Other buildings
- Other civil engineering work

CUSTOMER MIX



- Private customers
- Public utility housing companies
- Municipalities
- Central government

Effective January 1, 2001, NCC Civil Engineering and NCC Building were combined to form NCC Contracting. The tables

below show the business areas based on their former division, but including acquisition costs.

| NCC CIVIL ENGINEERING, SEK M (incl. BOT) | 1998 | 1999 | 2000 |
|---|--------------|--------------|----------------|
| (Incl. acquisition costs) | | | |
| Orders received | 11,207 | 11,285 | 14,543 |
| Order backlog | 6,698 | 5,547 | 8,256 |
| Profit after financial items | 159 | 144 | -50 |
| Profit after financial items, excl. BOT | 159 | 160 | 57 |
| Capital employed at year-end | 1,944 | 2,110 | 2,912 |
| Cash flow before dividends ¹⁾ | -128 | -524 | -892 |
| Ratios | | | |
| Operating margin, excl. BOT, % | 0.9 | 0.9 | 0.0 |
| Net margin, excl. BOT, % | 1.4 | 1.3 | 0.5 |
| Net margin, excl. BOT and acquisition costs, % | 2.0 | 1.8 | 0.8 |
| Return on capital employed ^{2,3)} | 11.6 | 9.8 | 0.9 |
| Other | | | |
| Average number of employee | 6,795 | 7,701 | 7,994 |
| INCOME STATEMENT, SEK M | | | |
| Net sales | 11,078 | 12,289 | 12,096 |
| Production expenses | -10,246 | -11,260 | -11,148 |
| Gross profit | 832 | 1,029 | 948 |
| Selling and administrative expenses | -732 | -910 | -990 |
| Shares in associated companies | | -5 | -64 |
| Capital gain on sales of associated companies | 2 | -15 | |
| Operating profit | 102 | 99 | -106 |
| Financial items | 57 | 45 | 56 |
| Profit after financial items | 159 | 144 | -50 |
| BALANCE SHEET, SEK M | | | |
| Properties classed as fixed assets | 103 | 96 | 124 |
| Tangible and intangible fixed assets | 635 | 806 | 995 |
| Shares and participations | 7 | 19 | 400 |
| Interest-bearing receivables | 126 | 124 | 247 |
| Interest-free receivables | 2,867 | 3,133 | 3,733 |
| Liquid assets | 2,544 | 2,276 | 1,767 |
| Total assets | 6,282 | 6,454 | 7,266 |
| Shareholders' equity | 1,305 | 1,221 | 1,287 |
| Minority interests | 10 | 20 | 8 |
| Interest-bearing liabilities and provisions | 819 | 1,128 | 1,617 |
| Interest-free liabilities and provisions | 3,340 | 3,494 | 3,779 |
| Project invoicing not yet worked up | 808 | 591 | 575 |
| Total equity and liabilities | 6,282 | 6,454 | 7,266 |

¹⁾ Companies purchased and sold during 1998 and 1999 are not taken into consideration in the calculation of cash flow.

²⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.

³⁾ Return figures are based on average capital employed.

| NCC BUILDING, SEK M | 1998 | 1999 | 2000 |
|--|--------------|--------------|----------------|
| (Incl. acquisition costs) | | | |
| Orders received | 17,560 | 17,521 | 21,397 |
| Order backlog | 9,050 | 9,158 | 12,200 |
| Profit after financial items | 252 | 236 | 190 |
| Capital employed at year-end | 1,939 | 1,841 | 1,780 |
| Cash flow before dividends ¹⁾ | 35 | 268 | 373 |
| Ratios | | | |
| Operating margin, excl. BOT, % | 1.2 | 1.2 | 0.9 |
| Net margin, excl. BOT, % | 1.4 | 1.4 | 1.0 |
| Net margin, excl. BOT and acquisition costs, % | 1.8 | 1.7 | 1.3 |
| Return on capital employed, % ^{2,3)} | 16 | 17 | 15 |
| Other | | | |
| Average number of employees | 9,666 | 9,785 | 9,355 |
| INCOME STATEMENT, SEK M | | | |
| Net sales | 17,603 | 16,553 | 18,464 |
| Production expenses | -16,389 | -15,398 | -17,239 |
| Gross profit | 1,214 | 1,155 | 1,225 |
| Selling and administrative expenses | -1,001 | -959 | -1,068 |
| Shares in associated companies | | | |
| Capital gain on sales of properties | 1 | 5 | 2 |
| Operating profit | 214 | 201 | 159 |
| Financial items | 38 | 35 | 31 |
| Profit after financial items | 252 | 236 | 190 |
| BALANCE SHEET, SEK M | | | |
| Properties classed as fixed assets | 61 | 76 | 148 |
| Tangible and intangible fixed assets | 733 | 576 | 551 |
| Shares and participations | 10 | 12 | 11 |
| Properties held for future development | 685 | 330 | 519 |
| Interest-bearing receivables | 490 | 594 | 1,456 |
| Interest-free receivables | 3,508 | 3,730 | 4,465 |
| Liquid assets | 1,871 | 1,756 | 1,115 |
| Total assets | 7,358 | 7,074 | 8,265 |
| Shareholders' equity | 1,237 | 1,185 | 1,425 |
| Interest-bearing liabilities and provisions | 1,000 | 1,081 | 884 |
| Interest-free liabilities and provisions | 4,462 | 3,993 | 4,356 |
| Project invoicing not yet worked up | 659 | 815 | 1,600 |
| Total equity and liabilities | 7,358 | 7,074 | 8,265 |

¹⁾ Companies purchased and sold during 1998 and 1999 are not taken into consideration in the calculation of cash flow.

²⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.

³⁾ Return figures are based on average capital employed.



A contractor who has been assigned responsibility for such a special project as the Sibelius Concert Hall, the only all-wood concert hall in the world, must be able to provide highly innovative and functional solutions.

Architecture, music and wood in three-part harmony

THE NEW SIBELIUS CONCERT HALL in Lahti, Finland, is a unique allwood creation. In addition to its astounding beauty, the Sibelius Hall has defined a new benchmark for acoustic quality in buildings made entirely of wood.

Superior function is always the primary value for customers and users of facilities and buildings. Beyond that, houses and buildings provide the value of esthetic experience through architecture and design. In rare cases – as in a concert hall – the experience itself is the function. We were recently involved in such a case in Lahti, Finland, when we constructed the only concert hall in the world built entirely of wood.

The dream of a new concert hall in Lahti was born back in the 1970s. Widespread interest in symphonic music was the basis for the idea of a concert hall with a timber structure. The obvious goal was to use local materials to build the best concert hall in Scandinavia. The hall was to be the home of the Lahti Symphony Orchestra, which had so successfully interpreted the music of Finland's master composer, Jean Sibelius, all over the world. And to use local raw materials when doing this.

Partially funded by the Finnish government, an architectural competition was announced, for which stringent specifications were stipu-

lated for architectural work and functional solutions. The winning entry was from the Artto Palo Rossi Tikka Oy firm of architectures and NCC was commissioned to build this very special concert hall.

Working closely with technical and acoustics experts, NCC developed construction engineering solutions that met the unique standards of functionality and acoustics required for a concert hall. The task was extremely demanding, since the solid wood elements had to be planned and produced exclusively for the building.

The biggest challenge was to create acoustics that met the high standards of musicians and listeners. Good acoustics require a solid building shell, something that usually cannot be achieved in wooden buildings. NCC's solution was to use a special sand-filled plywood design to build walls that reflect sound instead of absorbing it, even at very low frequencies. The results are astounding – to the eye and the ear.

Now that the Sibelius Concert Hall is finished, in all its glory, we are proud to claim a portion of the honor for the unique concert hall. The contractor in charge of such a special project must be able to satisfy meticulous demands for technically feasible solutions that are both innovative and functional. At the same time, the "soul" of the concert hall – its acoustics – must be continuously kept in mind.

FROM HOUSING CONCEPT TO INTELLIGENT HOMES

BUSINESS CONCEPT

Based on a high level of expertise and well-functioning concepts and methods, NCC Housing initiates, develops and implements housing projects in selected markets in accordance with the desires, specifications and needs of customers.

NCC Housing's aim is to establish a leading position in the market for proprietary housing construction in the Nordic and Baltic Sea region.

STRATEGY

During recent years, NCC Housing has built a strong position in selected markets for housing production in the Nordic and Baltic Sea region. This expansion will continue, with an emphasis on total-package undertakings and the development of housing concepts.

The key strategic issues for the next few years are:

- Stronger growth in prioritized markets combined with geographic expansion.
- High rate of initiation of new projects.
- A stronger and upgraded sales process.
- Establishment of a specialized organization for the development of total-package housing projects.
- Leadership and competency development.

Total-package projects widen the value chain

NCC Housing's strategy is to focus on total-package projects, which entails participation in all aspects of a project, from the concept stage, through site acquisition and planning to construction and sales to the customer. Intermediaries are avoided, which improves continuity in the project-development and building processes. In a total-package project, production becomes more cost-effective and the number of construction faults is reduced. Having only one supplier throughout the value chain simplifies the choices made by customers in all respects, from layout to interior design. The total-package solution results in increased security and quality for the customer. From NCC's viewpoint, it provides opportunities to assume image-enhancing responsibility through its concepts and bold ideas. It also increases the scope for NCC representatives to become involved at an early stage and, for example, to influence a municipality's detailed development plan with respect to local services and other matters of importance to a good living environment.

Total-package projects expand the value chain. Because they include more value-generating features, they are also generally

more profitable than a traditional contract that focuses solely on production. At the same time, NCC assumes a greater responsibility, since project development ties up capital for a longer period of time. Knowledge of the local market, solid business skills and efficient management and control systems are crucial elements for handling the higher risk. During 2000, total-package projects accounted for 64 percent (58) of the total number of projects within the business area.

Expansion from a strong market position

NCC Housing has a strong market position. The business area's selected markets are Sweden, Norway, Denmark, Finland, Poland and Germany. The German market, where activities are concentrated in the Berlin-Brandenburg area, offers potential for considerable geographic growth. In Poland (the Warsaw area), operations remain in the initial stage and the potential for expansion is good.

The acquisition of sites in attractive locations is of vital importance to future success. However, a prerequisite for any major investments is assurance of a high rate of housing starts and sales. A further development of the sales process, which has undergone major changes during recent years – including the build-up of an in-house sales organization that has gradually reduced the need for external brokers – is a precondition for accelerating the sales rate.

In the past few years, an effective and specialized organization for developing projects in accordance with the total-package concept has been built up in all countries. This organization must now be consolidated and refined. Customer preferences are the guiding factor.

PRODUCTS/SERVICES

NCC Housing builds homes in accordance with a total-package approach. Project-development work comprises all types of tenancy, but direct ownership is generally the most common form.

Within the Swedish operations, a unique solution for IT in the home has been developed on the basis of a proprietary developed technical platform. This enables optimum freedom of choice in terms of various broadband solutions for the future and the selection of suppliers. Access to an Internet link and the ability to control heat and lighting are features provided for all rooms in a home. The possibility of free telephony between tenants is also offered; for example, in cases where a tenant owner association forms a neighborhood network. This type of system is already installed in a number of housing projects, such as Nyby in Uppsala.

AWARD-WINNING ENVIRONMENTAL SOLUTION

Work on quality and environmental issues has been assigned top priority. When NCC Housing Sweden was awarded ISO 14001 environmental certification on June 6, 2000, it was Sweden's first nationwide residential builder to receive this distinction. NCC was granted ISO 9001 quality certification in spring 1998 – again as the first Swedish company in the sector.

An environmental management system is a tool used by a housing developer or residential builder for systematic work aimed at avoiding mistakes that could subsequently result in serious consequences for society or residents. Features of this system include an environmental assessment to prevent faults arising at the beginning of a project and a thorough assessment of risks and opportunities when a site is to be acquired. The environmental management system is also intended to function as a guarantee that a dialog is conducted with people who live in the immediate vicinity of a project. In a Housing Competition arranged by the City of Stockholm, NCC Housing's Hammarby Sjöstad housing project was awarded first prize in the environmental class.

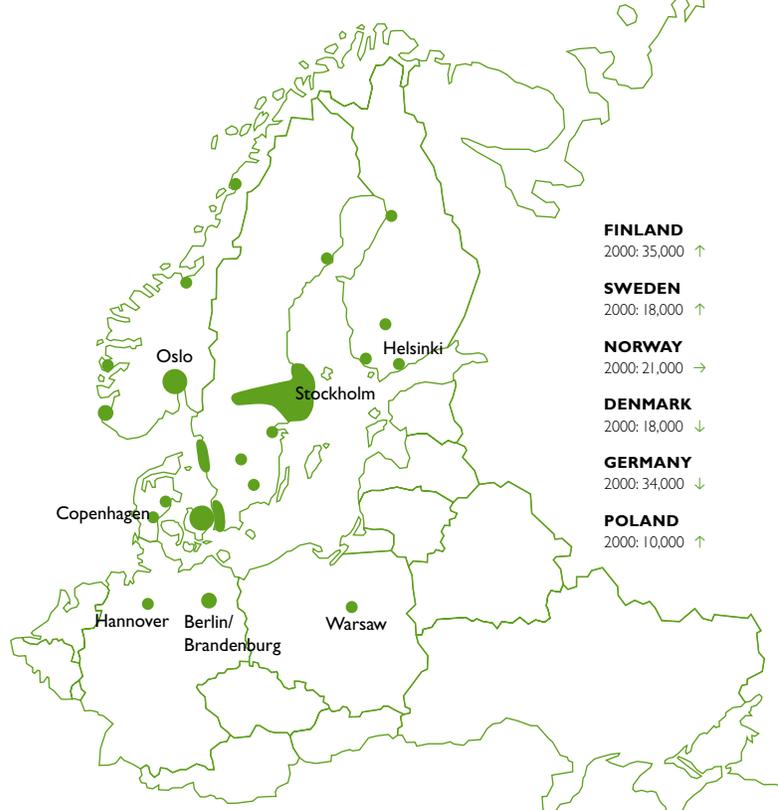
As a result of the organizational changes implemented within the NCC Group during autumn 2000, NCC Housing's operations are being improved and strengthened. Business units in all countries can now focus even more intently on their core business, housing development. The prospects for improved profitability in each country have been strengthened, since the operating line now follows the product. Synergies within sales, purchasing, quality, environment, IT and various building concepts can now be exploited.

The aim of widening the value chain has been prioritized. The newly formed business areas, NCC Service and NCC Telecom, will be important partners in this respect. Today, contacts with customers are, in practice, terminated when tenants move into a new residence. In the future, customers will demand many products and services that can be related to their home. For example, they may want the latest IT upgrades, insurance services, gardening help or building-related services.

EARNINGS

Orders received by NCC Housing during 2000 rose by 15 percent to SEK 6,055 M (5,280). The increase was mainly attributable to favorable trends in the new units in Denmark and Norway. As at December 31, a total of approximately 2,900 housing units (2,700) based on the total-package concept were in production, of which Sweden accounted for 28 percent (52).

Net sales increased by 16 percent to SEK 5,365 M (4,620). The



PRIORITIZED MARKETS/LOCATIONS AND MARKET PROSPECTS

Since NCC Housing's operations are concentrated in expansive metropolitan locations, its market will remain strong, even in those countries where total demand for housing may slacken marginally.

The market for housing production in the segments and geographic markets served by NCC Housing totals about 140,000 residential units. In the next five years, residential building is expected to increase in Finland, Sweden and the Warsaw region. A slight decline is expected in Denmark and in the Berlin-Brandenburg district, while the Norwegian housing market is expected to remain unchanged.

NUMBER OF HOUSING STARTS, NCC HOUSING

| | Number of housing starts, total | | Development rights | |
|------------------------------|---------------------------------|-------|--------------------|---------|
| | 1999 | 2000 | 1999 | 2000 |
| Sweden | 1,611 | 1,128 | 8,300 | 10,600 |
| Finland | 1,231 | 1,375 | 1,400 | 2,300 |
| Norway | 80 | 527 | 1,700 | 2,100 |
| Denmark | 0 | 248 | 500 | 500 |
| Germany (Berlin/Brandenburg) | 1,671 | 1,095 | 1,300 | 1,200 |
| Poland (Warsaw) | 31 | 159 | 700 | 600 |
| Total, NCC Housing | 4,624 | 4,532 | 13,900 | 17,300* |

During 2000, NCC Housing noted 2,895 housing starts based on the total-package approach. In addition, assignments based on traditional housing contracts were conducted by NCC Housing and other NCC units. The NCC Group reported a total of 6,868 housing starts in 2000. Total-package projects accounted for 55 (47) percent of the total number of housing starts in the NCC Group. The main reason for the decline in the number of housing starts in Sweden and Germany is that several major projects, which are currently in progress, were initiated during 1999. The Stockholm area accounts for approximately 50 percent of NCC Housing's development rights.

* There are also approximately 300 development rights within other business areas.

upswing was attributable to the new housing production units in Denmark and Norway and a higher share of total-package projects in Sweden.

Profit after net financial items, excluding acquisition costs, amounted to SEK 179 M (149). The improved earnings were attributable to the focus on total-package projects in Sweden and expansion in other Nordic countries.

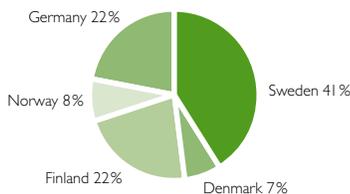
Due to targeted investments in development rights, capital employed rose by approximately SEK 940 M.

OUTLOOK

The prospects for NCC Housing are favorable. The market situation is healthy. The order backlog rose by approximately 21 percent during 2000. The business area is expected to note continued increases in sales and earnings. NCC Housing invested slightly more than SEK 3 billion in land and properties suitable for project development during 1998–2000. Forceful efforts to increase the holding of development rights have created a platform for continued expansion in prioritized markets. As a result, our investments have exceeded the rate of project completion and sales, which has increased the amount of tied-up capital and adversely affected our return on capital. The level of investment will now decline and, as we achieve a better balance between investments and completion, the return on capital employed in the business area will improve substantially.

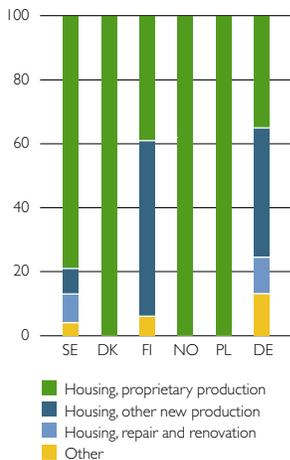
MARKET MIX

Sales, percent



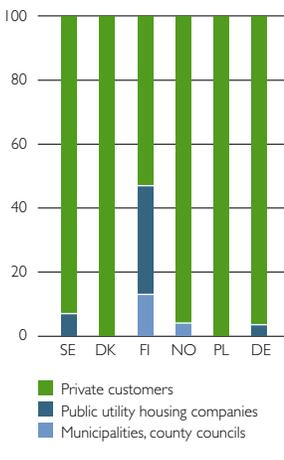
PRODUCT MIX

Sales, percent



CUSTOMER MIX

Sales, percent



| NCC HOUSING, SEK M | 1998 | 1999 ¹⁾ | 2000 |
|---|-------|--------------------|--------------|
| (Incl. acquisition costs) | | | |
| Orders received | 3,479 | 5,280 | 6,055 |
| Order backlog | 2,712 | 4,158 | 5,023 |
| Profit after financial items | 8 | 149 | 179 |
| Capital employed at year-end | 1,140 | 1,887 | 2,830 |
| Cash flow before dividends ¹⁾ | 102 | -735 | -866 |
| Ratios | | | |
| Operating margin, % | 1.0 | 4.0 | 4.3 |
| Net margin, % | 0.3 | 3.2 | 3.3 |
| Net margin, excluding acquisition costs, % | 0.5 | 3.4 | 3.5 |
| Return on capital employed, % ²⁻³⁾ | 3.3 | 15.9 | 12.2 |
| Other | | | |
| Average number of employees | 1,329 | 1,374 | 2,104 |

INCOME STATEMENT, SEK M

| | | | |
|---|------------|------------|---------------|
| Net sales | 2,365 | 4,620 | 5,365 |
| Production expenses | -2,153 | -4,087 | -4,736 |
| Gross profit | 212 | 533 | 629 |
| Selling and administrative expenses | -205 | -352 | -406 |
| Shares in associated companies | 16 | | 5 |
| Capital gain on sales of Group companies | | -2 | |
| Gains from sales of properties | | 4 | 18 |
| Revaluation of properties held for future development | | | -15 |
| Operating profit | 23 | 183 | 231 |
| Financial items | -15 | -34 | -52 |
| Profit after financial items | 8 | 149 | 179 |

BALANCE SHEET, SEK M

| | | | |
|---|--------------|--------------|--------------|
| Properties classed as fixed assets | 133 | 140 | 245 |
| Tangible and intangible fixed assets | 45 | 127 | 116 |
| Shares and participations | 32 | 32 | 41 |
| Properties held for future development | 469 | 1,539 | 2,647 |
| Interest-bearing receivables | 101 | 13 | 38 |
| Interest-free receivables | 713 | 851 | 1,654 |
| Liquid funds | 464 | 549 | 478 |
| Total assets | 1,957 | 3,251 | 5,219 |
| Shareholders' equity | 374 | 375 | 728 |
| Interest-bearing liabilities and provisions | 861 | 1,553 | 2,143 |
| Interest-free liabilities and provisions | 704 | 1,318 | 2,051 |
| Project invoicing not yet worked up | 18 | 5 | 297 |
| Total equity and liabilities | 1,957 | 3,251 | 5,219 |

¹⁾ Companies purchased and sold during 1998 and 1999 are not taken into consideration in the calculation of cash flow.

²⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.

³⁾ Return figures are based on average capital employed.

⁴⁾ A transfer of operations from NCC Building to NCC Housing resulted in the following changes in full-year figures for 1999: net sales by SEK 823 M and profit by SEK 43 M.



Homes in Havsporten offer exclusive and modern living conditions, combined with architecture reflecting the unique characteristics of the surrounding archipelago.

A balancing act in the archipelago

YOU CAN HAVE YOUR CAKE AND EAT IT TOO. Life in the archipelago no longer requires you giving up comfort in favor of a seaside location. Nor are you forced to choose between work and recreation. These days, you can combine work and everyday life with unique housing in natural surroundings.

At times, we all dream of a home that makes us feel like we're on vacation all year long, where proximity to the coast and the sea is part of our daily life and not crammed into a few holiday weeks in the summer. For the families who have chosen to move to Havsporten, a development of single-family homes in the town of Skärhamn in Bohuslän on the Swedish west coast, this dream is now a reality.

NCC Housing's concept for single-family home construction is based on a total-package approach. This involves working with the project from the idea stage through sales, service and maintenance. Building single-family homes on a few islets in the sea requires an ocean of creativity and is a real challenge for any construction company. In Skärhamn, houses are "attached" to the cliffs that pile up towards land. Materials are chosen carefully to withstand hard winds and saltwater. Boat-sheds and a small craft harbor are also available.

NCC Housing's development project in Skärhamn is aptly named Havsporten – "Gateway to the Sea." The name expresses the magnifi-

cent views that most of the homes have towards the horizon and the sunset over the sea to the west through the "gateway" that opens between the island of Tofö to the north and the Kapsund islets to the south. Prospective buyers can also study the view by looking at the virtual reality animations used to market the homes. These days, IT allows house seekers to actually "tour" a home that has yet to be built.

IT is also a vital ingredient in the creation of intelligent houses. Broadband has already been laid all the way out to Skärhamn and NCC is connecting fiber-optic cables to every house. At Havsporten, you can have a high-speed Internet connection and a network connection to your job and work while you watch the sun set over the horizon.

Homes in Havsporten offer all the modern conveniences required for luxury living, integrated with architectural solutions based on materials and design that reflect the unique characteristics of the surrounding archipelago. In this case, this also entailed transforming former industrial land into a vibrant archipelago idyll.

Life in the archipelago is no longer a matter of giving up comfort in exchange for a unique coastal location. It is about putting yourself and your family first and realizing that it is possible to combine work and everyday life with unique housing surrounded by nature.

MANY CAN BUILD – FEW HAVE GOOD IDEAS

BUSINESS CONCEPT

NCC Property Development’s mission is to develop and offer to investors attractive commercial properties in high-growth markets in the Nordic and Baltic Sea region, and in a few selected markets in other parts of Europe.

OBJECTIVE

The aim is to be the leading property developer within growth regions in the Nordic and Baltic Sea region, as well as in selected markets in other parts of Europe. The financial objective for property-development projects is a return of at least 16 percent on capital employed.

STRATEGY

In recent years NCC Property Development has gradually reduced its portfolio of managed properties and its operations have been focused increasingly on property development, which consists of identifying project opportunities, acquiring land and developing, leasing and selling real estate projects. On January 1, 2001, the name of the business area was changed to NCC Property Development to more accurately reflect the focus of operations.

The business area’s earlier objective of reducing the managed portfolio to SEK 4 billion has, in principle, been achieved. The new objective is that the managed portfolio consist exclusively of properties with development potential or which, for commercial reasons, are retained with a view to maximizing the return when they are sold. The establishment of good relationships with present and prospective tenants continues to be an important part of the business process, even though NCC’s end-customers are investors.

The key to profitable property development lies in ensuring access to land and developable properties. The land and properties must also be strategically situated in so-called “A” and “B” locations. Efficient and continuously maintained networks of contacts with municipalities, politicians and land owners are a factor that contributes to success. Partnerships and strategic alliances are other ways of securing a future volume of properties for development.

Advanced information technology has become an important tool in property development. This applies to production (CAD/CAM and Virtual Reality, for example) and to finding new business ideas. With IT as a base, NCC has developed a number of proprietary concepts such as Service Provider and Virtual Building. This trend has intensified and will continue.

Strategic key issues for profitable property development:

- Securing access to land and developable properties.
- Developing attractive products, such as Service Provider and Virtual Building.
- Developing internal and external leasing expertise.
- Forming close relationships with real estate investors.

PRODUCTS AND SERVICES

NCC Property Development focuses mainly on developing hotel, retail and office buildings. Because content often determines the value of two similar buildings, NCC makes an effort to identify and devise attractive products and services, which it calls concepts. Some examples:

Business Park

NCC Business Park is a successful concept for the development of office properties and is suitable primarily for companies that are expanding in growth industries. The concept guarantees access to modern and flexible high-quality premises that are equipped with services that are suitable for small and large companies – everything from conference rooms to gymnasiums and travel agencies. NCC buys land and develops a specific Business Park concept, builds and leases the premises and then sells the property. NCC has been very successful in applying the concept in Finland and is currently developing three business parks in the Helsinki area.

Virtual buildings

A virtual building is a property exists at an Internet address such as www.gardafabriker.com. NCC Property Development has developed a web platform that can be used for both project-

PROPERTY DEVELOPMENT



development and managed properties. For example, the virtual building enables the customer/tenant to obtain information on the services and amenities available in the proximity of a property, and to monitor the building's operation.

Local Community System (LCS)

Customers are imposing increasing demands for flexibility and "intelligence" in a building. The "Local Community System" (LCS) has been developed in strategic cooperation with Ericsson. LCS is a building network that gives every company complete flexibility in satisfying all types of communications needs.

Service provider

NCC is introducing a service-management concept that involves managing "smart" communications systems and services in workplaces and homes. By utilizing a new infrastructure (see LCS, above), NCC can deliver services and thereby cover a larger part of the value chain and increase the value of a property. The service provider manages the service suppliers' offerings and then packages them into services offered to the customer.

STRONG MARKET TREND

Sweden

The outlook for the Swedish economy is now much more favorable than it has been for many years. Current growth figures are on the same level as in the 1960s. The rental market remains strong in metropolitan and growth regions. However, there are still substantial fluctuations between locations and different types of buildings. Regional centers with an expansive economy are continuing to show rising rents for commercial space, while smaller communities are still showing a modest – and in some cases declining – growth in rents. During 2000, the growth in rents and property values for commercial premises was very good in the centers of Sweden's largest cities, Stockholm in particular.

The Stockholm office market can be divided roughly into the Central Business District (CBD), the rest of the inner city and the nearby suburbs. Rent levels have risen steadily in the CBD since 1994 and annual office rents are mainly ranging from SEK 3,000 to SEK 5,000 per square meter. The yield varies between 6.0 and 6.5 percent. At the same time, the sharp price increases in recent years have given rise to a large number of sellers, with the result that the supply of properties is relatively large at present. The vacancy rate is less than 2 percent. Stockholm is thereby consolidating its position as the Nordic capital city with by far the highest office rents.



Frösunda Port, one of several successful projects sold during 2000.

Due to strong demand for high-grade office space in Stockholm's inner city, many large companies are seeking alternative locations in newly built and refurbished buildings in such attractive suburbs as Marievik, Frösunda, Värtahamnen, Globen, Kista and Bällsta Strand/Vreten.

The trend in the Stockholm construction market was very favorable during the year. It has again become profitable to build commercial premises on a large scale, and the heavy influx of approximately 20,000 people per year to Stockholm is markedly increasing the need for housing. The future for commercial space looks bright at present. Rents have stabilized at a level where the most deviant peaks have disappeared, now that "new economy" tenants have also become more cost conscious.

The economic trend in the Gothenburg region was strong



NCC Property Development has projects in progress in such cities as Warsaw.

during 2000 and many expanding companies established new operations. The construction and real estate markets strengthened during the year. This was mainly reflected in an increase in project and building activity, rising rents, lower vacancy rates and declining yield requirements. The “A” location for offices in central Gothenburg consists of the parts of the city within Vallgraven, Nordstaden, Lorensberg, Vasastaden, Heden and Gullbergsvass. The current vacancy rate in “A” locations has declined sharply since 1999 and is estimated to be around 3 to 5 percent in the best locations and about 6 percent for the total stock of premises.

Malmö has experienced a real upturn, with declining vacancy rates and rising rents. This, in turn, has resulted in new construction. The Öresund Link has made a favorable contribution to perceptions of the region. Malmö has come a step closer to the Continent. Vacancies have declined slightly, mainly in the best locations, and are estimated to be around 4 percent in “A” locations, and about 10 percent for the total stock of premises.

REAL ESTATE MARKETS

| Market | Rent, m ² | Yield | Vacancy rate | Trend, rent+price 1999–2000 |
|-------------------------------|----------------------|-----------|--------------|--------------------------------|
| Stockholm, CBD | 3,000–5,000 SEK | 6.0–6.5 | <2 | ↑ |
| Stockholm, A-locations | 2,000–3,000 | 6.0–7.5 | | ↑ |
| Stockholm, central suburbs | 1,500–2,500 | 6.5–8.0 | | ↑ |
| Gothenburg, A-location | 1,200–1,700 SEK | 6.5–7.5 | 3–5 | ↑ |
| Malmö, A-location | 1,200–1,500 SEK | 6.0–7.0 | 4 | ↑ |
| Helsinki, CBD | 1,800–2,040 FIM | 6.25 | 1.4 | ↑ |
| Helsinki, A-location | 1,200–1,440 FIM | | | ↑ |
| Helsinki, business parks | 1,320–1,560 | 7.5–8.0 | | ↑ |
| Copenhagen, CBD | 1,400–1,700 DKK | 6.5–7.0 | <1 (total) | ↑ |
| Oslo, CBD | 2,400–2,600 NOK | 7.0–8.0 | 4 | → |
| Oslo, A-location | 1,900 NOK | | | → |
| Brussels, A-location | 7,000–9,000 BFR | 6.75–7.5 | 6–8 | ↑ |
| Berlin, A-location | 660–720 DEM | 4.5–5.0 | 5–7 | ↑ |
| Düsseldorf, A-location | 400–500 DEM | 5.5–6.0 | 5.6 | ↑ |
| Hamburg, A-location | 600 DEM | 4.3–6.0 | 3 (total) | ↑ |
| Warsaw, A-location | 360 USD | cirka 11 | 15 (total) | ↓ |
| Budapest, A-location | 240 EURO | 9.5–10.25 | 17 (total) | ↓ |

During 2000, average rents for office space in “A” locations rose by 15–20 percent, and in the really prime locations leases were signed at rents of SEK 1,600 to 1,800 per square meter.

Helsinki

The Helsinki Metropolitan Area (HMA) is one of the fastest-growing regions in the western world. In survey published around year-end, Fortune Magazine and Arthur Andersen ranked 35 European cities based on four criteria: labor resources, corporate climate, quality of life for attractive manpower and the cost of doing business. Helsinki was ranked third, after London and Frankfurt.

The vacancy rate for commercial space in HMA is low. The IT and telecom sectors have absorbed most of the newly produced space that has entered the market. Large national institutional players dominate the investment market. Major efforts have been made to create financial tools and creative solutions to attract international real estate investors.

Copenhagen

A buoyant Danish economy, the construction of the Öresund Bridge and growing international interest in the region have helped to strengthen Copenhagen's opportunities for increased growth. The influx of large companies has boosted demand for attractive office space offering a high technical standard.

Copenhagen's prime locations for offices extend outward from the city center towards areas that not long ago were considered peripheral. Vacancy rates in the city's office rental market are declining, but without any major effects on rent levels. The project-development market is strong at present, with substantial demand for attractive premises, while high rents are also being paid for premises far from the city center. There is plenty of unutilized land available for development, notably in the various port areas that have good transportation connections with the city.

Oslo

The rental market in Oslo continues to be stable. However, prospective tenants are demanding premises that meet the highest standards. Technical adaptations and high service standards are "musts" in efforts to obtain high rents. Vacancy rates still differ greatly from one district of Oslo to another. The market for new production of housing and commercial space remains attractive. Demand for attractive commercial space is strong and the present rate of new production does not pose a threat to current rent levels.

Düsseldorf

Leasing activity in Düsseldorf increased relatively substantially in 2000, when a number of large companies established operations in the city. Considerable demand has been noted from large, as well as smaller and medium-size, companies in telecom-related sectors, and from other industries. As a result of its central location in Europe, Düsseldorf is excellently situated from a communications viewpoint, with good highway-network connections and a nearby airport. Rents have risen in various parts of the city, with peaks of DEM 504 per square meter/year noted in the bank district. Rents at this level are now also being obtained in the southern part of the city/harbor area, a sub-market where increases of nearly 20 percent have been noted in the past two years. The vacancy rate in Düsseldorf is estimated to be 5.6 percent.



Other markets

NCC Property Development also has projects under way in Brussels, Berlin, Budapest and Warsaw. The current conditions for property development in these markets are favorable.

SIGNIFICANT EVENTS IN 2000

Sweden

Construction of Kista Science Tower, the largest property development project in NCC's history, representing a total investment of approximately SEK 1.5 billion, was initiated in June. In the heart of Kista, Sweden's IT center, NCC is constructing six office buildings with a total floor area of about 63,000 m², including 14,000 m² of garage space. One property is 158 meters and 32 stories high, making it Sweden's tallest office building to date. (Also see page 11.)

In March, NCC acquired a property in Malmö's prime commercial location, the Gyllenstjärna block. Situated in one of the city's oldest quarters, the property contains about 20,000 m² of space. NCC will develop the property without demolishing it or limiting the level of service provided in it. The estimated cost is SEK 300 M.

Frösunda, in Solna – near the northern entrance to Stockholm – was one of the most expansive areas in Sweden in 2000. In November, NCC's Frösunda Port development property was completed and sold to AMF Pension for SEK 670 M, yielding a gain of



SEK 130 M. The building is being leased by Canon and Compaq, which have their Swedish headquarters in the buildings.

Denmark

Dahlerups Pakhus is a 100-year-old building in Copenhagen. NCC Denmark carried out a meticulously detailed renovation with such successful results that the property received the "MIPIM 2000 Award" in the "Renovated Office Buildings" category at the world's largest property trade show in Cannes. The property was sold to ATP Ejendomme, a Danish real estate company that has acquired additional properties in Langelinie from NCC.

Norway

In March 1999, NCC acquired the Sørkedalsveien 6 property in central Oslo. At that time, the property was better known as the "Philips Building" and consisted of an office building erected in 1957. Following evaluation of the property's development potential, NCC decided to demolish the building and construct a

new building with 17,500 m² of office space. Tenants include the auditing firm KPMG. The demolition was performed under spectacular conditions in the spring of 2000 and the new building is expected to be completed in autumn 2001. The property was sold for SEK 540 M to Kontorbygg Holding I AS, resulting in a development gain of SEK 70 M for NCC.

Finland

In Finland, NCC has three business park projects in the Helsinki area. One property in each of these business parks was sold during 2000. In Spectri Business Park in Tapiola, Esbo, Business House Casa was sold for SEK 133 M during the summer. In Stella Business Park, in Leppävaara, Esbo, Stella Terra was sold for 218 M in October, and in Plaza Business Park in Vantaa, near the airport, Plaza Piano was sold in December for SEK 134 M. All three sales yielded healthy development gains for NCC.

Germany

In the early 1990s, NCC acquired land in Neues-Seestern, Düsseldorf. At about the same time, the market for property development deteriorated dramatically and it was not until the second half of the decade that market conditions permitted the start of construction on the first stage. During summer 2000, NCC sold the fourth project in the area for SEK 370 M, yielding a gain of SEK 12 M. The buyer was Despa (Deutsche Sparkassen-Immobilien Anlagen). When fully developed, NCC's presence in the Seestern area will comprise 87,000 m² of hotel, office, retail and residential space. The final stages will be completed during 2002.

United Kingdom

Just before the end of the year, the sale of the East India Dock development property in London, which NCC owned jointly with SPP (currently named Alecta), was completed. The sale resulted in a capital gain of SEK 283 M for NCC. Following the sale, NCC no longer has any operations in the UK real estate market.

Spain

At the end of 2000, NCC also exited from the Spanish real estate market by selling its 31-percent interest in the Sicione S.A., a property-management company that owned a shopping mall in Zaragoza. The sale yielded a gain of SEK 42 M for NCC.

PROPERTY DEVELOPMENT AS A CORE BUSINESS

In property development, a company – based on existing or anticipated customer needs, meaning tenants and/or investors – develops real estate projects from concept to finished property and sale in close cooperation with such other players as land owners, municipalities, other public authorities, architects, building contractors, tenants and investors.



There are a number of different categories of investors (buyers of real estate projects). They may be institutions, insurance companies or real estate funds that buy properties as financial investments. Others may be companies that acquire properties for use in their own businesses, or real estate companies that purchase properties for leasing under long-term management contracts.

A sale can be made at any stage, from when a project concept becomes a reality through acquisition of land and receipt of a building permit to full or partial leasing. In some cases, a property-development project temporarily becomes a property-management project with a view to a subsequent sale.

Successful property development requires access to development properties, vacant land and developable properties in attractive locations where demand for space is growing. A critical factor for success is the ability to secure access to development properties through acquisitions, options on land or joint-venture agreements – and to ensure that this happens at the right time. Correct timing involves acquiring land when the price per square meter for the related development rights is attractive and the time to project start-up is not excessive.

At the end of 2000, the capital employed in property development in the form of development properties and projects in progress totaled SEK 3,897 M (3,226). Development properties are shown in the balance sheet under the heading “Projects in progress” as of the date when a definite decision on the start of the project has been made. Up to and including 2000, projects in progress were reclassified under “Managed properties” as of Jan-

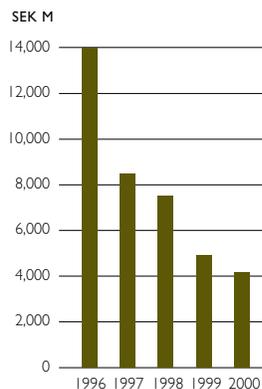
uary 1 of the year following completion of a project. Effective in 2001, this principle has been changed so that the reclassification is deferred by one year.

For a detailed description of the accounting principles for real estate operations, see page 66. A complete listing of NCC’s properties is presented on the Group’s Internet website: www.ncc.se. The list is updated quarterly.

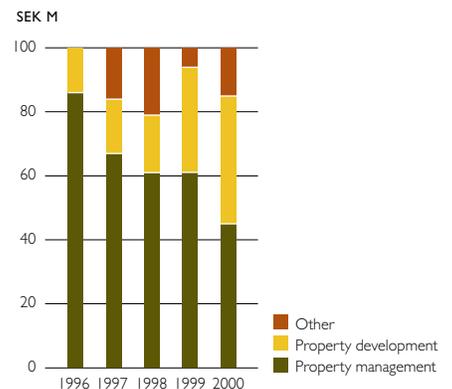
As of December 31, 2000, the holding of development properties included approximately 70 Swedish properties that the business does not plan to use for proprietary projects. Instead, these properties will be sold in their existing condition, following additional planning work in some cases. Most of these properties came into the business area as a result of NCC’s acquisitions of large companies during the 1990s. The book value of these development properties amounts to SEK 170 M. The market value at year-end 2000 was SEK 276 M, according to an independent appraisal. The intention is that the entire holding of the development properties earmarked for sale in their existing condition will have been divested by the end of 2003. During 2000, such properties were sold in an amount of SEK 101 M, resulting in a gain of SEK 19 M.

Other development projects amounting to SEK 1,073 M at December 31, 2000 are entered in the project portfolio as projects already in progress. The total project costs for the portfolio as of that date was SEK 15.4 billion, of which building starts and projects approved but not yet started accounted for SEK 7.2 billion.

BOOK VALUE OF MANAGED PROPERTIES, 1996–2000



TOTAL CAPITAL EMPLOYED AND PERCENTAGE EMPLOYED IN PROPERTY DEVELOPMENT, 1996–2000



During 2000, construction was started on 29 projects with total rentable space of approximately 316,000 m² and a total project cost of SEK 6.3 billion.

The largest projects are:

- Kista Science Tower in Stockholm, 63,000 m² (including garage space)
- Tygelin in Solna, 13,000 m²
- Langelinie, Stage B, in Copenhagen, 12,000 m²
- Dynamo Business Park in Tampere, 12,000 m²
- Koy Plaza, Stages 1 and 2, Helsinki, 12,000 m²
- Lysaker, Stage D in Oslo, 34,000 m²
- Sörkedalsveien 6 in Oslo, 22,000 m²
- West Gate in Warsaw, 22,000 m²
- Seestern, Stages B2/B3 in Düsseldorf, 23,000 m²

Seventeen projects corresponding to a total sales volume of SEK 2,511 M were sold in 2000, yielding a gain of SEK 439 M. As of the dates when the projects were sold, the average degree of completion and leasing rate amounted to 54 percent and 91 percent, respectively. The return on capital employed for the entire project period – from acquisition of land to sale – was 24 percent, compared with the target of at least 16 percent for individual projects. One reason for the high return was that a number of projects were sold in direct connection with the start of construction.

The total volume of sales in the property-development business amounted to SEK 3,028 M (661), generating gains of SEK 402 M (129), after selling and survey costs.

The following projects were completed during 2000 but had not been sold at year-end:

- Startboxen 2 in Solna, 16,000 m²
- Örnästet 4 (ICA Maxi) in Jönköping, 9,500 m²

Projects in progress (projects on which construction has started plus projects for which decisions regarding building starts have been made) with a book value of SEK 2,619 M as of December 31, 2000 comprised a total of 370,000 m² of rentable floor space. A complete list is available on www.ncc.se.

The anticipated yield – calculated as operating net as a percentage of total project costs – was 8.6 percent. Taking into account the present yield requirement in the relevant investor markets, this indicates a substantial surplus value in the project portfolio (see table on page 39).

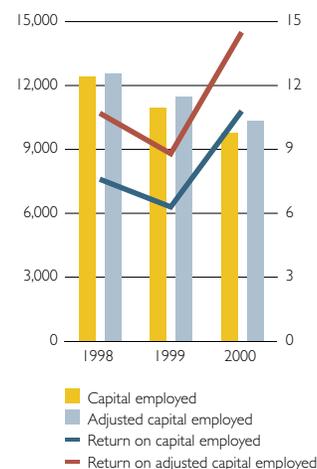
The profit from property sales is the sum total of gains from sold development properties and projects sold, less general sales costs and survey costs for project concepts that were not implemented. The operating net is derived in part from leased development properties and in part from projects completed during the year.

MANAGED PROPERTIES AS OF DECEMBER 31, 2000¹⁾

| SEK M | Rentable floor space 1,000 m ² | Rental revenues SEK M | Operating net SEK M | Book value SEK M | Market value SEK M | Yield % | Vacancy rate % |
|---------------------------------|--|--------------------------|------------------------|---------------------|-----------------------|------------|----------------|
| Stockholm | 139 | 212 | 133 | 1,872 | 2,553 | 7.1 | 2.2 |
| Gothenburg | 54 | 70 | 43 | 451 | 665 | 9.6 | 5.7 |
| Malmö/Lund | 99 | 71 | 42 | 648 | 670 | 6.5 | 6.0 |
| Other locations | 131 | 101 | 52 | 877 | 903 | 5.9 | 8.4 |
| Total Sweden | 423 | 454 | 270 | 3,848 | 4,791 | 7.0 | 4.8 |
| Brussels | 10 | 9 | 8 | 116 | 116 | 7.3 | 20.6 |
| Copenhagen | 29 | 23 | 16 | 245 | 245 | 6.5 | 1.0 |
| Oslo | 12 | 7 | 6 | 78 | 78 | 7.0 | 0.0 |
| Other locations | 14 | 13 | 9 | 90 | 90 | 10.4 | 5.1 |
| Total outside Sweden | 65 | 52 | 39 | 529 | 529 | 7.4 | 5.9 |
| Total managed properties | 488 | 506 | 309 | 4,377 | 5,320 | 7.1 | 4.9 |

¹⁾ Pertains to the properties remaining in the portfolio on December 31, 2000.

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



MANAGED PROPERTIES

Managed properties consist in part of the business area's holdings of proprietary development properties completed in 1999 or earlier and in part of acquired managed properties. The latter category pertains to properties that were acquired in connection with purchases of companies – ABV in 1988, Rasmussen & Schøltz in 1996 and Siab in 1997.

The portfolio of managed properties has been reduced sharply during the past four years, from SEK 14.0 billion to SEK 4.3 billion (see table on page 37).

It is anticipated that the entire present holding, with a hidden reserve of approximately SEK 1 billion, will be sold during the next three years. In 2000, NCC sold managed properties amounting to SEK 2,173 M, yielding a gain of SEK 247 M. As of December 31, 1999, the market value of the sold properties was SEK 1,852 M.

The value of the Swedish portfolio of managed properties, which has a book value of SEK 3,848 M (including current investments of SEK 63 M in managed properties), was appraised by an independent valuation firm as of December 31, 2000. According to this appraisal, the market value amounted to SEK 4,812 M, an increase of SEK 420 M, or 9.5 percent during the year. The hidden reserve of SEK 964 M is concentrated in a small number of properties, mainly in metropolitan regions.

In NCC's income statement, profit from managed properties is divided into gains from sales and profit from management operations.

Gains from sales in 2000 include SEK 283 M from the sale of East India Dock in London, SEK 114 M from the sale of the associated company Vasaterminalen AB and SEK 42 M from the sale of properties in the Spanish associated company Sicione S.A.

The operating net for 2000 generated a yield of 7.3 percent on book value, an increase of 0.4 of a percentage point compared with 1999. This increase is an effect of higher rents. The lower operating net in 2000, SEK 92 M, is an effect of the following: portfolio changes, minus SEK 118 M; higher rents, plus SEK 50 M; and increased costs, minus SEK 24 M. As the managed portfolio decreases, profit from property management will also decline.

CAPITAL EMPLOYED, EARNINGS AND PROFITABILITY

Capital employed by the business area amounted to SEK 9,343 M (9,651) at year-end and averaged SEK 9,745 M (10,951) during 2000. Capital employed has been reduced sharply since 1996, parallel with the repositioning toward property development (see table on page 37).

PROJECTS IN PROGRESS, DECEMBER 31, 2000

| SEK M | Year of completion | | | | Total |
|---------------------------------------|--------------------|-------|-------|-------|-------|
| | 2000 | 2001 | 2002 | 2003 | |
| Anticipated book value on completion | 363 | 2,618 | 2,086 | 2,121 | 7,188 |
| Book value, December 31, 2000 | 359 | 1,353 | 547 | 360 | 2,619 |
| Rate of completion, December 31, 2000 | 99 | 52 | 26 | 17 | 36 |
| Occupancy rate, December 31, 2000, % | 100 | 25 | 35 | 13 | 29 |
| Estimated operating net | 35 | 231 | 178 | 175 | 619 |
| Yield, % | 9.7 | 8.8 | 8.6 | 8.2 | 8.6 |

CAPITAL EMPLOYED, 1998–2000

| SEK M | 1998 | 1999 | 2000 |
|-------------------------|---------------|--------------|--------------|
| Property development | 2,180 | 3,226 | 3,897 |
| Property management | 7,416 | 5,834 | 4,314 |
| Other | 2,489 | 591 | 1,132 |
| Capital employed | 12,085 | 9,651 | 9,343 |

Gross investments amounted to SEK 3,186 M (1,924), of which investments in development properties and projects accounted for SEK 2,724 M (1,785). Investments in managed properties totaled SEK 332 M (68), of which SEK 270 M pertained to the acquisition of Gyllenstjärna 27, a centrally located building in Malmö that has development potential. Sales of properties totaled SEK 5,201 M (2,523), resulting in a continuing positive cash flow of SEK 1,698 M (1,560).

Profit after net financial items and acquisition costs amounted to SEK 780 (402).

Fourth-quarter profit included a number of large sales of projects and managed properties.

- Hilton 2 in Solna, SEK 128 M
- East India Dock in London, SEK 283 M
- The sale of all properties in Sicione S.A., the jointly owned Spanish company, SEK 42 M

The increase in profit in 2000 resulted in a substantial improvement in the return on capital employed, from 6.3 percent to 10.8 percent (see table on page 38). If the SEK 450 M (300) change in the hidden reserve in managed properties and completed projects is added, the adjusted return on capital employed was 14.5 (8.8) percent.

OUTLOOK

The outlook for NCC Property Development is favorable. The market for property development remains strong in all of the areas where NCC conducts operations. Following the build-up phase that the business area has experienced during recent years, there is now a balance between investments and sales. Accordingly, assuming that the market remains strong, a continuing high sales rate may be expected in 2001, which will release additional capital and improve return figures.

NCC PROPERTY DEVELOPMENT

| (Incl. acquisition costs) SEK M | 1998 | 1999 | 2000 |
|---|--------|-------|-------|
| Profit after net financial items | 436 | 402 | 780 |
| Capital employed at year-end | 12,085 | 9,651 | 9,343 |
| Gross investments | 1,143 | 1,924 | 3,186 |
| Sales of properties ³⁾ | 2,973 | 2,523 | 5,201 |
| Cash flow after dividend ⁴⁾ | 878 | 1,560 | 1,698 |
| Ratios | | | |
| Return on capital employed, % ^{1,5)} | 8 | 6 | 11 |
| Visible yield | | | |
| excl. administrative costs, % | 6.8 | 6.9 | 7.3 |
| incl. administrative costs, % | 5.7 | 6.1 | 6.2 |
| Vacancy rate, rents, % ²⁾ | 6 | 4 | 4 |
| Vacancy rate, floor space, % ²⁾ | 7 | 6 | 7 |
| Equity/assets ratio, % | 41 | 30 | 35 |
| Other | | | |
| Average number of employees | 238 | 215 | 211 |

¹⁾ Return figures are based on average capital employed.

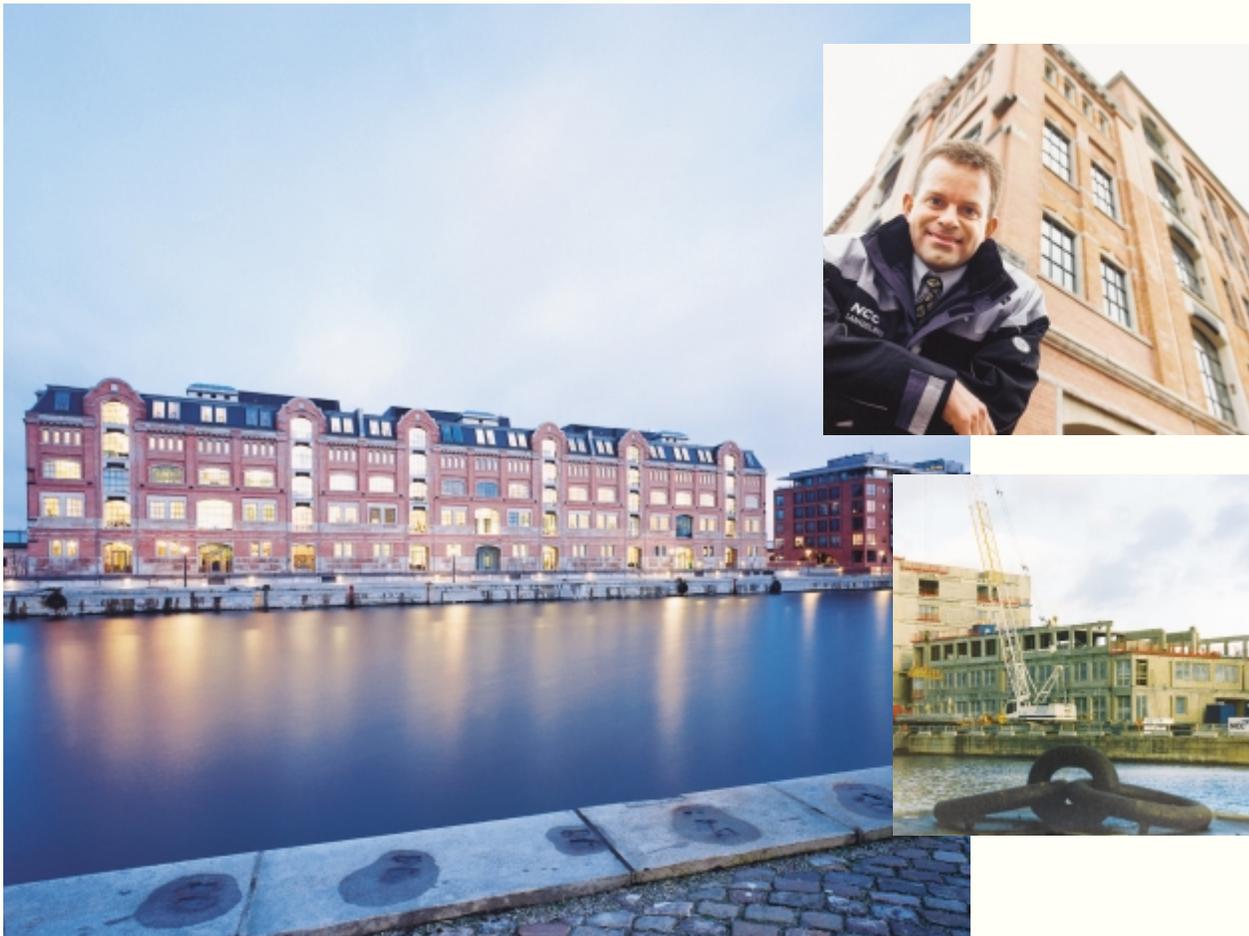
²⁾ Vacancy rates refer to the situation at December 31.

³⁾ Including worked up contracting revenues.

⁴⁾ Companies purchased and sold during 1998 and 1999 are not taken into consideration in the calculation of cash flow.

⁵⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.

| INCOME STATEMENT, SEK M | 1998 | 1999 | 2000 |
|---|--------|--------|--------|
| Property development | | | |
| Sales revenues | 1,309 | 661 | 3,028 |
| Book value | -1,037 | -524 | -2,602 |
| Sales expenses | -48 | -8 | -24 |
| Other operating revenues | 26 | 51 | 84 |
| Other operating expenses | -74 | -124 | -137 |
| | 176 | 56 | 349 |
| Property revaluation | | | -8 |
| Associated and other companies | 9 | 51 | 39 |
| Net financial items | -39 | -10 | -34 |
| Profit, project development (A) | 146 | 97 | 346 |
| Sales of managed properties | | | |
| Sales revenues | 1,664 | 1,862 | 2,173 |
| Book value | -1,480 | -1,754 | -1,860 |
| Sales expenses | -47 | -55 | -66 |
| | 137 | 53 | 247 |
| Associated and other companies | 162 | 45 | 158 |
| Profit, property sales (B) | 299 | 98 | 405 |
| Real estate management | | | |
| Rental revenues | 829 | 740 | 622 |
| Interest subsidies | 15 | 12 | |
| Other revenues | 16 | 8 | 10 |
| Operating, maintenance and leasing costs | -317 | -286 | -250 |
| Operating net | 543 | 474 | 382 |
| Depreciation according to plan | -98 | -86 | -68 |
| Administrative costs | -88 | -56 | -60 |
| | 357 | 332 | 254 |
| Associated and other companies | 5 | 59 | -5 |
| Property revaluation (D) | 0 | 31 | -36 |
| Net financial items | -371 | -215 | -184 |
| Profit/loss, real estate management (C) | -9 | 207 | 29 |
| Profit after net financial items (A-C) | 436 | 402 | 780 |
| BALANCE SHEET, SEK M | 1998 | 1999 | 2000 |
| Managed properties | 7,416 | 5,834 | 4,314 |
| Investments in progress | 1,027 | 1,892 | 2,654 |
| Properties held for future development | 1,153 | 1,334 | 1,244 |
| Properties classified as fixed assets | 9,596 | 9,060 | 8,212 |
| Tangible and intangible fixed assets | 61 | 58 | 54 |
| Shares and participations | 1,242 | 720 | 382 |
| Interest-bearing receivables | 1,171 | 136 | 399 |
| Interest-free receivables | 1,275 | 737 | 2,004 |
| Liquid assets | 390 | 407 | 266 |
| Total assets | 13,735 | 11,118 | 11,317 |
| Shareholders' equity | 5,712 | 3,469 | 3,795 |
| Minority interests | 11 | | |
| Interest-bearing liabilities and provisions | 6,641 | 6,335 | 5,391 |
| Interest-free liabilities | 1,371 | 1,314 | 2,131 |
| Total liabilities and shareholders' equity | 13,735 | 11,118 | 11,317 |



NCC's meticulous renovation of Dahlerups Pakhus in Copenhagen is an award-winning project. Langelinie is currently one of the most attractive locations in Denmark's capital.

From brick warehouse to award-winning project

A SUCCESSFUL PROPERTY DEVELOPMENT PROJECT often begins with the purchase of a site in a good location and ends with the sale of a fully leased property that satisfies tenant requirements for functionality. In Copenhagen, NCC has transformed the former Langelinie harbor district into offices, stores and luxury apartments.

The expansion and conversion of the Langelinie harbor district started a decade ago, but took off in earnest five years ago, when demand for offices and housing in central Copenhagen accelerated. At precisely the right time – 1994 – NCC acquired development rights in the district, giving the Group a very favorable market for its projects. A good feel for the market direction is one of the most critical factors in successful property development.

In the first phase, begun in 1995, NCC built 96 luxury rental apartments. That project was followed by the renovation of Langelinie Promenaden, a two-story cultural landmark building that is 400 meters long. Today, it houses stores, cafés and galleries.

The renovation of Dahlerups Pakhus, a gigantic brick warehouse dating from the late 19th century, was completed in 1999. The building was named after its architect, Wilhelm Dahlerup, who has designed several other famous buildings in Copenhagen. In spring 2000, the project received the coveted MIM Award at the internationally

acclaimed MIPIM real estate conference in Cannes, primarily in honor of the meticulous attention to detail during renovation work. For example, the facade was renovated by removing 350,000 bricks, which were then re-mortared and put back in place. The new windows feature elegantly slim aluminum frames and all door handles in the building are made of brass. The architecture pays tribute to the old warehouse environment. ATP Ejendomme, a Danish investor, acquired Dahlerups Pakhus in 1999 and went on to buy another Langelinie property from NCC in 2000.

NCC sold another project in the district in 2000, to FIH in Denmark. Other projects in Langelinie are scheduled for completion in the next few years, including an office building with total floor area of 11,900 m². This is a particularly innovative and exciting project, since the building is meant to look as if it is floating. Another project involves 34 condominiums and a new 12,300 m² office building.

As of year-end 2001, NCC will have built, renovated, leased or sold 61,000 m² of floor space in the Langelinie district. Langelinie is proof that NCC is more than just a skilled builder; it also possesses a wealth of good ideas that, when properly cultivated, generate new value for tenants, investors and shareholders alike.

FROM EXPANSION TO SYNERGY EXPLOITATION

BUSINESS CONCEPT

Based on product and concept development, manufacturing, sales and recycling activities, NCC Industry will satisfy customer needs for

- crushed-rock products, asphalt and ready-mixed concrete
 - machinery (building assistance and machinery-rental services)
- in the Nordic and Baltic Sea region.

NCC Industry aims to be regarded by customers, employees and shareholders as the leading company in the industry.

STRATEGY

NCC Industry is the leading player in the Nordic market for asphalt and crushed products, one of the two largest players in the machinery market and the fifth largest company in the concrete market. The business area's key strategic objectives are to continue to expand, both organically and through acquisitions, and to consolidate and strengthen NCC's position in all product areas. NCC Industry also aims to reduce tied-up capital, increase the return on capital employed, reduce costs and further develop its recycling of crushed products, asphalt and concrete.

PRODUCTS AND SERVICES

- **Crushed-rock products.** These are basic materials used in construction and civil engineering operations and a key raw material in the production of asphalt and concrete. Raw materials are extracted from NCC's own gravel pits and rock quarries, or through recycling, and are then processed in crushing plants.
- **Asphalt products.** These are used for various types of asphalt-surfacing applications. The business area's own asphalt plants produce both standard and specialty products, such as the Viaco and Densiphalt series. Recycled asphalt is used in the manufacture of new products. NCC Industry also undertakes road-surfacing work in all markets, with the exception of Sweden where NCC Contracting is responsible for such work.
- **Ready-mixed concrete.** This is used in the forming of building and civil engineering structures. In addition to standard concrete, NCC plants manufacture specialty products, including self-compacting concrete, flooring concrete and quick-drying concrete.
- **Machinery – building assistance and machinery rental.** The Building Assistance concept comprises tailor-made turnkey solutions that cover everything from planning, design and dimensioning to site establishment, assembly, installation and

service. The business area offers turnkey solutions for temporary worksite premises, electricity and energy, lifts, dry buildings, structures and scaffolding. The Machinery Rental unit engages in the rental of machinery and equipment for construction and civil engineering projects, as well as sales of accessories.

VALUE-GENERATING STRATEGIES AND PROGRAMS

Product and concept development

A substantial proportion of the business area's activities involves development of new products and concepts. The most recent results of this work include self-compacting concrete and a bentonite-mixed ballast material used as a sealing layer under, for example, landfills. In NCC Machinery's Building Assistance product area, new concept solutions are being developed in order to offer added value to customers.

NCC Industry recycles asphalt, ready-mixed concrete and crushed materials. Plants and equipment are being adapted and products are being developed to enable the reuse of recycled materials.

In-house IT systems to control operations

NCC Industry has developed and introduced its own IT systems for operational control, such as the ADR (automatic data retrieval) system that is beginning to be used in machinery operations and which increases the efficiency of material flows.

Measures to reduce tied-up capital

Within machinery operations, the rate of use of machinery and equipment was increased and the repair rate was reduced during 2000. At year-end, a new organizational structure was introduced in Sweden, whereby ownership of heavy capital machinery was transferred to a separate unit that is independent from the regions. The new unit's main function is to develop this range and maximize the rate of use.

Ongoing environmental and quality work

Intensive work is under way within NCC Industry to secure ISO-standard quality and environmental certification in all of the countries it serves. The aim is that the entire business area will have received such certification no later than 2003. During 2000, all parts of NCC Industry's Swedish operations, which had already been granted ISO 9001 quality certification, received ISO 14001 environmental certification.

CONTINUED INCREASE IN DEMAND

NCC Industry is mainly affected by the general trend in the construction market. However, certain submarkets for the business area's products are not linked to conditions in the construction and civil engineering markets. Examples of such submarkets are maintenance of municipal and national road networks, temporary premises rented by companies, local authorities and property owners, and building assistance at major events. Demand is highly seasonal, particularly for asphalt and, to some extent, crushed products, since the activities that use these materials cannot be conducted during the Nordic winter period. Accordingly, NCC Industry's revenues are highest from May to October.

The Nordic countries

Demand in the Nordic markets rose in 2000. In Sweden and Finland, demand for NCC Industry's products is expected to continue to increase in 2001, mainly as a result of an upswing in the housing and other buildings segments. On the other hand, a softer market trend is expected in Denmark and Norway, mainly due to the weaker civil engineering market.

Baltic Sea region

NCC Industry New Markets has established NCC's industrial concept in selected submarkets in Poland, Estonia, Latvia, Lithuania and Russia. These countries, particularly Poland, are large markets for the business area's products and offer the potential for high growth.

COMPETITORS

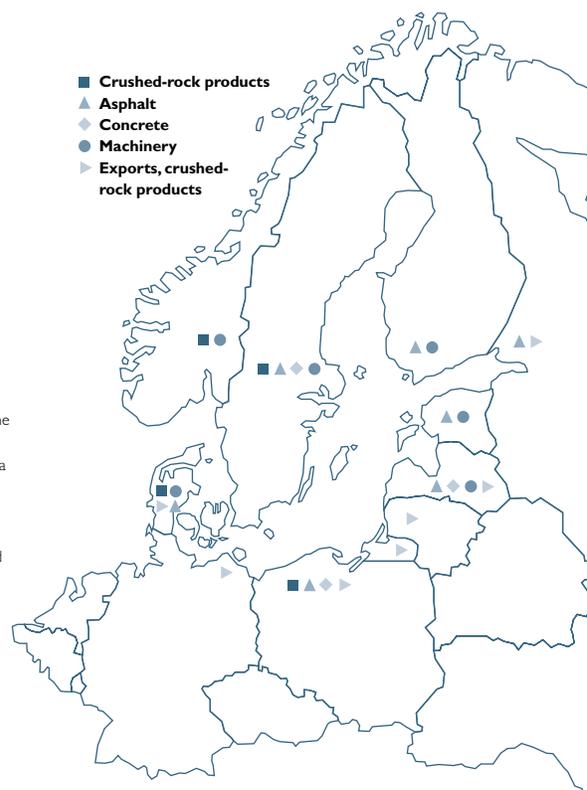
The market situation in the Nordic region is currently characterized by the entrance of new players and the fact that the competitors are becoming larger. Multinational companies are expanding into the Nordic region and national companies are becoming pan-Nordic groups. Although this applies mainly to the markets for asphalt, crushed products and ready-mixed concrete, initial signs of restructuring into larger companies are also becoming noticeable in the machinery market.

BITUMEN – THE PRINCIPAL RAW MATERIAL

NCC is the leading manufacturer of asphalt in the Baltic Sea region and one of the region's largest purchasers of bitumen, an oil-based product used as a raw material in the manufacture of asphalt and roofing underfelt, among other products.

MARKETS

NCC Industry is active in a total of nine countries: Sweden, Denmark, Norway, Finland, Poland, Estonia, Latvia, Lithuania and Russia. It is estimated these countries represented a total market volume of slightly more than SEK 57 billion in 2000. The market for crushed products totaled SEK 17 billion, the asphalt market SEK 12 billion, the concrete market SEK 13 billion and the machinery market SEK 15 billion.



STRONG MARKET POSITION FOLLOWING ACQUISITIONS

In November 2000, NCC acquired Rieber & Sons' Roads Division, which conducts operations in Norway, Denmark, Finland, Poland and the Baltic countries. The acquisition made NCC the largest player in the Nordic crushed products and asphalt sectors, with market shares of approximately one third, and added about SEK 2 billion to annual sales. This acquisition has increased the seasonal fluctuations within the business area's operations.

NCC Industry also entered the Finnish market for ready-mixed concrete during the year, through the acquisition of concrete plants in the Tampere region. NCC Industry Denmark also acquired concrete plants during 2000. In addition, a number of customer centers for machinery were opened, as were some gravel pits.

NCC's strategy includes divesting activities that are not optimally compatible. Accordingly, NCC sold its participations in RGS90, E-Bilerne and AN-bilerne, which are Danish companies, during the year.

SALES AND EARNINGS

Net sales rose 10 percent to SEK 4,969 M (4,508). The acquisition of Rieber Roads added sales of about SEK 300 M during November and December.

Profit after net financial items and acquisition costs amounted to SEK 395 M (327). The business area continuously engages in investments and sales with the aim of optimizing the use of capital. During 2000, this process affected earnings through, among other measures, the sale of RGS90 in Denmark (capital gain: SEK 112 M) and the effect of the acquisition of Rieber Roads. Rieber Roads had a negative impact of SEK 54 M on earnings during November and December, of which acquisition costs accounted

for SEK 33 M and business operations for a deficit of SEK 21 M. Rieber Roads' loss was due to normal seasonal variations.

The demand for rental machinery developed well in terms of sales and earnings during the year, due to a strong market, particularly in high-growth regions. A change in the market mix for asphalt products from large to smaller civil engineering projects

increased the seasonal variations in earnings. Earnings were adversely affected by increased competition in the market for asphalt and crushed products, particularly in Denmark, combined with high prices for bitumen raw material.

OUTLOOK

Following several major acquisitions during recent years, NCC's industrial operations have become the leader in the Nordic market for asphalt and crushed-rock products. NCC Industry is now moving from an investment phase into a period when priority will be assigned to exploiting synergies, increasing efficiency and capital rationalization. Units that do not fit in with the strategy for the business area's operations will be divested.

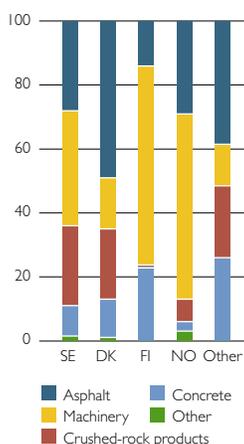
NCC Industry's markets are expected to grow by 4–5 percent annually up to 2003. As a result of the strong market position established in the Baltic Sea region, the prospects are favorable for a continued positive trend within NCC Industry in the years ahead.

| NCC INDUSTRY, SEK M | 1998 | 1999 | 2000 |
|---|--------|--------|--------|
| (incl. acquisition costs) | | | |
| Profit after net financial items | 275 | 327 | 395 |
| Capital employed at year-end | 1,198 | 3,200 | 5,738 |
| Cash flow before dividend ¹⁾ | 382 | -1,536 | -1,840 |
| Ratios | | | |
| Operating margin, % | 10.7 | 9.6 | 10.2 |
| Net margin, % | 9.2 | 7.3 | 7.9 |
| Net margin, excluding acquisition costs, % | 9.8 | 9.4 | 9.9 |
| Return on capital employed, % ^{2,3)} | 23 | 16 | 14 |
| Other | | | |
| Average number of employees | 1,773 | 2,854 | 3,227 |
| INCOME STATEMENT, SEK M | | | |
| Net sales | 2,998 | 4,508 | 4,969 |
| Production expenses | -2,568 | -3,844 | -4,255 |
| Gross profit | 430 | 664 | 714 |
| Selling and administrative expenses | -182 | -310 | -420 |
| Shares in results of associated companies | 56 | 67 | 90 |
| Gain on sales of Group companies | | 8 | |
| Gain on sales of associated companies | 19 | 1 | 121 |
| Gain/loss on sales of properties | -3 | 2 | 3 |
| Operating profit | 320 | 432 | 508 |
| Financial items | -45 | -105 | -113 |
| Profit after financial items | 275 | 327 | 395 |
| BALANCE SHEET, SEK M | | | |
| Properties classed as fixed assets | 296 | 567 | 870 |
| Tangible and intangible fixed assets | 996 | 2,355 | 4,409 |
| Shares and participations | 177 | 226 | 178 |
| Materials and inventories | 232 | 350 | 573 |
| Interest-bearing receivables | 14 | 93 | 359 |
| Interest-free receivables | 470 | 679 | 1,477 |
| Liquid assets | 41 | 168 | 240 |
| Total assets | 2,226 | 4,438 | 8,106 |
| Equity | 341 | 519 | 1,198 |
| Minority interests | 3 | 9 | 11 |
| Interest-bearing liabilities and provisions | 629 | 2,435 | 4,209 |
| Interest-free liabilities and provisions | 1,253 | 1,475 | 2,688 |
| Total equity and liabilities | 2,226 | 4,438 | 8,106 |

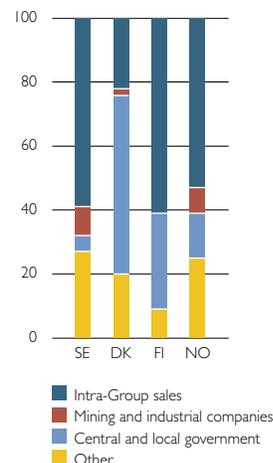
¹⁾ Companies purchased and sold during 1998 and 1999 are not taken into consideration in the calculation of cash flow.
²⁾ Calculation of ratios is based on a balance sheet in which taxable interest-free Group contributions are eliminated against the resulting equity and deferred tax liability in the Group.
³⁾ Return figures are based on average capital employed.



PRODUCT MIX
Sales, percent



CUSTOMER MIX
Sales, percent





As a result of innovative and dedicated employees, waste products have gained new applications and created new value. The result is a new material that has extremely dense sealing properties.

From dust to gold

AFTER SEVERAL DETERMINED EFFORTS, we finally succeeded and achieved the ideal mix of fine-grain rock dust and bentonite. The result is a material that can be used to create a sealing layer with excellent insulating properties. The rock dust that once simply lay in heaps has suddenly become valuable – to the environment and to NCC.

In one of NCC's rock quarries just outside Stockholm, operations are in full swing to manufacture the new material, which has not yet been named. Jan Skillstedt, project manager, enthuses about how he and a few colleagues finally created something from a waste product that had formerly served no purpose beyond taking up huge amounts of space at quarries.

"Rock dust is a residual product created when you blast or crush rock. Among other applications, crushed rock is used as a raw material in asphalt and concrete production. But crushed stone fines – gravel less than 2 mm in diameter – or rock dust, is a residual product. When you mix the fine-grain rock dust with a small amount of bentonite, you get a soft, clay-like substance. You then compress it and smooth it using a heavy roller and the result is a material that has extremely dense sealing properties."

NCC Industry and NCC Technology have jointly performed a

number of tests of the mix, with amazing results. The bentonite fills in the pores and expands in contact with water, making it very dense. The factor determining the density of a mix is the amount of bentonite added. The factor determining the density of a mix is the amount of bentonite added and it is these exact proportions that Jan Skillstedt and his colleagues have successfully calculated.

"The primary application for the material is as a sealing layer under landfills, which requires a degree of density that prevents dangerous substances from leaking out. So far, we're producing the material on a small scale, about 200 cubic meters a day. Everything we produce is being used to seal the landfill adjacent to our quarry," says Leif Brost, head of machine activities at the site.

The material has yet to be used extensively in Sweden, but large-scale production in the future may be considered. The new mix may prove to be a gold mine for NCC and the environment. Innovative thinking has once again created new value, in both environmental and financial terms. It would never have happened without dedicated, motivated employees – people who saw something more in the rock dust that for so long was considered to be of little value.

POISED FOR GROWTH

BUSINESS CONCEPT

Based on superior project-management expertise and turnkey responsibility for the construction and maintenance of telecommunications infrastructure, NCC Telecom offers services for the development of telecommunications facilities to operators, system suppliers and infrastructure owners.

VISION

- To become the leading supplier of telecommunications infrastructure in the Nordic region.
- To be perceived as a leading international partner by Nordic system suppliers and operators.
- To be perceived as a young, exciting organization that focuses on the innovativeness, commitment and knowledge of all employees.

OPERATIONS

Effective October 1, 2000, the NCC Telecom business area was formed in order to take advantage of the sharply increased demand in the telecom sector. NCC Telecom's operations involve developing, constructing and maintaining mobile base stations and wired (broadband) networks.

NCC Telecom is a knowledge-focused business area that mainly purchases services within the NCC Group. As a result, NCC Telecom generates potential business for the entire Group, particularly for NCC Contracting. NCC Telecom has operations in Sweden, Norway, Denmark and Finland, as well as in Switzerland, Saudi Arabia and Morocco, among other countries.

STRONG GROWTH ANTICIPATED

The business area is on the threshold of a period of strong growth. Sales are expected to increase from approximately SEK 200 M in 2000 to about SEK 3,000 within a few years. In addition to the build-out of broadband systems, a substantial part of NCC Telecom's sales will derive from the build-out of 3G (third-generation) networks. NCC Telecom is expected to achieve an order volume of at least SEK 10 billion during the next five years. It is estimated that the company will have at least 1,000 employees, including at least 500 in Sweden, in a few years' time.

NCC Telecom is the NCC Group's fastest-growing business area and is expected to show margins that exceed those reported for traditional construction operations. Based on solid project-management experience – particularly in international markets – combined with NCC Contracting's strong

position in the construction field, the business area has good prospects of becoming a leader in the build-out of 3G mobile networks.

CUSTOMERS

NCC Telecom is an independent supplier of telecom-related services. Accordingly, it can work with all players – operators and system suppliers of mobile telephony, companies involved in the build-out of broadband systems and various consortiums in such segments as 3G.

NCC has already established working relationship with such customers as Tele2, Teracom, Ericsson, Nokia, Telia, NetCom and Motorola.

PARTNERSHIP AGREEMENT WITH ERICSSON

NCC Telecom and Ericsson have entered into a long-term partnership to enable the rapid build-out of 3G. Ericsson is one of the world's leading suppliers of mobile telephony systems and NCC is a leader in design-related services and project management. Through their cooperation, Ericsson and NCC Telecom can offer potential customers a strong range of services, as well as the capacity to meet the considerable demand for rapid build-out. The companies' capacity to work together to quickly initiate turnkey contracting projects will be of critical importance for 3G operators.

DESCRIPTION OF PRODUCTS AND SERVICES

NCC Telecom performs telecommunications work in the form of total-package projects or as a general contractor, subcontractor or consultant.

■ **Project management.** The primary objective of project management is to ensure that work is completed on time and meets high quality standards. Accordingly, NCC Telecom has developed a computer-based tool, NCC Sitemaster, which has been used in several countries. This general type of project management includes responsibility for coordinating network design, site acquisition, project planning, construction and such installations as broadband.

■ **Maintenance services.** Maintenance is a large and growing market in which knowledge of local conditions and technical expertise are especially important.



Building infrastructure for the mobile telephony of the future requires strong alliances. NCC has concluded a partnership with Ericsson regarding the build-out of 3G networks.

Building the future together

NCC AND ERICSSON WILL JOINTLY offer, build and maintain communications systems that employ the new UMTS technology. The alliance is a typical example of how NCC works throughout the value chain, based on specialization and with key accounts in growth segments.

Amendments to construction blueprints. Shortened deadlines. These are changes that demand fast, precise action on the part of everyone involved in a building project. Nowadays, changes require numerous telephone calls and discussions with the head office, sub-contractors and human resources departments.

The third generation mobile telephone system, 3G, is expanding the capacity of mobile networks. For those of us in the construction industry, 3G will make it possible to download the new blueprint directly to a mobile phone, while the architect simultaneously explains the changes to the site manager over the same telephone. Users can also check whether goods are in stock and place orders via an e-business site. 3G gives you access to all kinds of digital information and services, no matter where you are physically. The three pillars of 3G are digitalization, mobility and the Internet.

Ericsson is the world leader in mobile systems – the “brains” of all telecommunications. UMTS (Universal Mobile Telecommunications Systems) is the technology that is replacing NMT and GSM. Ericsson has

delivered about 40 percent of all GSM systems in the world. As a result of the agreement signed by Ericsson and NCC in autumn 2000, the partners will jointly sell, build and maintain communications systems for the mobile telephony of tomorrow in a number of selected markets.

The agreement with Ericsson will generate substantial business opportunities for NCC, including the many new base stations that will have to be built to provide adequate coverage for the new networks. A mobile network is connected by several of base stations, which are similar to antennas. NCC has the capacity to account for everything from localization of appropriate sites to assistance in procuring construction permits, agreements with landowners and practical construction. The base stations must also be regularly maintained.

The partnership with Ericsson is the first step in the quest to secure NCC's position as a leading player in the expansion of the next generation of mobile networks. The alliance will involve unique knowledge transfer between the parties. Well-conceived collaboration agreements create new value, not only for the partners involved, but also for the people who will enjoy the new services resulting from a completely new communications system. And this definitely does not apply exclusively to players in the construction industry.

SERVICE CREATES NEW VALUE FOR CUSTOMERS

BUSINESS CONCEPT

NCC Service develops service concepts for advanced customers. This includes satisfying customer needs for property adjustments, service and maintenance measures and to always be regarded as the most obvious service partner.

STRATEGY

Operations will concentrate on increasing volume within smaller projects and on concluding long-term contracts with customers. In its relations with customers, NCC Service will focus on key accounts, whereby its district-wide and national coverage will be a key ingredient. Increased expertise, particularly in the financial administration field, will help boost the customer value inherent in the business area's service range.

ORGANIZATION

NCC Service has two units; Building Services, which is an established unit, and Facility Management, which is in the development stage and is expected to commence operations during 2001.

PRODUCTS AND SERVICES

Building Services, which was previously part of NCC Building, will have improved opportunities to develop its service concept in the new business area. Its principal assets are small-scale activities, local presence and employees with considerable specialist know-how and substantial social skills.

Building Services' operations can be divided into three units: Service contracts, Value-adding projects and Assignments.

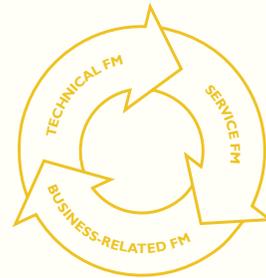
Service contracts encompass a large part of the existing operations based on long-term agreements with key customers for various types of services. This could involve janitorial services or, for example, development, renovation and operation.

Value-adding projects involve a more distinct processing of the service and content provided on behalf of a customer. The fast pace of change in current society, combined with the ever increasing focus on strong brands, is contributing to greater demand for turnkey solutions. In several sectors, such as banks, insurance companies, retail chains and gasoline stations, brand and concept solutions are becoming increasingly common. As a result of NCC's size and geographic coverage throughout the Nordic region, NCC Service is able to offer a comprehensive concept for retail outlets, one that covers all parts of Sweden, for example. The rapid growth already being noted for concept-building activities is expected to increase further in the next few years.

The Assignment unit includes transactions aimed at provid-

ing urgent support to customers in difficult situations. This could involve a burnt-down school that results in a local authority requiring assistance in arranging temporary premises, to ensure continued provision of school services. One of NCC's key strengths is its expertise in handling insurance-related assignments, which represents added value for the customer.

FACILITY MANAGEMENT MARKET



Technical FM

- Building services
- Energy management
- Operation and maintenance
- IT, communications
- Safety/security systems
- Management services

Service FM

- Catering
- Cleaning services
- Switchboard services
- Parking
- Guard services
- Domestic care services
- Day-care/elderly-care services

Business-related FM

- Logistic services
- Human services
- Administrative services

Facility Management (FM) is a collective term for construction, technology and property-related services, as well as new, more service-oriented activities. FM includes coordination and management of services aimed at creating turnkey solutions for customers.

The market can be divided into three main segments: Technical FM, Service FM and Business-related FM. The provision of tailor-made solutions can generate considerable added value for customers. Delivering ready-to-operate energy solutions or complete IT support are examples of technical FM services. Catering, cleaning, parking and guard services are natural features of Service FM. Business-related FM could entail state-of-the-art logistic solutions, temporary staffing services or administrative activities.

OUTLOOK

Several trends indicate a sharp increase in demand for turnkey solutions and offerings that include an increased service content for key customers. Sales growth in the Building Services unit has been strong since its formation in 1999. The growth rate is expected to remain strong and, based on the new concepts and products that are about to be launched, NCC is positioned favorably to capitalize on the business opportunities that will arise. In a slightly longer term, healthy profitability is expected.



When S.A.T.S Sportsclub needed a partner to create light and spacious fitness centers located far above the ground, the choice of partner was obvious.

New strength up in the light

SPECIALIZATION, TOTAL-PACKAGE SOLUTIONS and deeper relationships with key customers are the hallmarks of the NCC Group's approach. Our partnership with the S.A.T.S Sportsclub is one of the most concrete examples of how our philosophy is applied in practice.

Gyms and fitness centers don't have to be located in basements or other dark and dreary places. But Swedish fitness enthusiasts know that gyms and artificial light are usually intimately associated with each other – even though we know that natural light has a tremendous effect on our well-being.

However, light and spacious fitness centers located far above the ground, with generous ceiling heights and natural light, may soon be popping up all over the country. In any case, that is the idea behind the unique cooperation agreement recently concluded by NCC and S.A.T.S Sportsclub, which is further proof of the Group's innovativeness in various forms of partnership.

S.A.T.S Sportsclub is an American fitness chain that is established throughout the Nordic region. The chain has plans for sharp expansion. In Sweden, it plans to open about 80 new fitness centers in the next three to five years.

In order to ensure successful expansion, S.A.T.S has been assisted by NCC Building Services, formerly part of NCC Building and now

part of NCC Service, the new business area formed after the organizational change. The partnership with S.A.T.S involves more than just building gyms. As a professional partner, NCC will provide the construction and property expertise that S.A.T.S Sportsclub needs when it expands.

The agreement also requires that NCC formulate budget estimates and write bids to give S.A.T.S a thorough basis for planned investments. NCC's local knowledge in every corner of Sweden will be very useful in this respect – suitable premises may even be found within our own property-development projects. An attractive fitness center in Kista Science Tower, for instance, would create added value for tenants, make the office space more attractive and increase the value of the property. NCC will also contribute construction-engineering advice in the field of new construction or refurbishment, and conduct building or renovation work on behalf of S.A.T.S or its landlords. The agreement shows how NCC is expanding its share of the value chain through involvement from the initial stages of project development to after-market services, such as operations and maintenance. It also demonstrates how NCC can create new value for tenants and investors through its expertise and expanded service content.

FIVE-YEAR REVIEW, GROUP

| INCOME STATEMENT, SEK M | PRO FORMA ¹⁾ | PRO FORMA ¹⁾ | 1998 | 1999 | 2000 |
|---|-------------------------|-------------------------|---------------|---------------|----------------|
| | 1996 | 1997 | | | |
| Net sales | 31,782 | 32,077 | 34,160 | 37,460 | 38,728 |
| Production expenses | -28,427 | -29,026 | -30,832 | -33,446 | -34,641 |
| Gross profit | 3,355 | 3,051 | 3,328 | 4,014 | 4,087 |
| Selling and administration expenses | -2,475 | -2,502 | -2,587 | -3,062 | -3,457 |
| Gain/loss on sales of properties | -18 | -63 | 323 | 163 | 640 |
| Gain/loss from participations in associated companies | -42 | 20 | -158 | 66 | 23 |
| Gain on sales of Group companies | 5 | 105 | 1 | 7 | -1 |
| Gain/loss on sales of associated companies | | -2 | 194 | 50 | 271 |
| Revaluation of properties | | | | 31 | -60 |
| Items affecting comparability ²⁾ | | -449 | | 201 | 912 |
| Operating profit | 825 | 160 | 1,101 | 1,470 | 2,415 |
| Net financial items | -552 | -535 | -371 | -219 | -262 |
| Profit/loss after net financial items | 273 | -375 | 730 | 1,251 | 2,153 |
| Tax | -83 | 79 | -184 | -408 | -651 |
| Minority interests | -6 | -4 | -3 | -5 | -4 |
| Net profit/loss | 184 | -300 | 543 | 838 | 1,498 |
| BALANCE SHEET, SEK M | | | | | |
| Buildings and land | 15,354 | 10,262 | 9,150 | 7,991 | 6,931 |
| Investments in progress | 922 | 856 | 1,060 | 1,958 | 2,677 |
| Tangible and intangible fixed assets | 2,834 | 2,750 | 2,784 | 4,195 | 6,570 |
| Shares and participations | 1,401 | 2,222 | 2,090 | 1,354 | 1,217 |
| Properties held for future development | 1,311 | 899 | 1,154 | 1,870 | 3,152 |
| Interest-bearing receivables | 485 | 1,412 | 1,618 | 1,138 | 1,389 |
| Interest-free receivables | 6,046 | 6,334 | 7,468 | 8,153 | 12,550 |
| Liquid assets | 3,842 | 3,609 | 3,135 | 2,371 | 2,207 |
| Total assets | 32,195 | 28,344 | 28,459 | 29,030 | 36,693 |
| Shareholders' equity | 9,553 | 9,237 | 9,671 | 9,795 | 9,971 |
| Minority interests | 24 | 25 | 25 | 30 | 20 |
| Interest-bearing liabilities and provisions | 11,958 | 8,956 | 8,381 | 8,803 | 11,714 |
| Interest-free liabilities and provisions | 8,539 | 8,519 | 9,031 | 8,936 | 12,355 |
| Project invoicing not yet worked up | 2,121 | 1,607 | 1,351 | 1,466 | 2,633 |
| Total equity and liabilities | 32,195 | 28,344 | 28,459 | 29,030 | 36,693 |
| RATIOS | | | | | |
| Return on equity ³⁾ , % | 2 | 2 | 6 | 7 | 9 |
| Return on capital employed ³⁾ , % | 6 | 4 | 7 | 8 | 9 |
| Equity/assets ratio, % | 30 | 33 | 34 | 34 | 27 |
| Share of risk-bearing capital ⁴⁾ , % | 32 | 33 | 35 | 36 | 30 |
| Interest-bearing liabilities/total assets, % | 37 | 32 | 29 | 30 | 32 |
| OTHER | | | | | |
| Average number employees | 22,787 | 22,434 | 21,645 | 24,122 | 25,192 |

¹⁾ Pro forma accounts for 1996 and 1997, in which Siab is merged with NCC.

²⁾ 1997: merger costs related to the combination of NCC and Siab. 1999: sale of shares in Neptun Maritime and BPA. 2000: Refund from SPP.

³⁾ Excluding items affecting comparability.

⁴⁾ Risk-bearing capital is defined as the sum total of shareholders' equity, minority interests and deferred tax liabilities.

| KEY RATIOS, SEK M | PRO FORMA | PRO FORMA | 1998 | 1999 | 2000 |
|--|-----------|-----------|--------------------|--------------------|--------------------|
| | 1996 | 1997 | | | |
| Profit/loss after net financial items | 273 | -375 | 730 | 1,251 | 2,153 |
| Shareholders' equity | 9,553 | 9,237 | 9,671 | 9,795 | 9,971 |
| Capital employed at year-end | 21,535 | 18,218 | 18,077 | 18,628 | 21,705 |
| Capital employed, average | | 20,430 | 17,745 | 18,974 | 19,797 |
| Net debt | 7,631 | 3,935 | 3,627 | 5,296 | 8,118 |
| Gross investments in fixed assets | 1,163 | 569 | 1,001 | 2,365 | 3,493 |
| Gross investments in properties classified as current/fixed assets ¹⁾ | 1,288 | 694 | 1,135 | 1,853 | 3,056 |
| Sales of properties ¹⁾ | 641 | 6,227 | 2,219 | 2,142 | 3,845 |
| DATA PER SHARE | | | | | |
| Shareholders' equity, SEK | 88.10 | 85.20 | 89.20 | 90.30 | 94.40 |
| Profit/loss after full tax, SEK | 1.70 | -2.80 | 5.00 | 7.70 | 14.00 |
| Profit/loss after full tax excl. items affecting comparability, SEK | 1.70 | 1.40 | 5.00 | 6.40 | 8.00 |
| Market price, NCC series B shares, SEK | 90.00 | 83.50 | 61.50 | 98.00 | 69.00 |
| Dividend, SEK | 1.50 | 1.50 | 2.50 ²⁾ | 4.00 ³⁾ | 4.50 ⁴⁾ |
| Cash flow, SEK | | 38.94 | 5.46 | -5.58 | -22.00 |
| P/E ratio after full tax | 53 | neg | 12 | 13 | 5 |
| P/E ratio after full tax, excl. items affecting comparability | 53 | 61 | 12 | 15 | 9 |
| Direct return, % | 1.7 | 1.8 | 8.9 | 11.2 | 6.5 |
| Direct return, excl. extra dividend, % | 1.7 | 1.8 | 4.1 | 4.1 | 6.5 |
| Stock exchange price/visible equity, % | 101 | 98 | 69 | 108 | 73 |
| Number of shares | | | | | |
| average during the year, millions | 108.4 | 108.4 | 108.4 | 108.4 | 107.0 |
| at year-end, millions | 108.4 | 108.4 | 108.4 | 108.4 | 105.7 |
| Market value, SEK M | 7,212 | 8,960 | 6,669 | 10,564 | 7,353 |

¹⁾ Relates to investments and sales in NCC Real Estate.

Properties within NCC Real Estate have been reclassified from current to fixed assets. See accounting principles.

²⁾ In addition, Hufvudstaden shares with a value of SEK per NCC share were spun off.

³⁾ In addition, an extraordinary dividend of SEK 7 per share was paid.

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

For accounting principles, see pages 65-68.

DEFINITIONS

ACQUISITION COSTS: Acquisition costs include goodwill amortization related to the acquisition of Siab and of NCC's subsidiaries in the Nordic region (NCC Denmark, which includes Superfos, NCC Finland, NCC Norway and the operations of Rieber Roads), as well as interest on the purchase consideration for these companies.

AVERAGE SHAREHOLDERS' EQUITY: Reported shareholders' equity. Average shareholders' equity is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

CAPITAL EMPLOYED: Total assets less interest-free liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31. In the business areas, capital employed is calculated in the same manner, with the exception of taxable interest-free Group contributions, which are replaced by the equity and deferred tax liability that the business area represents in the Group.

DIRECT RETURN: The dividend as a percentage of the market price at year-end.

EBIT: Profit before financial items less goodwill amortization.

EQUITY/ASSETS RATIO: The total of shareholders' equity and minority interests as a percentage of total assets.

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: Profit 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 MARGIN: Operating profit after depreciation as a percentage of net sales.

PROFIT PER SHARE AFTER FULL TAX: Net profit for the year as a percentage of the number of shares at the end of the year.

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

REPURCHASE OF COMPANY SHARES: Repurchased shares have been excluded from calculations of key figures based on the number of shares outstanding.

RETURN ON EQUITY AFTER FULL TAX: Net profit for the year as a percentage of average equity.

RETURN ON CAPITAL EMPLOYED: Profit 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 assets.



*Report of the
board of directors*

REPORT OF THE BOARD OF DIRECTORS

Orders received. Orders received by the NCC Group, construction operations (the Civil Engineering, Housing, Building and Industry business areas) during 2000 amounted to SEK 43,738 M, of which orders received from NCC Real Estate accounted for SEK 1.1 billion. In total, orders received rose by 21 percent, compared with SEK 36,160 M in 1999. The rise was mainly attributable to increased demand for commercial premises in the Nordic region, particularly in Sweden. An order for the A2 highway project in Poland was received during the fourth quarter, which increased the orders received by NCC's international project operations.

Net sales. Consolidated net sales amounted to SEK 38,728 M (37,460). The increase was mainly attributable to growth in the building and housing markets in the Nordic region.

Earnings. Profit after net financial items amounted to SEK 2,153 M (1,251), which includes repayments of surplus funds from SPP in an amount of SEK 912 M. The comparative figure for 1999 includes combined capital gains of SEK 201 M from the sale of Neptun Maritime and the BPA shareholding. Excluding items affecting comparability, profit amounted to SEK 1,241 M (1,050). The main reason for the

improved earnings was high sales activity in real estate operations, particularly during the fourth quarter.

Real estate valuation. As part of the measures conducted to prepare the year-end accounts, an independent valuation of NCC's Swedish real estate portfolio was commissioned. According to this valuation, the market value at year-end exceeded the book value of SEK 5.2 billion by 26 percent. The hidden reserve (market value less book value) in managed properties amounted to approximately SEK 950 M (650), of which Stockholm and Gothenburg accounted for the predominant proportion. Including the surplus value in completed property-development projects, the market value exceeded the book value by approximately SEK 1.1 billion.

The year-end accounts include write-downs of those properties whose book value exceeds the estimated market value. The revised values of properties had a negative impact of SEK 60 M (positive: 31) on earnings, of which managed properties accounted for SEK 44 M and residential properties for SEK 16 M.

Profitability. The return on capital employed was 14 percent, compared with 10 percent for 1999. Excluding items affecting compara-

NET SALES AND EARNINGS BY BUSINESS AREA ¹⁾

| SEK M | Net sales | | | Profit after financial items, excluding acquisition costs ⁴⁾ | | | Profit after financial items, after deductions for acquisition costs | | |
|--------------------------------------|---------------|---------------|---------------|--|--------------|--------------|---|--------------|--------------|
| | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec | Jan-Dec |
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Civil Engineering | 11,078 | 12,289 | 12,057 | 201 | 216 | 99 | 159 | 160 | 57 |
| Housing ¹⁾ | 2,365 | 4,620 | 5,365 | 13 | 157 | 186 | 8 | 149 | 179 |
| Building ¹⁾ | 17,603 | 16,553 | 18,464 | 312 | 289 | 236 | 252 | 236 | 190 |
| Industry | 2,998 | 4,508 | 4,969 | 291 | 423 | 489 | 275 | 327 | 395 |
| Eliminations | -2,123 | -2,447 | -4,068 | | | | | | |
| Construction operations | 31,921 | 35,523 | 36,787 | 817 | 1,085 | 1,010 | 694 | 872 | 821 |
| NCC BOT ²⁾ | | | 39 | | -16 | -107 | | -16 | -107 |
| Properties ⁴⁾ | 1,231 | 977 | 906 | 446 | 413 | 793 | 436 | 402 | 780 |
| NVS | 1,359 | 1,643 | 1,762 | 25 | 59 | 66 | 25 | 59 | 66 |
| Acquisition costs ³⁾ | | | | -141 | -232 | -272 | | | |
| Other and eliminations ⁵⁾ | -351 | -683 | -766 | -417 | -259 | -249 | -425 | -267 | -319 |
| | 34,160 | 37,460 | 38,728 | 730 | 1,050 | 1,241 | 730 | 1,050 | 1,241 |
| Items affecting comparability, 2000: | | | | | | | | | |
| Refund of SPP pension fees; 1999: | | | | | | | | | |
| Sale of Neptun Maritime and BPA | | | | | 201 | 912 | | 201 | 912 |
| Group | 34,160 | 37,460 | 38,728 | 730 | 1,251 | 2,153 | 730 | 1,251 | 2,153 |

¹⁾ Due to internal transfers of operations from NCC Building to NCC Housing, sales figures for 1999 were changed by SEK 823 M and earnings figures by SEK 43 M.

²⁾ NCC BOT, which has been responsible for NCC's holding in A-Train since the end of 1999, is reported separately as of the first quarter of 2000.

³⁾ Acquisition costs include goodwill amortization related to the acquisition of Siab and other subsidiaries in the Nordic region, as well as interest on the purchase consideration for the Nordic subsidiaries. Superfos is included as of January 1, 1999.

Newly acquired Rieber Roads is included as of November 1, 2000. In total, goodwill amounted to SEK 2,868 M on December 31, 2000.

⁴⁾ Within NCC Real Estate, income recognition occurs when the legal ownership right to a property or the company that owns a property is transferred to the purchaser.

This could arise from the sale of a real estate project at an early stage; for example, when construction has not been completed (in certain cases, when it has not even been initiated).

In the consolidated accounts, such sales are divided into two main transactions. The first transaction – sale of properties – comprises the realization of a property value that has been accumulated at several levels, such as site acquisition at a favorable time, formulation of a detailed development plan, design of a real estate project, building permit and leasing to tenants.

The second transaction comprises the building contract, whereby income recognition within NCC Building is undertaken in accordance with the percentage of completion method.

⁵⁾ Mainly Group-wide costs and intra-Group elimination of costs.

⁶⁾ See note 6.

bility, the return on capital employed was 9 percent (8).

The return on shareholders' equity was 16 percent (9). Excluding items affecting comparability, the return on shareholders' equity was 9 percent (7). Including appreciation in the value of managed properties, the corresponding figures were 12 percent (9).

Earnings per share. Earnings after full tax amounted to SEK 1,498 (838), which corresponds to SEK 14.00 (7.70) per share. Excluding items affecting comparability, earnings after full tax amounted to SEK 860 M (694), or SEK 8.00 (6.40) per share.

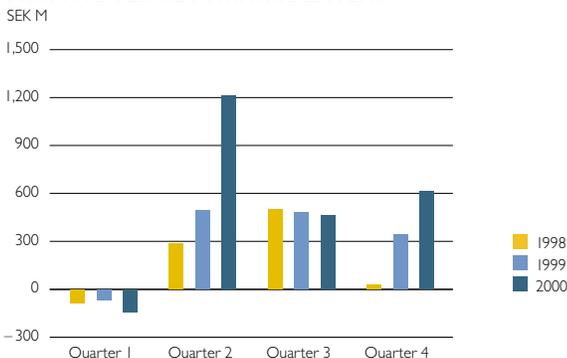
Investments. The Group's gross investments in real estate amounted to SEK 5,819 M (3,798), of which property-development projects accounted for SEK 2,738 M (2,031) and housing projects for SEK 2,276 M (1,678). The Group's other gross investments in fixed assets amounted to SEK 3,493 M (2,365), which pertained mainly to the acquisition of Rieber Roads.

Cash flow. Cash flow, before financing, was negative in an amount of SEK 2,356 M (neg: 605). In addition to the acquisition of Rieber Roads, cash flow was affected by increased investments in proprietary housing projects and property development. During January 2001, proceeds corresponding to SEK 1.3 billion were received from properties sold in December 2000, which will affect liquidity during 2001.

Financing and liquidity. On December 31, 2000, NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) amounted to SEK 8,118 M (5,296). The increase was mainly due to the acquisition of Rieber Roads and higher investments in proprietary housing projects. At year-end, the average interest rate for the borrowing portfolio was 5.5 percent (5.3), excluding pension liabilities. On the same date, the average period of fixed interest was 1.6 years (2.3).

Equity/assets and debt/equity ratios. The equity/assets ratio was 27 percent (34). The decrease was mainly attributable to the acquisition of Rieber Roads. The equity/assets target over a business cycle is 30 percent.

PROFIT AFTER NET FINANCIAL ITEMS



The debt/equity multiple (net indebtedness divided by shareholders' equity including minority interests) on December 31, 2000 was 0.8 (0.5).

Active financial risk management

- **Interest-rate risks:** NCC aims for a good balance between long and short periods of fixed interest within a limited framework. At year-end, the average period of fixed interest was 1.6 years (2.3).
- **Currency risks:** Transaction-related currency exposure is eliminated via NCC Treasury. As a rule, NCC's foreign investments are financed in corresponding currencies.
- **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 operations. NCC's finance activities were not affected by a credit loss in 2000, or in any prior year.
- **Liquidity risks:** To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. On December 31, the Group's lines of credit amounted to SEK 2.2 billion, with an average remaining duration of 1.5 years. Available funds are invested primarily in government paper with solid secondary markets.

Environmental impact. The environmental consequences of NCC's operations and the measures taken to limit their impact are presented in NCC's Market Monitor report. Within Swedish operations, the asphalt, concrete and gravel pit operations conducted within NCC Industry are subject permit and report obligations in accordance with the Environmental Code. The environmental impact of these operations mainly comprises emissions to air and noise.

NVS. NVS, a wholly owned subsidiary that is not part of any business area, engages in the installation and service of systems for heating, plumbing, sprinkler, cooling, industrial processes and energy savings. It is a nationwide company and a sector leader in Sweden. NVS's strategy is to expand in its current and closely related segments of the Nordic market, mainly through acquisitions.

NVS benefited from a strong installation market in 2000. Orders received rose to SEK 1,848 M (1,585) and profit after financial items to SEK 66 M (59).

Personnel. The average number of employees in the NCC Group during 2000 was 25,192 (24,122). The increase was due mainly to the acquisition of new operations.

Parent Company. The Parent Company reported invoiced sales of SEK 22,059 M (16,251). Profit after net financial items amounted to SEK 824 M (1,176), of which corporate pension contributions refunded by SPP accounted for SEK 405 M. The average number of employees was 11,803 (11,328).

NCC's share of SPP's surplus. NCC's share of SPP's surplus pension funds amounts to approximately SEK 1,020 M. NCC has used SEK

783 M of this amount to amortize its pension liability. Against this background and in view of the fact that NCC will be able to utilize the remainder of the surplus funds during the next few years, a sum of SEK 912 M has been credited to profit, after taking discounting into consideration.

NCC AB's repurchase of own shares. At an Extraordinary General Meeting on September 14, the Board of Directors' authorization to repurchase NCC shares was increased from the previous 2.5 percent to a maximum of 10 percent of the shares in the Company.

Through January 11, 2001, NCC had repurchased 3,474,589 Series B NCC shares at an average price of SEK 73.64 per share, corresponding to 3.2 percent of the total number of NCC shares.

At the Annual General Meeting, the Board will seek authorization from the shareholders to repurchase a maximum of 10 percent

of the shares in the Company during the period up to the next Annual General Meeting.

Significant event after year-end. On February 13, President and Chief Executive Officer Jan Sjöqvist announced his intention to leave his position at NCC. Jan Sjöqvist will continue to serve as President and CEO until his successor has been appointed.

Proposed dividend. The Board proposes that a dividend of SEK 4.50 (4.00) be paid per share. The dividend is in line with NCC's dividend policy of distributing approximately half of annual profit after taxes to shareholders.

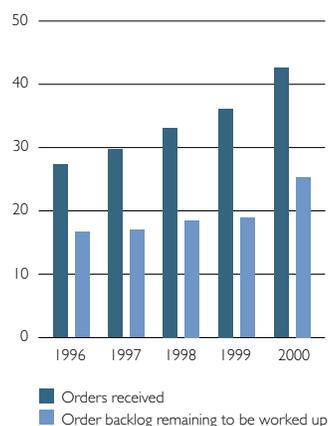
Annual General Meeting. The Annual General Meeting will be held at 4:30 p.m. on April 3, at the Grand Hotel, Stockholm.

SENSITIVITY ANALYSIS

| | Change | Effect on profit after net financial items (annual basis), SEK M | Effect on return on equity, percentage points | Effect on return on capital employed, percentage points |
|-----------------------------|---------------------------|--|---|---|
| Contracting | | | | |
| Volume | +/- 5% | 87 | 0.7 | 0.4 |
| Operating margin | +/- 0.5% percentage point | 144 | 1.1 | 0.7 |
| Property Development | | | | |
| Sales volume, projects | +/- 10% | 40 | 0.3 | 0.2 |
| Sales margin, projects | +/- 1% percentage point | 30 | 0.2 | 0.2 |
| Housing | | | | |
| Operating margin | +/- 10% | 343 | 2.6 | 1.8 |
| Capital turnover rate | +/- multiple of 1.0 | 112 | 0.9 | 0.6 |
| Industry | | | | |
| Operating margin | +/- 1% | 50 | 0.4 | 0.3 |
| Capital turnover rate | +/- multiple of 0.2 | 82 | 0.6 | 0.4 |
| Group | | | | |
| Interest rate, borrowing | +/- 1 percentage point | 36 | 0.3 | |
| Amortization of loans | 10% | 28 | 0.2 | 0.4 |

ORDERS RECEIVED AND ORDER BACKLOG IN CONSTRUCTION OPERATIONS

SEK BILLION



BORROWING PORTFOLIO DECEMBER 31, 2000, SEK M

| | SEK and foreign currencies | | SEK and foreign currencies | | | SEK | |
|-------------------------------------|----------------------------|------------|--|------------|-----------------------|--|-----------------------|
| | Amortization SEK M | Percentage | Fixed-interest loans during period SEK M | Percentage | Average interest rate | Fixed-interest loans during period SEK M | Average interest rate |
| 2001 | 6,073 | 56 | 7,149 | 66 | 5.9 | 2,437 | 6.7 |
| 2002 | 1,092 | 10 | 1,229 | 11 | 5.0 | 362 | 5.4 |
| 2003 | 1,068 | 10 | 858 | 8 | 5.7 | 281 | 5.4 |
| 2004 | 1,256 | 12 | 724 | 7 | 5.0 | 237 | 5.6 |
| 2005 | 427 | 4 | 318 | 3 | 5.6 | 45 | 6.2 |
| 2006– | 914 | 8 | 552 | 5 | 5.8 | 121 | 6.4 |
| | 10,830 | 100 | 10,830 | 100 | 5.5 | 3,483 | 5.8 |
| Pension liability | 884 | | 884 | | | 840 | 4.2 |
| Interest-bearing liabilities | 11,714 | | 11,714 | | | 4,323 | |
| Liquid assets | 2,207 | | 2,207 | | | 935 | |
| Interest-bearing receivables | 1,389 | | 1,389 | | | 1,138 | |
| Net debt | 8,118 | | 8,118 | | | 2,250 | |

CONSOLIDATED INCOME STATEMENT

| SEK M | | 1998 | 1999 | 2000 |
|---|---------|--------------|--------------|----------------|
| Net sales | Note 1 | 34,160 | 37,460 | 38,728 |
| Production and management costs | Note 2 | -30,832 | -33,446 | -34,641 |
| Gross profit | | 3,328 | 4,014 | 4,087 |
| Selling and administrative expenses | | -2,587 | -3,062 | -3,457 |
| Items affecting comparability ¹⁾ | | | 201 | 912 |
| Result from sales of properties | Note 3 | 323 | 163 | 640 |
| Result from participations in associated companies | Note 4 | -158 | 66 | 23 |
| Result from sales of participations in Group companies | Note 5 | 1 | 7 | -1 |
| Result from sales of participations in associated companies | Note 7 | 194 | 50 | 271 |
| Revaluation of properties | | | 31 | -60 |
| Operating profit | Note 6 | 1,101 | 1,470 | 2,415 |
| Result from other financial fixed assets | Note 9 | 28 | 45 | 241 |
| Result from financial current assets | Note 10 | 162 | 212 | 262 |
| Interest expense and similar items | Note 11 | -561 | -476 | -765 |
| Profit after financial items | Note 12 | 730 | 1,251 | 2,153 |
| Tax on net profit for the year | Note 25 | -184 | -408 | -651 |
| Minority interests | | -3 | -5 | -4 |
| NET PROFIT FOR THE YEAR | | 543 | 838 | 1,498 |

¹⁾ 1999: sale of shares in Neptun Maritime and BPA. 2000: Refund from SPP.

CONSOLIDATED BALANCE SHEET

| ASSETS, SEK M | | Dec 31, 1998 | Dec 31, 1999 | Dec 31, 2000 |
|---|---------|--------------|--------------|--------------|
| Intangible fixed assets | Note 13 | 1,344 | 2,234 | 3,297 |
| Buildings and land | Note 14 | 9,150 | 7,991 | 6,931 |
| Machinery and equipment | | 1,440 | 1,961 | 3,218 |
| New construction in progress | | 1,060 | 1,958 | 2,732 |
| Tangible fixed assets | Note 15 | 11,650 | 11,910 | 12,881 |
| Participations in associated companies | Note 17 | 1,500 | 1,076 | 833 |
| Receivables from associated companies | | 368 | 201 | 179 |
| Other long-term holdings of securities | | 590 | 278 | 384 |
| Other long-term receivables | | 1,146 | 982 | 1,024 |
| Financial fixed assets | Note 18 | 3,604 | 2,537 | 2,420 |
| FIXED ASSETS | | 16,598 | 16,681 | 18,598 |
| Properties held for future development | Note 19 | 1,154 | 1,870 | 3,152 |
| Materials and inventories | Note 20 | 428 | 495 | 721 |
| Advances to suppliers | | 15 | 12 | 1 |
| Inventories, etc. | | 443 | 507 | 722 |
| Accounts receivable | | 5,460 | 5,291 | 7,140 |
| Current receivables from associated companies | | 109 | 115 | 233 |
| Other current receivables | | 986 | 784 | 2,597 |
| Prepaid expenses and accrued income | | 574 | 1,411 | 2,044 |
| Current receivables | | 7,129 | 7,601 | 12,014 |
| Short-term investments | | 1,678 | 1,042 | 752 |
| Cash and bank balances | | 1,457 | 1,329 | 1,455 |
| CURRENT ASSETS | | 11,861 | 12,349 | 18,095 |
| TOTAL ASSETS | | 28,459 | 29,030 | 36,693 |

| INTEREST-BEARING/ INTEREST-FREE ASSETS | Dec 31, 1998 | | | Dec 31, 1999 | | | Dec 31, 2000 | | |
|---|----------------------|-------------------|--------|----------------------|-------------------|--------|----------------------|-------------------|--------|
| | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total |
| Financial fixed assets | 1,274 | 2,330 | 3,604 | 918 | 1,619 | 2,537 | 764 | 1,656 | 2,420 |
| Current receivables | 344 | 6,785 | 7,129 | 220 | 7,381 | 7,601 | 624 | 11,390 | 12,014 |
| Short-term investments | 1,669 | 9 | 1,678 | 1,039 | 3 | 1,042 | 751 | 1 | 752 |
| Cash and bank balances | 1,457 | | 1,457 | 1,329 | | 1,329 | 1,455 | | 1,455 |
| Other current and fixed assets | | 14,591 | 14,591 | | 16,521 | 16,521 | | 20,052 | 20,052 |
| Total assets | 4,744 | 23,715 | 28,459 | 3,506 | 25,524 | 29,030 | 3,594 | 33,099 | 36,693 |

CONSOLIDATED BALANCE SHEET

| SHAREHOLDERS' EQUITY AND LIABILITIES, SEK M | | Dec 31, 1998 | Dec 31, 1999 | Dec 31, 2000 |
|--|---------|---------------|---------------|---------------|
| Share capital | Note 21 | 2,711 | 2,711 | 2,711 |
| Restricted reserves | | 5,449 | 3,834 | 3,759 |
| Restricted shareholders' equity | | 8,160 | 6,545 | 6,470 |
| Unrestricted reserves | | 968 | 2,412 | 2,003 |
| Net profit for the year | | 543 | 838 | 1,498 |
| Unrestricted shareholders' equity | | 1,511 | 3,250 | 3,501 |
| SHAREHOLDERS' EQUITY | Note 22 | 9,671 | 9,795 | 9,971 |
| Minority interests | | 25 | 30 | 20 |
| Provisions for pensions and similar obligations | Note 24 | 1,356 | 1,445 | 884 |
| Provisions for taxes | Note 25 | 334 | 513 | 858 |
| Other provisions | Note 26 | 651 | 657 | 714 |
| Provisions | | 2,341 | 2,615 | 2,456 |
| Bond loans | | 201 | | |
| Liabilities to credit institutions | Note 27 | 2,051 | 3,868 | 6,617 |
| Liabilities to associated companies | | 23 | 19 | 12 |
| Other liabilities | | 5 | 11 | 340 |
| Long-term liabilities | | 2,280 | 3,898 | 6,969 |
| Liabilities to credit institutions | Note 27 | 4,687 | 3,500 | 4,120 |
| Advances from customers | | 287 | 119 | 203 |
| Project invoicing not yet worked up | | 1,351 | 1,466 | 2,632 |
| Accounts payable | | 3,743 | 3,124 | 4,463 |
| Liabilities to associated companies | | 26 | 35 | 130 |
| Tax liabilities | | 48 | 193 | 333 |
| Other liabilities | | 1,764 | 1,744 | 2,924 |
| Accrued expenses and prepaid revenues | | 2,236 | 2,511 | 2,472 |
| Current liabilities | | 14,142 | 12,692 | 17,277 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | 28,459 | 29,030 | 36,693 |
| Mortgages and other comparable collateral for own liabilities and provisions | | 2,775 | 1,603 | 1,450 |
| Others assets pledged and comparable collateral | | 158 | 145 | 176 |
| Assets pledged | Note 30 | 2,933 | 1,748 | 1,626 |
| Contingent liabilities | Note 30 | 4,349 | 5,481 | 6,137 |

| INTEREST-BEARING/ INTEREST-FREE LIABILITIES AND PROVISIONS NOTE 28 | Dec 31, 1998 | | | Dec 31, 1999 | | | Dec 31, 2000 | | |
|---|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total |
| Liabilities to credit institutions | 6,738 | | 6,738 | 7,368 | | 7,368 | 10,737 | | 10,737 |
| Other liabilities | 323 | 9,361 | 9,684 | 15 | 9,207 | 9,222 | 99 | 13,410 | 13,509 |
| Provisions | 1,320 | 1,021 | 2,341 | 1,419 | 1,196 | 2,615 | 878 | 1,578 | 2,456 |
| Minority interests | | 25 | 25 | | 30 | 30 | | 20 | 20 |
| Shareholders' equity | | 9,671 | 9,671 | | 9,795 | 9,795 | | 9,971 | 9,971 |
| Total shareholders' equity and liabilities | 8,381 | 20,078 | 28,459 | 8,802 | 20,228 | 29,030 | 11,714 | 24,979 | 36,693 |

CONSOLIDATED CASH FLOW STATEMENT

| SEK M | | 1998 | 1999 | 2000 | |
|------------------------------|---|--------------|---------------|--------------|---------------|
| CONTINUING OPERATIONS | | | | | |
| | Profit after financial items | 730 | 1,251 | 2,153 | |
| | Adjustments for items not included in cash flow | 580 | 449 | -1,146 | |
| | Tax | -27 | -189 | -223 | |
| | Cash flow from continuing operations before changes in working capital | 1,283 | 1,511 | 784 | |
| | Cash flow from changes in working capital | | | | |
| | Change in inventories | -18 | 63 | -69 | |
| | Change in receivables | -969 | 1,156 | -3,419 | |
| | Change in interest-free liabilities | 585 | -2,793 | 2,983 | |
| | Cash flow from changes in working capital | -402 | -1,574 | -505 | |
| | CASH FLOW FROM CONTINUING OPERATIONS | 881 | -63 | 279 | |
| | INVESTMENT OPERATIONS | | | | |
| | Acquisition of subsidiaries | Note 34 | -25 | -654 | -823 |
| | Sale of subsidiaries | Note 34 | 10 | 6 | 711 |
| | Change in properties held for resale, net | | -612 | -646 | -1,067 |
| | Acquisition of buildings and land | Note 34 | -1,414 | -1,489 | -3,890 |
| | Sale of buildings and land | | 2,483 | 2,323 | 3,710 |
| | Acquisition of other financial fixed assets | | -525 | -180 | -98 |
| | Sale of other financial fixed assets | | 305 | 679 | 566 |
| | Acquisition of other fixed assets | Note 34 | -577 | -703 | -1,940 |
| | Sale of other fixed assets | | 66 | 122 | 196 |
| | Cash flow from investment operations | | -289 | -542 | -2,635 |
| | CASH FLOW BEFORE FINANCING | | 592 | -605 | -2,356 |
| | FINANCING OPERATIONS | | | | |
| | Dividend paid | | -163 | -271 | -1,193 |
| | Other changes in shareholders' equity | | | | -293 |
| | Loans raised | | 522 | 1,803 | 2,480 |
| | Amortization of loans | | -1,376 | -2,022 | -235 |
| | Change in long-term receivables | | -45 | 331 | 1,417 |
| | Change in minority interests, etc. | | -4 | | -15 |
| | CASH FLOW FROM FINANCING OPERATIONS | | -1,066 | -159 | 2,161 |
| | Cash flow during the year | Note 34 | -474 | -764 | -195 |
| | Liquid assets on January 1 | Note 34 | 3,609 | 3,135 | 2,371 |
| | Exchange-rate difference in liquid assets | | | | 31 |
| | Liquid assets on December 31 | Note 34 | 3,135 | 2,371 | 2,207 |

PARENT COMPANY INCOME STATEMENT

| SEK M | | 1998 | 1999 | 2000 |
|--|---------|----------|----------|----------|
| Net sales | Note 1 | 14,948 | 16,251 | 22,059 |
| Production and management costs | Note 2 | - 13,706 | - 14,896 | - 20,089 |
| Gross profit | | 1,242 | 1,355 | 1,970 |
| Selling and administrative expenses | | - 1,382 | - 1,496 | - 1,747 |
| Items affecting comparability ¹⁾ | | | 90 | 405 |
| Result from sales of properties | Note 3 | 12 | 133 | 45 |
| Operating profit/loss | | - 128 | 82 | 673 |
| Result from participations in Group companies | Note 8 | - 427 | 947 | 213 |
| Result from participations in associated companies | Note 4 | 22 | 1 | 18 |
| Result from other financial fixed assets | Note 9 | - 10 | 45 | 38 |
| Result from financial current assets | Note 10 | 128 | 119 | 82 |
| Interest expense and similar items | Note 11 | - 250 | - 18 | - 200 |
| Profit/loss after financial items | | - 665 | 1,176 | 824 |
| Appropriations | Note 23 | 5 | - 81 | - 430 |
| Tax on net profit for the year | Note 25 | - 7 | - 3 | - 130 |
| NET PROFIT/LOSS FOR THE YEAR | | - 667 | 1,092 | 264 |

¹⁾ 1999: sale of shares in Neptun Maritime. 2000: Refund from SPP.

PARENT COMPANY BALANCE SHEET

| ASSETS, SEK M | | Dec 31, 1998 | Dec 31, 1999 | Dec 31, 2000 |
|---|---------|--------------|--------------|--------------|
| Intangible fixed assets | | | | 29 |
| Buildings and land | Note 14 | 247 | 244 | 392 |
| New construction in progress | | 8 | 22 | 112 |
| Machinery and equipment | | 515 | 511 | 773 |
| Tangible fixed assets | Note 15 | 770 | 777 | 1,277 |
| Participations in Group companies | Note 16 | 9,178 | 9,008 | 9,332 |
| Receivables from Group companies | | 1,000 | 781 | 646 |
| Participations in associated companies | Note 17 | 615 | 204 | 241 |
| Receivables from associated companies | | 154 | 157 | 161 |
| Other long-term holdings of securities | | 461 | 151 | 168 |
| Other long-term receivables | | 8 | 10 | 7 |
| Financial fixed assets | Note 18 | 11,416 | 10,311 | 10,555 |
| FIXED ASSETS | | 12,186 | 11,088 | 11,861 |
| Properties held for future development | Note 19 | 397 | 400 | 702 |
| Inventories etc. | Note 20 | 31 | 32 | 299 |
| Accounts receivable | | 2,731 | 2,648 | 3,222 |
| Receivables from Group companies | | 881 | 1,326 | 722 |
| Receivables from associated companies | | 4 | 21 | 55 |
| Other receivables | | 177 | 183 | 366 |
| Prepaid expenses and accrued income | | 206 | 328 | 381 |
| Current receivables | | 3,999 | 4,506 | 4,746 |
| Short-term investments | | 1,135 | 2,998 | 1,708 |
| Cash and bank balances | | 1,103 | 733 | 579 |
| CURRENT ASSETS | | 6,665 | 8,669 | 8,034 |
| TOTAL ASSETS | | 18,851 | 19,757 | 19,895 |

| INTEREST-BEARING/ INTEREST-FREE ASSETS | Dec 31, 1998 | | | Dec 31, 1999 | | | Dec 31, 2000 | | |
|---|----------------------|-------------------|--------|----------------------|-------------------|--------|----------------------|-------------------|--------|
| | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total |
| Financial fixed assets | 610 | 10,806 | 11,416 | 327 | 9,984 | 10,311 | 375 | 10,180 | 10,555 |
| Current receivables | 275 | 3,724 | 3,999 | 619 | 3,887 | 4,506 | 332 | 4,414 | 4,746 |
| Short-term investments at NCC's internal bank | 1,135 | | 1,135 | 2,998 | | 2,998 | 1,708 | | 1,708 |
| Cash and bank balances, NCC's internal bank | 738 | | 738 | 385 | | 385 | 358 | | 358 |
| Cash and bank balances, other | 365 | | 365 | 348 | | 348 | 221 | | 221 |
| Other current and fixed assets | | 1,198 | 1,198 | | 1,209 | 1,209 | | 2,307 | 2,307 |
| Total assets | 3,123 | 15,728 | 18,851 | 4,677 | 15,080 | 19,757 | 2,994 | 16,901 | 19,895 |

PARENT COMPANY BALANCE SHEET

| SHAREHOLDERS' EQUITY AND LIABILITIES, SEK M | | Dec 31, 1998 | Dec 31, 1999 | Dec 31, 2000 |
|--|---------|---------------|---------------|---------------|
| Share capital | Note 21 | 2,711 | 2,711 | 2,711 |
| Legal reserve | | 1,639 | 1,639 | 1,639 |
| Premium reserve | | 1,751 | | |
| Restricted shareholders' equity | | 6,101 | 4,350 | 4,350 |
| Retained earnings or loss | | 1,808 | 2,383 | 2,379 |
| Net profit/loss for the year | | -667 | 1,092 | 264 |
| Unrestricted shareholders' equity | | 1,141 | 3,475 | 2,643 |
| SHAREHOLDERS' EQUITY | Note 22 | 7,242 | 7,825 | 6,993 |
| Untaxed reserves | Note 23 | 22 | 103 | 699 |
| Provisions for pensions and similar obligations | Note 24 | 1,293 | 1,391 | 806 |
| Other provisions | Note 26 | 162 | 145 | 270 |
| Provisions | | 1,455 | 1,536 | 1,076 |
| Bond loans | | 201 | | |
| Liabilities to credit institutions | Note 27 | 52 | 50 | 46 |
| Liabilities to Group companies | | 3,943 | 4,375 | 4,017 |
| Other liabilities | | 16 | 34 | 1 |
| Long-term liabilities | | 4,212 | 4,459 | 4,064 |
| Liabilities to credit institutions | Note 27 | 14 | | 88 |
| Advances from customers | | 119 | 71 | 51 |
| Work in progress on the account of others | Note 29 | 2,101 | 1,996 | 2,285 |
| Accounts payable | | 1,823 | 1,675 | 2,026 |
| Liabilities to Group companies | | 478 | 474 | 295 |
| Liabilities to associated companies | | 8 | 3 | 16 |
| Tax liabilities | | 11 | 3 | 194 |
| Other liabilities | | 438 | 606 | 1,010 |
| Accrued expenses and prepaid revenues | | 928 | 1,006 | 1,098 |
| Current liabilities | | 5,920 | 5,834 | 7,063 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | 18,851 | 19,757 | 19,895 |
| Mortgages and other comparable collateral for own liabilities and provisions | | 57 | 71 | 57 |
| Others assets pledged and comparable collateral | | 176 | 176 | 176 |
| Assets pledged | Note 30 | 233 | 247 | 233 |
| Contingent liabilities | Note 30 | 10,000 | 13,347 | 19,530 |

| INTEREST-BEARING/ INTEREST-FREE LIABILITIES AND PROVISIONS | Dec 31, 1998 | | | Dec 31, 1999 | | | Dec 31, 2000 | | |
|---|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total |
| Liabilities to credit institutions | 66 | | 66 | 50 | | 50 | 134 | | 134 |
| Other liabilities | 1,750 | 8,316 | 10,066 | 2,301 | 7,942 | 10,243 | 1,287 | 9,706 | 10,993 |
| Provisions | 1,293 | 162 | 1,455 | 1,391 | 145 | 1,536 | 806 | 270 | 1,076 |
| Shareholders' equity and untaxed reserves | | 7,264 | 7,264 | | 7,928 | 7,928 | | 7,692 | 7,692 |
| Total shareholders' equity and liabilities | 3,109 | 15,742 | 18,851 | 3,742 | 16,015 | 19,757 | 2,227 | 17,668 | 19,895 |

PARENT COMPANY CASH FLOW STATEMENT

| SEK M | | 1998 | 1999 | 2000 | |
|------------------------------|---|---------|-------|--------|--------|
| CONTINUING OPERATIONS | | | | | |
| | Profit/loss after financial items | -665 | 1,176 | 824 | |
| | Adjustments for items not included in cash flow | 789 | 966 | 218 | |
| | Tax | -28 | -11 | 105 | |
| | Cash flow from continuing operations before changes in working capital | 96 | 2,131 | 1,147 | |
| | Change in inventories | -11 | -1 | -265 | |
| | Change in receivables | -10 | -264 | -368 | |
| | Change in interest-free liabilities | 523 | -182 | 589 | |
| | Change in net work in progress | 642 | -105 | 288 | |
| | Cash flow from changes in working capital | 1,144 | -552 | 244 | |
| | CASH FLOW FROM CONTINUING OPERATIONS | 1,240 | 1,579 | 1,391 | |
| INVESTMENT OPERATIONS | | | | | |
| | Acquisition of subsidiaries | Note 34 | -86 | -1,589 | -518 |
| | Sale of subsidiaries | Note 34 | 341 | 168 | |
| | Change in properties held for resale, net | | -110 | -11 | -119 |
| | Acquisition of buildings and land | Note 34 | -49 | -8 | -207 |
| | Sale of buildings and land | | 48 | | 53 |
| | Acquisition of other financial fixed assets | | 242 | -28 | -54 |
| | Sale of other financial fixed assets | | 197 | 423 | 9 |
| | Acquisition of other fixed assets | Note 34 | -266 | -200 | -660 |
| | Sale of other fixed assets | | 60 | 37 | 58 |
| | Cash flow from investment operations | | 377 | -1,208 | -1,438 |
| | CASH FLOW BEFORE FINANCING | | 1,617 | 371 | -47 |
| FINANCING OPERATIONS | | | | | |
| | Other changes in shareholders' equity | Note 22 | | | -220 |
| | Loans raised | | 119 | 1,412 | 402 |
| | Amortization of loans | | | -287 | -590 |
| | Dividend paid | | -163 | -271 | -1,193 |
| | Change in long-term receivables | | -488 | 268 | 204 |
| | CASH FLOW FROM FINANCING OPERATIONS | | -532 | 1,122 | -1,397 |
| | Cash flow during the year | | 1,085 | 1,493 | -1,444 |
| | Liquid assets on January 1 | Note 34 | 1,153 | 2,238 | 3,731 |
| | LIQUID ASSETS ON DECEMBER 31 | Note 34 | 2,238 | 3,731 | 2,287 |

ACCOUNTING PRINCIPLES

The Group complies with the Financial Accounting Standards Council's recommendations.

Consolidated accounting. The Group has been consolidated in accordance with the Swedish Accounting Standards Council's recommendation (RR 1:96) 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.
- 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.

A characteristic of the purchase method is that assets and liabilities are entered at market value, after taking deferred tax into account, in accordance with an established acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the computed market value of the subsidiary's net assets, the difference is entered 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 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 sale of a subsidiary, 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 Norway is depreciated according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Finland, NCC Denmark (including Superfos Constructing which was acquired during 1999) and Rieber Roads, which was acquired effective November 1, 2000, 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.

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. Monetary 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 profit. For prior years used for comparisons, 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. As of 1999, NCC complies with the Financial Accounting Standards Council's Recommendation No. 8 ("Reporting of effects of changed exchange rates").

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 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 ten-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.

NCC Property Development – 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.

NCC Property Development – property development. 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.

NCC Property Development – Property 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.

The item results from property 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.

Within NCC Property Development, income recognition occurs when the legal ownership right to a property or the company that owns a property is transferred to the purchaser. This could arise from the sale of a real estate project at an early stage; for example, when construction has not been completed (in certain cases, when it has not even been initiated). In the consolidated accounts, such sales are divided into two main transactions. The first transaction – sale of properties – comprises the realization of a property value that has been accumulated at several levels, such as site acquisition at a favorable time, formulation of a detailed development plan, design of a real estate project, building permit and leasing to tenants. The second transaction comprises the building contract, whereby income recognition within NCC Building is undertaken in accordance with the percentage of completion method.

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 | Year 1 | Year 2 |
|--|-----------|-----------|
| According to earlier principle ¹⁾ | 0 SEK M | 5 SEK M |
| According to percentage of completion | 2.5 SEK M | 2.5 SEK 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.

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

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, tax loss carry forwards in the same country are taken into account. 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.

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 Parents 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.

Pro forma accounts. In order to illuminate the financial accounts of 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, with the exception of Superfos, which is included pro forma for the whole of the 1999 fiscal year (the acquisition became effective in mid-February 1999).

Leasing. In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing. Briefly speaking, financial leasing means that the fixed asset concerned is reported as an asset item in the balance sheet, while a corresponding liability is entered on the liability side of the balance sheet. In the income statement, leasing costs are divided into a depreciation portion and a portion entered among interest expense. Briefly speaking, operational leasing means that the asset and corresponding liability are not entered in the balance sheet. In the income statement, leasing fees are spread over the years based on the rate of use, which may differ from the leasing fee actually paid during the year concerned.

In the Parent Company, all leasing agreements are entered in accordance with the rules for operational leasing.

Repurchase of shares. Repurchases of shares are entered directly against unrestricted shareholders’ equity, including the costs associated with the repurchases.

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, 2000 would have been an increase of SEK 422 M (482) in reported goodwill, an increase of SEK 208 M (197) in the reported deferred tax liability and an increase of SEK 214 M (285) in reported shareholders’ equity. The Group’s net profit for 2000 would have decreased by SEK 71 M (43), due to increases in amortization of goodwill by SEK 60 M (60) and deferred tax revenues of SEK 11 M (7). This corresponds to a negative amount of SEK 0.68 (neg: 0.40) per share.

Exchange rates are presented in Note 36.

COMMENTS AND NOTES

Amount on SEK M, unless otherwise specified.

NOTE 1 NET SALE

| OPERATING SECTORS | Group | | | Parent Company | | |
|---|--------|--------|--------|----------------|---------|---------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Construction operations (Parent Company): | | | | | | |
| Invoicing for the year | | | | 17,605 | 18,336 | 20,081 |
| Invoiced but not recognized as income on January 1 | | | | 7,895 | 13,951 | 16,121 |
| Invoiced but not recognized as income on January 1 (transferred operations) | | | | 3,313 | | 97 |
| Less: Invoiced but not recognized as income on December 31 | | | | -13,951 | -16,121 | -14,339 |
| Total revenues in construction operations | | | | 14,862 | 16,166 | 21,960 |
| Civil Engineering | 11,078 | 12,289 | 12,057 | 5,888 | 6,515 | 9,923 |
| Housing | 2,365 | 4,620 | 5,365 | 1,140 | 1,334 | 1,627 |
| Building | 17,603 | 16,553 | 18,464 | 8,060 | 8,518 | 9,913 |
| Industry | 2,998 | 4,508 | 4,969 | 863 | 896 | 2,769 |
| Eliminations | -2,123 | -2,447 | -4,068 | -1,089 | -1,097 | -2,272 |
| Total revenues in real estate operations | 1,231 | 977 | 906 | | | |
| NCC BOT | | | 39 | | | |
| NVS | 1,486 | 1,643 | 1,762 | 1 | 1 | |
| Others and eliminations | -478 | -683 | -766 | 85 | 84 | 99 |
| Total other revenues | 1,008 | 960 | 1,035 | 86 | 85 | 99 |
| Total net sales | 34,160 | 37,460 | 38,728 | 14,948 | 16,251 | 22,059 |
| GEOGRAPHIC MARKETS | | | | | | |
| Sweden | 20,596 | 21,772 | 21,629 | 14,948 | 16,251 | 21,561 |
| Denmark | 4,363 | 6,155 | 6,739 | | | 35 |
| Finland | 3,388 | 3,541 | 4,099 | | | 21 |
| Other EU countries | 1,237 | 1,646 | 1,345 | | | 9 |
| Norway | 4,100 | 3,723 | 4,034 | | | 333 |
| Eastern Europe | 85 | 387 | 345 | | | 80 |
| Russia | 207 | 129 | 152 | | | 8 |
| Middle East | 19 | 50 | 47 | | | |
| South America | 87 | | 123 | | | |
| Rest of world | 78 | 57 | 215 | | | 12 |
| Total net sales | 34,160 | 37,460 | 38,728 | 14,948 | 16,251 | 22,059 |
| Intra-Group purchases and sales | | | | | | |
| Other Group companies accounted for 9.5 percent of total Parent Company purchases and 6.1 percent of total sales. | | | | | | |

NOTE 2 PRODUCTION AND MANAGEMENT COSTS

| Production and management costs, excl. property tax | Group | | | Parent Company | | |
|---|---------|---------|---------|----------------|---------|---------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Property tax | -42 | -36 | -28 | -3 | -1 | -2 |
| Total production and management costs | -30,832 | -33,446 | -34,641 | -13,706 | -14,896 | -20,089 |

NOTE 3 RESULT FROM SALES OF PROPERTIES

| Sales value less sales expenses | Group | | | Parent Company | | |
|--|--------|--------|--------|----------------|------|------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Book value | -2,243 | -2,166 | -3,796 | -36 | -86 | -31 |
| Result from sales of properties | 323 | 163 | 640 | 12 | 133 | 45 |

NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

| GROUP | 1998 | 1998 | 1999 | 1999 | 2000 | 2000 |
|--|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|
| | Real estate operations | Others operations | Real estate operations | Others operations | Real estate operations | Others operations |
| Participation in results of associated companies | 57 | -166 | 43 | 56 | -8 | 31 |
| Write-downs | -57 | -2 | -81 | -6 | | |
| Reversal of write-downs | 10 | | 54 | | | |
| Total result from participations in associated companies | 10 | -168 | 16 | 50 | -8 | 31 |
| The amounts above include SEK 0.3 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 a true and fair view. | | | | | | |
| PARENT COMPANY | 1998 | 1998 | 1999 | 1999 | 2000 | 2000 |
| | Real estate operations | Others operations | Real estate operations | Others operations | Real estate operations | Others operations |
| Dividend | 6 | 4 | | 7 | | 9 |
| Capital gains on sales | 195 | | | | | 9 |
| Write-down | | -183 | | -6 | | |
| Total result from participations in associated companies | 201 | -179 | | 1 | | 18 |

NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

| GROUP | 1998 | 1999 | 2000 | |
|-----------------------|------|------|------|----|
| Other Group companies | | 1 | 7 | -1 |
| Total | | 1 | 7 | -1 |

NOTE 6 OPERATING PROFIT (EBIT)

| OPERATING SECTORS | Group | | | |
|--|-------|-------|-------|-------|
| | 1998 | 1999 | 2000 | |
| Civil Engineering | | 102 | 115 | 1 |
| Housing | | 23 | 183 | 232 |
| Building | | 214 | 201 | 159 |
| Industry | | 320 | 432 | 508 |
| Construction operations | | 659 | 931 | 900 |
| NCC BOT | | | -16 | -107 |
| Real Estate | | 879 | 616 | 984 |
| NVS | | 20 | 55 | 57 |
| Others and eliminations | | -457 | -317 | -331 |
| Total operating profit/loss | | 1,101 | 1,269 | 1,503 |
| Items affecting comparability | | | 201 | 912 |
| Total operating profit/loss | | 1,101 | 1,470 | 2,415 |
| Operating profit includes depreciation in an amount of | | -678 | -857 | -962 |
| Profit includes acquisition costs. | | | | |

NOTE 7 RESULT FROM SALES OF PARTICIPATIONS IN ASSOCIATED COMPANIES

| GROUP | 1998 | 1998 | 1999 | 1999 | 2000 | 2000 |
|---------------|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|
| | Real estate operations | Others operations | Real estate operations | Others operations | Real estate operations | Others operations |
| Capital gains | 173 | 21 | 47 | 3 | 150 | 121 |
| Total | 173 | 21 | 47 | 3 | 150 | 121 |

NOTE 8 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY | 1998 | 1999 | 2000 |
|--|-------------|------------|------------|
| Dividend | 630 | 2,992 | 409 |
| Capital gain/loss on sales | -1,018 | 311 | -1 |
| Write-downs | -39 | -2,356 | -195 |
| Total result from participations in Group companies | -427 | 947 | 213 |

NOTE 9 RESULT FROM OTHER FINANCIAL FIXED ASSETS

| | Group | | | Parent Company | | |
|---|-----------|-----------|------------|----------------|-----------|-----------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Result from participations in limited partnerships | | | 35 | | | 24 |
| Dividends received | 2 | 16 | 2 | 18 | 13 | 2 |
| Interest income, Group companies | | | | 18 | 13 | 2 |
| Interest income, others | 69 | 52 | 59 | 4 | 2 | 12 |
| Exchange-rate differences | | | 134 | | | 1 |
| Capital gain on sales | 6 | -21 | 2 | 6 | 14 | |
| Write-downs | -49 | -2 | | -38 | | -1 |
| Reversal of write-downs | | | 9 | | | |
| Total result from other financial fixed assets | 28 | 45 | 241 | -10 | 45 | 38 |

NOTE 10 RESULT FROM OTHER FINANCIAL CURRENT ASSETS

| | Group | | | Parent Company | | |
|---|------------|------------|------------|----------------|------------|-----------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Interest income, Group companies | | | | 106 | 96 | 23 |
| Interest income, others | 162 | 212 | 183 | 22 | 23 | 90 |
| Exchange-rate differences | | | 79 | | | -31 |
| Total result from financial current assets | 162 | 212 | 262 | 128 | 119 | 82 |

NOTE 11 INTEREST EXPENSE AND SIMILAR ITEMS

| | Group | | | Parent Company | | |
|---|-------------|-------------|-------------|----------------|------------|-------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Interest expense, Group companies | | | | -66 | -120 | -87 |
| Interest expense, others | -575 | -589 | -660 | -83 | -71 | -81 |
| Capitalization of interest expense | 23 | 34 | 95 | | | |
| Exchange-rate differences, etc. | -9 | 79 | -222 | -101 | 173 | -32 |
| Other financial items | | | 22 | | | |
| Total interest expense and similar items | -561 | -476 | -765 | -250 | -18 | -200 |

NOTE 12 PROFIT AFTER FINANCIAL ITEMS

| OPERATING SECTOR | Group | | |
|---|------------|--------------|--------------|
| | 1998 | 1999 | 2000 |
| Civil Engineering | 159 | 160 | 57 |
| Housing | 8 | 149 | 179 |
| Building | 252 | 236 | 190 |
| Industry | 275 | 327 | 395 |
| Construction operations | 694 | 872 | 821 |
| NCC BOT | | -16 | -107 |
| Real Estate | 436 | 402 | 780 |
| NVS | 25 | 59 | 66 |
| Other items and eliminations | -425 | -267 | -319 |
| | 730 | 1,050 | 1,241 |
| Items affecting comparability | | 201 | 912 |
| Total profit after financial items | 730 | 1,251 | 2,153 |

Profit includes acquisition costs.

NOTE 13 INTANGIBLE FIXES ASSETS

| | Group | | | Parent Company | |
|---|-----------|--------------|------------|----------------|-----------|
| | Usufructs | Goodwill | Other | Usufructs | Other |
| On January 1 | 35 | 2,625 | 25 | 1 | |
| New acquisitions | 10 | 1,179 | 22 | 10 | |
| Divestment and scrappage | -3 | -68 | -1 | | |
| Reclassifications | | -28 | 23 | 4 | 20 |
| Translation difference | 2 | 92 | 2 | | |
| Closing accumulated acquisition value | 44 | 3,800 | 71 | 15 | 20 |
| Opening depreciation according to plan | -6 | -432 | -13 | -1 | |
| New acquisitions | | -19 | | | |
| Divestment and scrappage | | 46 | | | |
| Reclassifications | | 5 | -3 | -2 | -1 |
| Translation differences during the year | | -9 | -1 | | |
| Depreciation according to plan during the year | -1 | -174 | -4 | -1 | -1 |
| Closing accumulated depreciation according to plan | -7 | -583 | -21 | -4 | -2 |
| Opening write-downs | | | | | |
| Write-downs during the year | | -7 | | | |
| Closing accumulated write-downs | 0 | -7 | 0 | 0 | 0 |
| Closing planned residual value | 37 | 3,210 | 50 | 11 | 18 |

NOTE 14 BUILDINGS AND LAND

| | Group | | | Parent Company | | |
|--|--------------|--------------|--------------|----------------|------------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Managed properties | 7,557 | 5,950 | 4,570 | 70 | 43 | 94 |
| Properties used in operations | 479 | 723 | 1,057 | 177 | 201 | 298 |
| Properties held for future development | 1,114 | 1,318 | 1,304 | | | |
| Total buildings and land | 9,150 | 7,991 | 6,931 | 247 | 244 | 392 |

NOTE 15 TANGIBLE FIXES ASSETS

| GROUP | Managed properties | Prop. Prop. for | | Mach. & N. cont. equip. | in prog. | Total |
|--|--------------------|-----------------|--------------|-------------------------|--------------|---------------|
| | | in op. | fut. dev. | | | |
| On January 1 | 8,576 | 948 | 1,794 | 5,496 | 1,921 | 18,735 |
| New acquisitions | 425 | 143 | 686 | 1,078 | 2,097 | 4,429 |
| Through acquired companies | | 230 | 50 | 1,025 | 8 | 1,313 |
| Divestment and scrappage | -3,112 | -71 | -579 | -881 | -1,780 | -6,423 |
| Through sold companies | -72 | -2 | | -17 | | -91 |
| Reclassifications | 390 | 9 | -467 | 734 | 437 | 1,103 |
| Translation difference | 29 | 23 | 25 | 127 | 44 | 248 |
| Closing accumulated acquisition value¹⁾ | 6,236 | 1,280 | 1,509 | 7,562 | 2,727 | 19,314 |
| Opening write-downs and depreciation | -2,667 | -229 | -476 | -3,536 | 37 | -6,871 |
| Through acquired companies | | -46 | -1 | -329 | | -376 |
| Divestment and scrappage | 1,287 | 63 | 26 | 753 | 311 | 2,440 |
| Through sold companies | 72 | 1 | | 14 | | 87 |
| Reclassifications | -243 | -56 | 267 | -607 | -346 | -985 |
| Translation difference during the year | -9 | -4 | -1 | -61 | 3 | -72 |
| Reversal of write-downs | 16 | | | | | 16 |
| Write-downs and depreciation during the year | -122 | -41 | -22 | -658 | | -843 |
| Closing accumulated write-downs and depreciation²⁾ | -1,666 | -312 | -207 | -4,424 | 5 | -6,604 |
| Opening write-ups | 41 | 4 | | | | 45 |
| Via acquired companies | | 85 | | 77 | | 162 |
| Divestments and scrappage | -41 | -4 | | | | -45 |
| Reclassifications | | | 2 | | | 2 |
| Translation difference during the year | | 4 | | 3 | | 7 |
| Closing accumulated write-ups, net | 89 | 2 | 80 | | | 171 |
| Closing planned residual value | 4,570 | 1,057 | 1,304 | 3,218 | 2,732 | 12,881 |

CONT. NOTE 15 TANGIBLE FIXED ASSETS

| GROUP | Managed properties | Prop. in op. | Prop. for fut. dev. | Mach. & equip. | N. cont. in prog. | Total |
|---|--------------------|--------------|---------------------|-------------------|-------------------|--------------|
| ¹⁾ The acquisition value includes capitalizes interest on an amount of | 42 | | 4 | | 84 | 130 |
| ²⁾ Accumulated writs-downs at year end | -525 | -7 | -169 | | | -701 |
| Tax assessment value | 2,393 | 358 | 159 | | | 2,910 |
| Book value of properties assigned tax assessment value | 4,299 | 465 | 1 161 | | | 5,925 |
| PARENT COMPANY | Managed properties | Prop. in op. | Mach. & equip. | N. cont. in prog. | Total | |
| On January 1 | 60 | 259 | 1,665 | 21 | 2,005 | |
| New acquisitions | 34 | 32 | 319 | 59 | 444 | |
| Divestment and scrappage | | -2 | -293 | -7 | -302 | |
| Transfer within NCC Group | | 132 | 938 | 22 | 1,092 | |
| Reclassifications | 22 | | 400 | 14 | 436 | |
| Closing accumulated acquisition value | 116 | 421 | 3,029 | 109 | 3,675 | |
| Opening depreciation according to plan | -17 | -43 | -1,154 | | -1,214 | |
| Divestment and scrappage | | | 274 | | 274 | |
| Transfer within NCC Group | | -28 | -704 | | -732 | |
| Reclassifications | | -33 | -378 | | -411 | |
| Depreciation according to plan during the year | -5 | -12 | -294 | | -311 | |
| Closing accumulated depreciation according to plan | -22 | -116 | -2,256 | | -2,394 | |
| Opening write-ups | | | | 1 | 1 | |
| Reclassifications | | | | 2 | 2 | |
| Closing accumulated write-ups, net | | | | 3 | 3 | |
| Opening write-downs of acquisition value | | -14 | | | -14 | |
| Reclassifications | | 7 | | | 7 | |
| Closing accumulated write-downs | | -7 | | | -7 | |
| Closing planned residual value | 94 | 298 | 773 | 112 | 1,277 | |
| Tax assessment value | 25 | 316 | | 49 | 390 | |
| Book value of properties assigned tax assessment value | 55 | 297 | | 57 | 409 | |

NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY, REGISTERED NO REGISTERED OFFICE | Share-holding, % ¹⁾ | No of participations ²⁾ | Book value |
|--|--------------------------------|------------------------------------|--------------|
| Real estate companies: | | | |
| NCC Fastigheter AB, 556080-5631, Solna | 100 | 84 | 4,017 |
| Total participations in real estate companies | | | 4,017 |
| Other companies: | | | |
| Alsike Utvecklings AB, 556245-9452, Uppsala | 100 | 16 | 2 |
| Ballast Nord AB, 556109-8954, Umeå | 100 | 1 | 6 |
| Ballast Stockholm AB, 556078-3515, Stockholm | 100 | | |
| Ballast Syd AB, 556137-8893, Lund | 100 | 3 | 3 |
| Ballast Väst AB, 556181-6496, Gothenburg | 100 | 3 | 2 |
| Ballast Öst AB, 556063-6697, Linköping | 100 | 8 | 2 |
| Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå | 100 | 1 | 4 |
| Binab i Stockholm AB, 556050-6130, Solna | 100 | 1 | 5 |
| Bitumenemulsion i Norden AB, 556487-8741, Solna | 60 | 1 | |
| Bostads AB Vägkarlen, 556420-5036, Uppsala | 100 | 1 | |
| Bräddholmen i Oskarshamn AB, 556594-3916, Gothenburg | 100 | 1 | |
| Carl von Linnés Bygg & Fastighetsservice AB, 556064-8551, Kristinehamn | 100 | 1 | |
| Cressida AB, 556085-2468, Solna | 100 | 100 | 10 |
| Drevviken Fastighetsbolag, KB, 916623-180, Stockholm | 100 | | |

Cont.

CONT. NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY, REGISTERED NO REGISTERED OFFICE | Share-holding, % ¹⁾ | No of participations ²⁾ | Book value |
|--|--------------------------------|------------------------------------|------------|
| Fastighetsbolaget Fiskvik HB, 916671-2704, Enköping | 100 | | |
| Fogden i Täby AB, 556058-2115, Täby | 100 | | |
| Forsmarks Schaktmaskiner AB, 556083-5877, Umeå | 100 | 1 | 3 |
| Fresta Fastighets AB, 556484-6705, Solna | 100 | 1 | |
| Frichs A/S, 154 466, Copenhagen | 100 | 2 | |
| Frösunda Exploatering AB, 556430-1876, Solna | 100 | | |
| Frösunda Exploatering KB, 916636-6451, Stockholm | 100 | | 1 |
| Fågelbro Mark AB, 556234-0868, Stockholm | 100 | 200 | 34 |
| Förvaltnings AB Kojan, 556459-6988, Norrköping | 100 | 1 | |
| Hercules Grundläggning, 556129-9800, Stockholm | 100 | 196 | 59 |
| H-tek Service i Eskilstuna AB, 556453-3072, Eskilstuna | 100 | 50 | 10 |
| JCC Johnson Construction Company AB, 556113-5251, Solna | 100 | 1 | |
| Jordskorpan Väst AB, 556171-7058, Halmstad | 100 | 10 | 1 |
| Kasper Höglund AB, 556009-9433, Solna | 100 | 11 | 1 |
| Kompri HB, 916765-5738, Malmö | 75 | | 2 |
| Kvarntorps Betong AB, 556523-9885, Örebro | 100 | 1 | 14 |
| Kvidinge Stenkross AB, 556090-5332, Åstorp | 75 | 5 | 4 |
| Lava Leasing AB, 556308-2139, Solna | 100 | 660 | 3 |
| Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg | 100 | 1 | |
| Luzern AB, 556336-4727, Lund | 100 | 1 | 3 |
| Magenta Måleri AB, 556174-4078, Uppsala | 100 | 3 | 5 |
| Metodbyggen AB, 556085-3243, Stockholm | 100 | 20 | 3 |
| Mobile Asfalt SIA, 0003 222 930, Latvia | 60 | | 3 |
| NCC Bygg A/S, 959 606 803, Norway | 100 | 7 | 85 |
| NCC Denmark A/S, 103.707, Denmark | 100 | 10 | 1,586 |
| NCC Finans AB, 556223-6371, Solna | 100 | 60 | 75 |
| NCC Finland OY, 0988855-2, Finland | 100 | 2 | 499 |
| NCC Flygpendeln AB, 556302-3307, Solna | 100 | 1 | |
| NCC Försäkrings AB Norden, 516401-8151, Solna | 100 | 500 | 75 |
| NCC GmbH, HRB 7808, Germany | 100 | | 1 |
| NCC GmbH & Co Holding KG, HRA 14351, Germany | 100 | | |
| NCC Immobilien GmbH, HRB 59164, Germany | 100 | | 7 |
| NCC Industri Eesti, 10 489 226, Estonia | 100 | | 8 |
| NCC Industri Latvia SIA, 40 003 250 537, Latvia | 100 | 1 | |
| NCC Industri Polska, 810-821-432, Poland | 100 | 38 | 89 |
| NCC Industri UAB, UI98-264, Lithuania | 75 | | |
| NCC Industries AB, 556001-8276, Solna | 100 | 15 | 107 |
| NCC Industry Ltd, 000 11 55, Russia | 100 | | 7 |
| NCC Industry Petrobeton Ltd, 53279999, Russia | 100 | | 12 |
| NCC International AB, 556033-5100, Solna | 100 | 501 | 307 |
| NCC Leasing Alfa AB, 556522-7724, Solna | 100 | 1 | |
| NCC Nordic Construction Company AB, 556065-8949, Solna | 100 | 3,809 | 1,018 |
| NCC Norway A/S, 911274426, Norway | 100 | 11,731 | 950 |
| NCC Perspektiva Ltd, 84308, Russia | 56 | | 5 |
| NCC Polska Sp. Z.o.o., RHB 50410, Poland | 100 | 65 | 58 |
| NCC Reinsurance AG, 020.3.003.243-9, Switzerland | 100 | 3 | 77 |
| 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 | |
| Nordfräs AB, 556515-2690, Stockholm | 100 | 4 | |
| Nordic Invest Cyprus Ltd, 40505, Cyprus | 100 | 250 | 3 |
| Norske Siab A/S, 918 355 367, Norway | 100 | 5 | |
| NVS Nordiska Värme Sana AB, 556053-6194, Malmö | 100 | 100 | 69 |
| Nybergs Entreprenad AB, 556222-1845, Gotland | 100 | 1 | 12 |
| Nystanet, KB, 969621-2738, Solna | 100 | | |
| Oppunda Bygg AB, 556174-2973, Norrköping | 100 | 6 | 2 |
| Per Jacobsson Fastighets AB, 556380-1231, Tjörn | 100 | 1 | |
| R.A.D i Sverige AB, 556439-1307, Stockholm | 94 | 22 | 3 |
| Renopipe AB, 556305-1191, Solna | 100 | 1 | 1 |
| Robur Industri & Bostadskredit AB, 556145-1856, Uppsala | 100 | 1 | |
| Siab Byggen AB (fd Remusa AB), 556200-8978, Borlänge | 100 | 1 | |
| Siab Trading AB, 556104-9932, Stockholm | 100 | 2 | |
| Skene Bygg AB, 556083-0316, Mark | 100 | 1 | |
| Skurups Fjärrvärme AB, 556578-3312, Stockholm | 100 | 1 | |
| Sundsvalls Ställnings AB, 556077-3847, Sundsvall | 100 | | |
| Svappavaara Åker och Byggnads AB, 556111-3712, Kiruna | 100 | 4 | 3 |
| Svenska Fräs och Asfallsäterving AB, 556214-7354, Markaryd | 70 | 5 | 5 |
| Svenska Industribyggen AB, 556087-2508, Stockholm | 100 | 1 | |

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CONT. NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY, REGISTERED NO REGISTERED OFFICE | Share- holding, % ¹⁾ | No of partici- pations ²⁾ | Book value |
|--|------------------------------------|--|---------------|
| Söderby Park Fastighets HB, 916630-4817, Stockholm | 100 | | 10 |
| Umeå Markplanering AB, 556195-2226, Umeå | 100 | 2 | 1 |
| Vindelbrinken AB, 556547-5638, Gothenburg | 100 | 1 | |
| Vägmästarna i Bergslagen AB, 556408-1437, Solna | 100 | 3 | 10 |
| Total participations in other companies | | | 5,315 |
| Total participations in Group Companies | | | 9,332 |

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 201. A complete specification may be ordered from NCC AB.

¹⁾ The shareholding corresponds to the voting rights for the total number of shares held.
²⁾ Number of shares in thousands.

NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

| PARENT COMPANY, REGISTERED NO REGISTERED OFFICE | Share- holding, % ¹⁾ | No of partici- pations ²⁾ | Parent Company Book value | Group Book value |
|---|------------------------------------|--|------------------------------------|------------------------|
| Aabenraa Granit I/S, 225121, Denmark | 50 | | 1 | |
| Algon GmbH, HRB, 4923, Germany | 50 | | 4 | |
| Ankaret Invest SA, 526.209, Belgium | 50 | 5,000 | 7 | |
| A-Train AB, 556500-3745, Stockholm | 44 | 2,214 | 176 | 61 |
| Autostrada Dolnaslaska S.A., 18 132, Poland | 25 | 11 | 6 | 6 |
| Baltifalt AS, 10 217 746, Estonia | 35 | 6 | 1 | 5 |
| Betonelement A/S, 202.624, Denmark | 50 | | | 68 |
| Betongfabriken i Eskilstuna KB, 969639-5145, Eskilstuna | 50 | 100 | 1 | 1 |
| Björnö Mark KB, 916638-1419, Täby | 50 | | 1 | 1 |
| Chaordia AB, 556551-9054, Stockholm | 20 | | | 14 |
| CJP GmbH, HRB5056, Germany | 50 | 1 | | 11 |
| Dalkarlen Byggnads AB, 556329-5251, Norrköping | 50 | | 1 | 1 |
| Dansk Asfaltfabrik A/S, Denmark | 50 | 1 | | 1 |
| Ejendomsinteressentskabet C, Denmark | 25 | | | 23 |
| Ejendomsinteressentskabet Tuborg Nord B, 225.802, Denmark | 15 | | | 48 |
| Eskilstuna Betong AB, 556061-9826, Eskilstuna | 50 | | 1 | |
| Fastighets AB Strömstaden, 556051-7202, Norrköping | 35 | 2 | 2 | 2 |
| Fastighetsbolaget Mulön AB, 556541-4546, Luleå | 36 | 14 | 1 | 1 |
| Friedrichspar, HRB77336, Germany | 50 | 1 | | 6 |
| Gladökrossen HB, 969615-7917, Uppsala | 50 | | 4 | 4 |
| Graga KB, 916578-9703, Västerås | 50 | | -1 | -1 |
| HB Ran Förvaltning, 916766-5224, Malmö | 50 | | | 7 |
| Helsingborgsfastigheter HB, 916765-4814, Helsingborg | 33 | | 1 | |
| Holmenbyggarna Byggnads AB & Co KB, 916693-1783, Norrköping | 50 | | | 53 |
| I/S Ejendommen Hylkedalsvej, 229.142, Denmark | 50 | 1 | | 6 |
| Interform AB, 556132-2545, Vellinge | 33 | | 1 | |

Cont.

NOTE 18 FINANCIAL FIXED ASSETS

| GROUP | Participations in associated companies | Receivables in associated companies | Other long-term securities | Other long-term receivables | Total |
|--|---|--|-------------------------------|--------------------------------|-------|
| Acquisition value on January 1 | 1,280 | 201 | 441 | 982 | 2,904 |
| Assets added | 351 | | 136 | 204 | 691 |
| Assets removed | -439 | -22 | -86 | -162 | -709 |
| Reclassifications | -35 | | 27 | | -8 |
| Translation difference during the year | 20 | | 13 | | 33 |
| Closing accumulated acquisition value | 1,177 | 179 | 531 | 1,024 | 2,911 |
| Opening write-downs of acquisition value | -204 | | -163 | | -367 |
| Assets removed | | | 28 | | 28 |
| Write-downs during the year | | | -1 | | -1 |
| Reclassifications | -141 | | -11 | | -152 |
| Translation difference during the year | 1 | | | | 1 |
| Closing accumulated write-downs | -344 | | -147 | | -49 |
| Closing planned residual value | 833 | 179 | 384 | 1,024 | 2,420 |

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CONT. NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

| PARENT COMPANY, REGISTERED NO REGISTERED OFFICE | Share- holding, % ¹⁾ | No of partici- pations ²⁾ | Parent Company Book value | Group Book value |
|---|------------------------------------|--|------------------------------------|------------------------|
| Junebyggen Byggnads AB Pilten, 916701-5651, Jönköping | 50 | | | 4 |
| Järnvägsparken HB, 916618-3310, Norrtälje | 49 | | | 4 |
| Kiruna Grus & Stenförädling AB, 556074-8237, Kiruna | 45 | | 17 | 41 |
| Koy Aallonpelto Stella II projekt, 0616543-9, Finland | 50 | 1 | | 4 |
| Koy Tarvonlinna Stella II projekt, 0746077-1, Finland | 50 | | | 5 |
| Koy Tavronvieri Stella II projekt, 0701118-3, Finland | 50 | | | 11 |
| NCC Fedga UAB, 1080175, Latvia | 43 | | | 36 |
| Norrvikens Trädgårdar AB, 556245-3356, Båstad | 49 | | | 6 |
| Norslundsfastigheter HB, 916464-309, Solna | 50 | | | 4 |
| Permagreen I/S, 245.602, Denmark | 49 | | | 4 |
| Plovleje Aps, 051.137, Denmark | 25 | | | 1 |
| PRINZ, RHB7343, Poland | 47 | 239 | | 137 |
| Projektförmedling Nord A/S, 191.726, Denmark | 46 | | | 4 |
| Puls AB, 556379-1259, Malmö | 50 | 15 | 8 | 4 |
| Pääkaupunkiseudun Rakennusjäte Oy, 0988855-2, Finland | 33 | 10 | | 6 |
| Rydbokrossen HB, 916609-3956, Solna | 50 | | 1 | 1 |
| S:t Jörgenbyggarna, HB, 916850-9090, Gothenburg | 50 | | 1 | 1 |
| Scanstone GMBH, HRB 128, Germany | 50 | | 1 | 1 |
| SCM AB, 556306-7817, Solna | 50 | | 1 | |
| SCM KB, 916617-7148, Solna | 50 | | 1 | |
| Sicione SA, A-48265169, Spain | 31 | 1,125 | | 146 |
| Sollentuna Centrum Fastighets AB, 556393-1046, Sollentuna | 50 | | | -18 |
| Storvreta Centrum HB, 916514-6029, Uppsala | 47 | | | 12 |
| Swedish Water Corporation AB, 556576-6853, Stockholm | 20 | | 1 | |
| Talter AS, 10.114.029, Estonia | 49 | | 4 | 7 |
| Tasfil Estland AS, 10.146.727, Estonia | 42 | 1 | 2 | 4 |
| Twin Squares SA, 576122, Belgium | 20 | | | 5 |
| Valtatie Oy, 323.470, Finland | 50 | | | 33 |
| Västerbottens Byggbetong AB, 556072-7876, Umeå | 37 | 30 | 5 | 5 |
| Västra Hamnporten HB, 969667-0976, Malmö | 50 | | | 26 |
| Återvinnarna i Svergie AB, 556560-7883, Stockholm | 50 | 10 | 2 | 4 |
| Östhammarskrossen KB, 916673-1365, Uppsala | 50 | | 2 | 2 |
| Others 77 companies ³⁾ | | | | 3 |
| Group participations in associated companies | | | 241 | 833 |

Undistributed accumulated participations in the results of associated companies are 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 -21 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.

CONT. NOTE 18 FINANCIAL FIXED ASSETS

| The security above include: | Book value | Market capitalization |
|-----------------------------------|------------|-----------------------|
| Neptun Maritime Abp ¹⁾ | 143 | 50 |
| OM-gruppen | 3 | 5 |
| Forsdalen Industrier AS | 2 | 2 |
| Himal Hydro | 4 | 4 |
| Öyrane Eiendom AS | 2 | 3 |
| Other unlisted shares | 230 | |

¹⁾ NCC holds an option that entitles it sell the remaining shares to Sea Containers during 2002 at a predetermined price of FIM 15 per share, corresponding to a total of approximately SEK 160 M.

| PARENT COMPANY | Participations in Group comp. | Receivables Group comp. | Participations in associated comp. | Receivables in associated comp. | Other long-term securities | Other long-term receivables | Total |
|--|-------------------------------|-------------------------|------------------------------------|---------------------------------|----------------------------|-----------------------------|---------------|
| Opening acquisition value | 11,833 | 781 | 211 | 157 | 273 | 10 | 13,265 |
| Assets added | 503 | | 8 | 95 | 18 | 3 | 627 |
| Transfers within the Group | 5 | | 31 | | | | 36 |
| Reclassifications | -540 | | -2 | | -1 | | -543 |
| Assets removed | -2 | -135 | -1 | -91 | | -6 | -235 |
| Closing accumulated acquisition value | 11,799 | 646 | 247 | 161 | 290 | 7 | 13,150 |
| Reclassifications | 267 | | | | | | 267 |
| Closing accumulated write-ups | 267 | | | | | | 267 |
| Opening write-downs of acquisition value | -2,825 | | -7 | | -122 | | -2,954 |
| Transfers within NCC Group | -4 | | -1 | | | | -5 |
| Reclassifications | 287 | | 2 | | 1 | | 290 |
| Assets removed | 2 | | | | | | 2 |
| Write-downs during the year | -194 | | | | -1 | | -195 |
| Closing accumulated write-downs | -2,734 | | -6 | | -122 | | -2,862 |
| Closing planned residual value | 9,332 | 646 | 241 | 161 | 168 | 7 | 10,555 |

NOTE 19 PROPERTIES HELD FOR FUTURE DEVELOPMENT

| | Group | | | Parent Company | | |
|---|--------------|--------------|--------------|----------------|------------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| On January 1 | 890 | 1,162 | 1,879 | 395 | 400 | 404 |
| New acquisitions | 528 | 1,221 | 2,247 | 142 | 142 | 467 |
| Through acquired companies | | 379 | | | | |
| Divestment and scrappage | -275 | -749 | -843 | -114 | -134 | -95 |
| Reclassifications | -23 | -62 | -189 | -23 | -4 | -60 |
| Translation difference | 42 | -72 | 80 | | | |
| Closing accumulated acquisition value¹⁾ | 1,162 | 1,879 | 3,174 | 400 | 404 | 716 |
| Opening depreciation and write-downs | -9 | -8 | -9 | -2 | -3 | -4 |
| Divestment and scrappage | 2 | | 2 | | | -2 |
| Through acquired companies | -1 | | | -1 | | |
| Reclassifications | | | | | | -1 |
| Write-downs and depreciation according to plan during the year | | -1 | -15 | | -1 | -7 |
| Closing accumulated depreciation and write-downs²⁾ | -8 | -9 | -22 | -3 | -4 | -14 |
| Closing planned residual value | 1,154 | 1,870 | 3,152 | 397 | 400 | 702 |
| ¹⁾ Acquisition value included capitalizes interest in an amount of | 6 | 10 | | 6 | 10 | |
| ²⁾ Accumulated write-downs at year end | -8 | -9 | -21 | -2 | -4 | -14 |
| Tax assessment value | 289 | 277 | 313 | 255 | 256 | 264 |
| Book value of properties assigned tax assessment value | | 523 | 811 | | 400 | 644 |

NOTE 20 MATERIALS AND INVENTORIES

| | Group | | | Parent Company | | |
|--|------------|------------|------------|----------------|-----------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Crushed products | 188 | 280 | 413 | | | 205 |
| Building materials | 209 | 169 | 115 | | | 56 |
| Other | 31 | 46 | 194 | 31 | 32 | 38 |
| Total materials and inventories | 428 | 495 | 722 | 31 | 32 | 299 |

NOTE 21 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 SJAB | 28,303,097 | 708 |
| 2000 Year end | 108,435,822 | 2,711 |

A total of 2,775,289 Series B shares were repurchased during 2000. The share capital is divided into 108,435,822 shares with a par value of SEK 25 each. They are distributed as follows by class of shares:

| | Series A | Series B | Total |
|--------------|------------|------------|-------------|
| Unrestricted | 62,445,768 | 45,990,054 | 108,435,822 |

Each Series A share carries ten votes and each Series B share one vote.

NOTE 22 SHAREHOLDERS' EQUITY

| GROUP | Restricted equity | | Unrestricted equity | |
|---|-------------------|---------------------|-----------------------------------|--------------|
| | Share capital | Restricted reserves | Unrestricted shareholders' equity | Net profit |
| Balance on Dec 31, 1999 | 2,711 | 3,834 | 2,412 | 838 |
| Repurchase of Company shares | | | -220 | |
| Transfer between restricted and unrestricted equity | | -223 | 223 | |
| Dividend | | | -1,193 | |
| Translation differences, etc. | | 148 | -57 | |
| Other profit allocations | | | 838 | -838 |
| Net profit of the year | | | | 1,498 |
| Closing balance on Dec 31, 2000 | 2,711 | 3,759 | 2,003 | 1,498 |

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CONT. NOTE 22 SHAREHOLDERS' EQUITY

| PARENT COMPANY | Restricted equity | | Unrestricted equity | |
|--|-------------------|----------------|---------------------|------------|
| | Share capital | Legal reserves | Retained earnings | Net profit |
| Balance on Dec 31, 1999 | 2,711 | 1,639 | 2,383 | 1,092 |
| Repurchase of Company shares | | | -220 | |
| Dividend | | | -1,193 | |
| Other profit allocations | | | 1,092 | -1,092 |
| Group contributions received ¹⁾ | | | 317 | |
| Net profit for the year | | | | 264 |
| Closing balance on Dec 31, 2000 | 2,711 | 1,639 | 2,379 | 264 |

¹⁾ In accordance with a statement from the Financial Accounting Standards Council's Urgent Issues Committee. See the Reporting Group contribution section of the accounting principles, pages 65–68.

NOTE 23 UNTAXED RESERVES AND APPROPRIATIONS

| PARENT COMPANY | Untaxed reserves | | | Appropriations | | |
|---|------------------|------------|------------|----------------|------------|-------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Accumulated depreciation in excess of plan | | | | | | |
| – buildings and land | 20 | 20 | 18 | 1 | | 2 |
| – machinery and equipment ¹⁾ | 1 | 1 | 127 | | | 1 |
| Foreign exchange reserve | | | | 4 | | |
| Other untaxed reserves | | | 231 | | | -231 |
| Reserve in work in progress | 1 | 82 | 323 | -81 | | -241 |
| Appropriations in limited partnerships | | | | | | 39 |
| Total untaxed reserves and appropriations | 22 | 103 | 699 | 5 | -81 | -430 |

¹⁾ Untaxed reserves in Group companies were transferred to the Parent Company 2000.

NOTE 24 PROVISIONS FOR PENSIONS

| PARENT COMPANY | Group | | | Parent Company | | |
|--------------------------------------|--------------|--------------|------------|----------------|--------------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Provisions for FPG/PRI pensions | 1,298 | 1,398 | 817 | 1,272 | 1,369 | 784 |
| Provisions for other pensions | 58 | 47 | 67 | 21 | 22 | 22 |
| Total provisions for pensions | 1,356 | 1,445 | 884 | 1,293 | 1,391 | 806 |

NOTE 25 PROVISIONS FOR TAXES AND TAXES ON NET PROFIT FOR THE YEAR

| PARENT COMPANY | Group | | | Parent Company | | |
|--|-------------|-------------|-------------|----------------|-----------|-------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| 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 | 445 | 532 | 325 | | | |
| Other taxes | -111 | -19 | 533 | | | |
| Total provisions for taxes | 334 | 513 | 858 | | | |
| Swedish income tax | -8 | -87 | -255 | | | -8 |
| Foreign tax | -23 | -103 | -89 | -7 | -3 | |
| Total Group tax, excl. deferred tax and shares in associated companies | -31 | -190 | -344 | -7 | -3 | -8 |
| Deferred tax | -140 | -208 | -249 | | | -122 |
| Shares in taxes of associated companies | -13 | -10 | -58 | | | |
| Total tax on net profit for the year | -184 | -408 | -651 | -7 | -3 | -130 |

During 1993–1998, the NCC Group invested in jointly owned aircraft-leasing companies. The investments made were scrutinized by the tax authorities, which rejected a tax deduction for depreciation of the aircraft. The estimated tax consequences of the rejected deduction affected tax costs for 2000 and 1999. Also see Note 30.

NOTE 26 OTHER PROVISIONS

| PARENT COMPANY | Group | | | Parent Company | | |
|-------------------------------|------------|------------|------------|----------------|------------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Guarantees | 191 | 176 | 271 | 91 | 85 | 176 |
| Other provisions | 460 | 481 | 443 | 71 | 60 | 94 |
| Total other provisions | 651 | 657 | 714 | 162 | 145 | 270 |

NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS

| PARENT COMPANY | Group | | | Parent Company | | |
|---|--------------|--------------|---------------|----------------|-----------|------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Overdraft facility (Limit) | 22 | 136 | 248 | 14 | | |
| Other liabilities to credit institutions | (30) | (312) | (525) | (14) | | |
| Total liabilities to credit institutions | 6,716 | 7,232 | 10,489 | 52 | 50 | 134 |
| Pledged collateral | 2,775 | 1,603 | 1,450 | 57 | 71 | 57 |

NOTE 28 INTEREST-BEARING LIABILITIES

| GROUP | 1998 | | | 1999 | | | 2000 | |
|---|--------|-------|--------------|-------|--------------|--------------|---------------|-------|
| | Amount | SEK M | Amount | SEK M | Amount | SEK M | Amount | SEK M |
| Current interest-bearing liabilities | | | | | 4,801 | 3,505 | 6,073 | |
| Long-term interest-bearing liabilities | | | | | 2,260 | 3,878 | 4,757 | |
| Provisions for pensions | | | | | 1,320 | 1,419 | 884 | |
| Total interest-bearing liabilities | | | | | 8,381 | 8,802 | 11,714 | |
| Swedish kronor | SEK M | 4,069 | 4,069 | 4,191 | 4,191 | 4,323 | 4,323 | |
| Pounds sterling | GBP M | 28 | 382 | 26 | 355 | 8 | 114 | |
| German marks | DEM M | 247 | 1,196 | 48 | 212 | | | |
| Norwegian kronor | NOK M | 451 | 478 | 406 | 430 | 1,579 | 1,691 | |
| Danish kronor | DKK M | 638 | 811 | 2,229 | 2,564 | 2,355 | 2,791 | |
| Belgian francs | BEF M | 2,715 | 636 | 873 | 186 | 265 | 58 | |
| Finnish mark | FIM M | 459 | 730 | 180 | 259 | | | |
| Euro | EUR M | | 79 | 65 | 560 | 284 | 2,511 | |
| Other currencies | | | | | 45 | | 226 | |
| Total | | | | | 8,381 | 8,802 | 11,714 | |
| Of which, current liabilities | | | | | 4,801 | 3,505 | 6,073 | |
| Total long-term liabilities | | | | | 3,580 | 5,297 | 5,641 | |
| Repayment plan | | 2000 | 823 | 2001 | 1,001 | 2002 | 1,092 | |
| | | 2001 | 743 | 2002 | 902 | 2003 | 1,068 | |
| | | 2002 | 93 | 2003 | 654 | 2004 | 1,256 | |
| | | 2003 | 334 | 2004 | 832 | 2005 | 427 | |
| | | 2004– | 1,587 | 2005– | 1,908 | 2006– | 1,798 | |
| Total long-term liabilities | | | 3,580 | | 5,297 | | 5,641 | |

NOTE 29 WORK IN PROGRESS ON THE ACCOUNT OF OTHERS

| PARENT COMPANY | 1998 | 1999 | 2000 |
|--|--------------|--------------|--------------|
| Invoiced sales | 13,951 | 16,121 | 14,339 |
| Costs incurred | -11,850 | -14,125 | -12,054 |
| Total work in progress on the account of others | 2,101 | 1,996 | 2,285 |

NOTE 30 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

| | Group | | | Parent Company | | |
|--|--------------|--------------|--------------|----------------|---------------|---------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Pledged collateral | | | | | | |
| For own liabilities: | | | | | | |
| Property mortgages | 1,975 | 1,475 | 1,370 | 10 | 10 | |
| Chattel mortgages | 448 | 27 | 39 | | | |
| Assets with attached liens, etc. | 55 | 82 | 24 | 47 | 43 | 40 |
| Restricted bank deposits | 297 | 19 | 17 | | 18 | 17 |
| Total | 2,775 | 1,603 | 1,450 | 57 | 71 | 57 |
| Other pledged collateral: | | | | | | |
| Shares in associated companies | 158 | 145 | 176 | 176 | 176 | 176 |
| Total | 158 | 145 | 176 | 176 | 176 | 176 |
| Total pledged collateral | 2,933 | 1,748 | 1,626 | 233 | 247 | 233 |
| Contingent liabilities | | | | | | |
| Own contingent liabilities: | | | | | | |
| Guarantees on behalf of Group companies | | | | 9,166 | 11,069 | 15,808 |
| Discounted bills | | | 16 | | | |
| Other guarantee and contingent liabilities ¹⁾ | 1,422 | 3,878 | 5,212 | 669 | 2,193 | 3,664 |
| Held jointly with other companies: | | | | | | |
| Liabilities in consortiums, partnerships and limited partnership | 2,927 | 1,603 | 909 | 165 | 85 | 58 |
| Total contingent liabilities | 4,349 | 5,481 | 6,137 | 10,000 | 13,347 | 19,530 |

¹⁾ The item "Other Guarantees and contingent liabilities" includes tax disputes, about which NCC is of the opinion that the tax authorities will not be able to successfully pursue their demands. It includes a reassessment of a tax deduction of SEK 158 M in the 1997 tax year related to a loss on shares sold outside Sweden, as well as various items in a total amount of SEK 96 M resulting from a tax audit conducted during the year. The tax disputes for which NCC's position is regarded as weak have been expensed.

Other guarantees and contingent liabilities also include tax demands from German tax authorities. The main basis for these claims is that the tax authorities have ignored the fact that the properties are owned by Dutch companies, applying a so-called transparency rationale. The decisions have been appealed. Since NCC is of the opinion that the tax authorities will be unable to pursue this matter successfully in a court of law, no provision is deemed to be necessary for this liability. The tax demand amounts to SEK 692 M.

NOTE 31 AVERAGE NUMBER OF EMPLOYEES

| | 1998 | 1998 | 1999 | 1999 | 2000 | 2000 |
|------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | No of employees | of whom men | No of employees | of whom men | No of employees | of whom men |
| PARENT COMPANY | | | | | | |
| Sweden | 11,202 | 10,521 | 11,328 | 10,658 | 11,850 | 11,046 |
| Subsidiaries | | | | | | |
| Sweden | 2,991 | 2,618 | 3,118 | 2,845 | 2,484 | 2,314 |
| Belgium | 10 | 7 | 10 | 8 | 10 | 4 |
| Costa Rica | 3 | 3 | 2 | 2 | 4 | 4 |
| Denmark | 2,648 | 2,398 | 4,512 | 4,124 | 4,281 | 3,841 |
| Estonia | 14 | 10 | 14 | 13 | 22 | 21 |
| Finland | 1,814 | 1,597 | 1,967 | 1,740 | 2,342 | 2,080 |
| Latvia | 93 | 92 | 95 | 93 | 126 | 115 |
| Lithuania | 45 | 43 | 70 | 65 | 181 | 167 |
| Marocco | | | | | 1 | 1 |
| The Netherlands | 1 | | 1 | | 4 | 2 |
| Nicaragua | | | | | 167 | 160 |
| Ningbo | | | | | 6 | 6 |
| Norway | 2,059 | 1,971 | 2,235 | 2,080 | 2,645 | 2,371 |
| Poland | 51 | 45 | 101 | 84 | 156 | 130 |
| Portugal | | | | | 21 | 21 |
| Russia | 166 | 144 | 121 | 105 | 85 | 70 |
| Saudi Arabia | 14 | 14 | 3 | 3 | | |
| Switzerland | | | | | 1 | |
| Singapore | | | | | 2 | 2 |
| Spain | | | | | 1 | 1 |
| United Kingdom | | | | | 1 | 1 |
| Swaziland | | | | | 177 | 165 |
| Czech Republic | | | | | 7 | 6 |
| Germany | 525 | 466 | 539 | 475 | 600 | 529 |
| Hungary | 9 | 6 | 6 | 4 | 1 | 1 |
| Zambia | | | | | 17 | 17 |
| Total in subsidiaries | 10,443 | 9,414 | 12,794 | 11,641 | 13,342 | 12,028 |
| Group total | 21,645 | 19,935 | 24,122 | 22,299 | 25,192 | 23,074 |

NOTE 32 WAGES, SALARIES AND OTHER REMUNERATION

| | 1998 | | | 1999 | | | 2000 | | |
|--|--|---------------------|---------------------|--|-----------------------|-----------------------|--|-----------------------|-----------------------|
| | 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 |
| WAGES, SALARIES AND OTHER REMUNERATION BY COUNTRY AND DISTRIBUTED AMONG BOARD OF DIRECTORS AND PRESIDENTS AND OTHER EMPLOYEES | | | | | | | | | |
| Parent Company | | | | | | | | | |
| Sweden | 9 | 3,362 | 3,371 | 10 | 3,168 | 3,178 | 12 | 3,254 | 3,266 |
| Total in parent Company (of which bonuses) | 9 (2) | 3,362 (2) | 3,371 (2) | 10 (2.7) | 3,168 (2.7) | 3,178 (2.7) | 12 (5.9) | 3,254 (5.9) | 3,266 (5.9) |
| Subsidiaries | | | | | | | | | |
| Sweden (of which bonuses) | 13 (1) | 733 (1) | 746 (1) | 13 (1.3) | 799 (1.3) | 812 (1.3) | 14 (2.4) | 648 (2.4) | 662 (2.4) |
| Belgium | 1 | 3 | 4 | 1 | 3 | 4 | 1 | 3 | 4 |
| Costa Rica | | 3 | 3 | | | | | 1 | 1 |
| Denmark (of which bonuses) | 20 (4.7) | 1,076 (4.7) | 1,096 (4.7) | 15 (4.7) | 1,526 (4.7) | 1,541 (4.7) | 44 (4.7) | 1,702 (4.7) | 1,746 (4.7) |
| Finland | 5 | 455 | 460 | 6 | 479 | 485 | 6 | 560 | 566 |
| Estonia | | 2 | 2 | | 1 | 1 | | 2 | 2 |
| Latvia | | 6 | 6 | | 6 | 6 | | 8 | 8 |
| Lithuania | | 2 | 2 | | 3 | 3 | | 6 | 6 |
| The Netherlands | | | | | | | | 1 | 1 |
| Nicaragua | | | | | | | | 11 | 11 |
| Ningbo | | | | | | | | 3 | 3 |
| Norway (of which bonuses) | 5 (0.3) | 591 (0.3) | 596 (0.3) | 2 (0.3) | 741 (0.3) | 743 (0.3) | 8 (0.2) | 827 (0.2) | 835 (0.2) |

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CONT. NOTE 32 WAGES, SALARIES AND OTHER REMUNERATION

| WAGES, SALARIES AND OTHER REMUNERATION BY COUNTRY AND DISTRIBUTED AMONG BOARD OF DIRECTORS AND PRESIDENTS AND OTHER EMPLOYEES | 1998 | | | 1999 | | | 2000 | | |
|--|---|--------------------|----------------------|---|--------------------|------------------------|---|--------------------|-------------------------|
| | 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 |
| Poland (of which bonuses) | 1 | 5 | 6 | 1 (0.2) | 7 | 8 (0.2) | 1 (0.2) | 20 | 21 (0.2) |
| Portugal | | | | | | | | 2 | 2 |
| Russia | | 7 | 7 | | 6 | 6 | | 7 | 7 |
| Saudi Arabia | | 3 | 3 | | | | | | |
| Singapore | | | | | | | | 1 | 1 |
| United Kingdom | | | | | | | | | |
| Germany (of which bonuses) | 3 (1) | 133 | 136 (1) | 1 | 162 | 163 (0.4) | 4 (2.0) | 217 | 221 (2.0) |
| Hungary | | | | | 2 | 2 | | 2 | 2 |
| Zambia | | | | | | | | 5 | 5 |
| Other countries | | | | | | | | 17 | 17 |
| Total in subsidiaries (of which bonuses) | 48 (2) | 3,019 | 3,067 (2) | 39 (2.2) | 3,735 | 3,774 (2.2) | 78 (9.5) | 4,043 | 4,121 (9.5) |
| Group total (of which bonuses) | 57 (4) | 6,381 | 6,438 (4) | 49 (4.9) | 6,903 | 6,952 (4.9) | 90 (15.4) | 7,297 | 7,387 (15.4) |

| WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES | 1998 | | | 1999 | | | 2000 | | |
|---|--|--------------------------------|--------------------------------|--|--------------------------------|--------------------------------|--|--------------------------------|--------------------------------|
| | 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 and other remuneration | Social security expenses | Of which pensions costs* |
| Parent Company | 3,371 | 1,479 | 177 | 3,178 | 1,334 | 194 | 3,266 | 1,552 | 227 |
| Subsidiaries | 3,067 | 647 | 166 | 3,774 | 828 | 233 | 4,121 | 742 | 254 |
| Group total | 6,438 | 2,126 | 343 | 6,952 | 2,162 | 427 | 7,387 | 2,294 | 481 |

* 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 48 M (54). 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 7 M (8). The Group's outstanding pension commitments to these persons amounts to SEK 81 M (83). 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 2.8 M.

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 Hans Larsson, Jacob Palmstierna and Per Welin.

During 2000, the President received remuneration and benefits from the Company in an amount of SEK 5,964,000, including a bonus of SEK 950,000 for 1999, as well as compensation of SEK 1,000,000 within the framework of the current options program.

The bonus for 2000 will be established following approval of the financial accounts for that year.

As approved by the Annual General Meeting in 2000, the Board received fees of SEK 2,250,000, which was paid in 2001. The corresponding amount approved by the 1999 Annual General Meeting was SEK 1,325,000. During 2000, 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.

NOTE 33 FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

| | Group | | Parent Company | |
|--|-----------|-----------|----------------|----------|
| | 1999 | 2000 | 1999 | 2000 |
| Audit firms | | | | |
| KPMG | | | | |
| Auditing assignments | 12 | 8 | 4 | 5 |
| Other assignments | 10 | 8 | 3 | 2 |
| Other auditors | | | | |
| Auditing assignments | 4 | 2 | 2 | |
| Other assignments | 2 | 3 | 1 | 1 |
| Total fees and remuneration to auditors and audit firms | 28 | 21 | 10 | 8 |

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

NOTE 34 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared in accordance with the RR7 indirect method, with the following modifications: The change in properties held for resale is reported under investment operations and the change in long-term receivables is reported under financing operations.

Acquisition of subsidiaries

Such companies as Rieber Roads were acquired during the year. The value of acquired assets and liabilities based on established acquisition analyses was as follows:

| GROUP | 1998 | 1999 | 2000 |
|---|------------|--------------|------------|
| Intangible fixed assets | 26 | 1,087 | 914 |
| Buildings and land | 3 | 401 | 199 |
| Tangible fixed assets | 6 | 495 | 365 |
| Financial fixed assets | 1 | 23 | 33 |
| Properties held for resale | | 195 | |
| Inventories | 2 | 129 | 130 |
| Accounts receivable | 215 | 838 | 857 |
| Liquid assets | 12 | 1,099 | -66 |
| Long-term liabilities | | -467 | -365 |
| Accounts payable and other current liabilities | -16 | -1,822 | -266 |
| Current interest-bearing liabilities | | -141 | -903 |
| Minority interest | | | -1 |
| Deferred tax liability | | -51 | -74 |
| Purchase considerations paid | 249 | 1,786 | 823 |
| Purchase considerations settled in a manner other than cash payment | | -212 | -33 |
| Acquired liquid assets | -12 | -1,099 | |
| Impact on the Group's liquid assets | 25 | 654 | 823 |

Sale of subsidiaries

| GROUP | 1998 | 1999 | 2000 |
|--|-----------|----------|------------|
| Buildings and land | 3 | | 613 |
| Tangible fixed assets | 4 | | |
| Financial fixed assets | | 6 | 1 |
| Properties held for resale | 273 | 67 | |
| Inventories | 45 | | |
| Accounts receivable and other current assets | 24 | 4 | 94 |
| Liquid assets | 8 | 3 | 1 |
| Long-term liabilities | -34 | -60 | -73 |
| Accounts payable and other current liabilities | -304 | | -54 |
| Deferred tax liability | | -8 | -11 |
| Capital gains | -1 | -3 | 146 |
| Purchase considerations | 18 | 9 | 717 |

CONT. NOTE 34 CASH FLOW STATEMENT

| GROUP | 1998 | 1999 | 2000 |
|---|-----------|----------|------------|
| Purchase considerations settled in a manner other than cash payment | | -3 | -5 |
| Sold liquid assets | -8 | | -1 |
| Impact on the Group's liquid assets | 10 | 6 | 711 |

ACQUISITION OF TANGIBLE FIXED ASSETS

Group

Acquisitions of tangible fixed assets during the year amounted to SEK 5,686 M (2,192), of which SEK 132 M (0) was financed through loans.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 836 M (232), of which SEK 0 M (32) was financed through loans.

| LIQUID ASSETS | Group | | | Parent Company | | |
|---------------------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | 1998 | 1999 | 2000 | 1998 | 1999 | 2000 |
| Cash and bank balances | 1,457 | 1,329 | 1,455 | 1,103 | 733 | 579 |
| Short-term investments | 1,678 | 1,042 | 752 | 1,135 | 2,998 | 1,708 |
| Amount at year-end | 3,135 | 2,371 | 2,207 | 2,238 | 3,731 | 2,287 |

At year-end, short-term investments in the balance sheet amounted to SEK 752 M (1,042), of which SEK 623 M (1,042) consisted of financial instruments with maturities of up to three months. The Group's unutilized credit facilities at year-end amounted to SEK 2.1 billion (2.1).

INFORMATION ABOUT TRANSACTIONS NOT AFFECTING CASH FLOW

Group

Cash flow was affected by exchange-rate differences in liquid assets, estimated at:

| | 1998 | 1999 | 2000 |
|---|------|------|------|
| Exchange-rate differences in liquid assets | 57 | -93 | 31 |
| Exchange-rate differences in liquid assets attributable to | | | |
| Liquid assets on January 1 | | | 7 |
| Cash flow during the year | | | 24 |

The exchange-rate differences are reported net because it was not possible to allocate them to the various lines in the balance sheet.

Acquisitions of companies amounted to SEK 1,116 M (2,803), of which SEK 293 M (1,214) had no effect on cash flow. Sales of subsidiaries amounted to SEK 717 M (954), of which SEK 6 M (786) had no effect on cash flow.

Parent Company

Since the Parent Company has only insignificant amounts of liquid assets in foreign currency, no exchange-rate differences in liquid assets arose during the year.

INFORMATION ABOUT INTEREST PAYMENTS

Group

Interest payments received during the year amounted to SEK 233 M (249). Interest payments made during the year amounted to SEK 662 M (463).

Parent Company

Interest payments received during the year amounted to SEK 113 M (155). Interest payments made during the year amounted to SEK 170 M (116).

Cont.

NOTE 35 LEASING

| | Machinery and equipment | Buildings |
|---|-------------------------|-----------|
| FINANCIAL LEASING | | |
| Acquisition value | | |
| On January 1 | 208 | |
| New acquisitions | 2 | 14 |
| Divestments and scrappage | -28 | |
| | 182 | 14 |
| Accumulated depreciation | | |
| On January 1 | -37 | |
| Divestments and scrappage | 19 | |
| Depreciation according to plan during the year | -27 | |
| | -45 | |
| Closing planned residual value | 137 | 14 |
| Interest-bearing liability | 137 | 14 |
| Future minimum leasing | | |
| - 2001 | 46 | |
| - 2002 | 27 | |
| - 2003 | 13 | |
| - 2004 | 7 | 15 |
| - 2005 and later | 43 | |
| Variable fees included in result for the year | | |
| | Depreciation | Interest |
| Leased machinery and equipment | 22 | 4 |
| Leased buildings | | 1 |
| Total | 22 | 5 |
| <p>Within the Group, there are two double financial leasing contracts, for which the leasing payment streams are pledged against each other and are thus offset. The gross amount of the offset payment streams is SEK 187 M.</p> | | |
| OPERATIONAL LEASING | | |
| Future minimum leasing fees – lessor (leased vehicles) | | |
| Distributed by maturity period | | |
| - Within one year | 452 | |
| - Within more than one year but less than five years | 894 | |
| - Later than five years | 134 | |
| Future minimum leasing fees – lessor (leased machinery) | | |
| Rental contracts that expire within one year | 195 | |
| Leasing costs | | |
| The Group's future payment obligations for operational leasing contracts is distributed as follows in terms of time: | | |
| Leasing contracts that expire: | | |
| - Within one year | 15 | |
| - Within more than one year but less than five years | 28 | |
| - Later than five years | 1 | |
| Costs for operational leasing during the year amounted to SEK 34 M. | | |

NOTE 36 EXCHANGE RATES

| Country | SEK | Currency | Average exchange rate | | | Year-end exchange rate | | |
|-----------------|-----|----------|-----------------------|--------------|--------------|------------------------|-------------|-------------|
| | | | Jan-Dec 1998 | Jan-Dec 1999 | Jan-Dec 2000 | Dec 31 1998 | Dec 31 1999 | Dec 31 2000 |
| Belgium | 100 | BEF | 21.93 | 21.83 | 20.94 | 23.43 | 21.25 | 21.92 |
| Denmark | 100 | DKK | 118.81 | 118.45 | 113.32 | 127.15 | 115.05 | 118.53 |
| Finland | 100 | FIM | 148.92 | 148.13 | 142.12 | 159.18 | 143.98 | 148.69 |
| The Netherlands | 100 | NLG | 401.39 | 399.67 | 383.28 | 428.92 | 388.52 | 401.18 |
| Norway | 100 | NOK | 105.38 | 105.99 | 104.18 | 106.03 | 105.95 | 107.13 |
| Poland | 1 | PLN | 2.29 | 2.07 | 2.12 | 2.32 | 2.04 | 2.30 |
| United Kingdom | 1 | GBP | 13.17 | 13.37 | 13.86 | 13.60 | 13.68 | 14.19 |
| Germany | 100 | DEM | 452.46 | 450.33 | 431.85 | 483.41 | 437.69 | 452.02 |

PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

The Group's unrestricted shareholders' equity amounts to SEK M 3 501. No transfer to restricted shareholders' equity is proposed.

The Board of Directors and the President propose that the funds at the disposal of the Annual General Meeting:

| | |
|---|-------------------|
| earnings retained from previous year | 2,281,866,749 |
| Group and capital contributions to shareholders' equity | 317,267,627 |
| repurchases of Company shares | – 220,012,993 |
| net profit for the year | 264,145,214 |
| | SEK 2,643,266,597 |

To be distributed as follows:

| | |
|--|-------------------|
| dividend of SEK 4.50 per share to shareholders | 475,472,398 |
| to be carried forward | 2,167,794,199 |
| | SEK 2,643,266,597 |

The Board also proposes that the Annual General Meeting authorize the Board to make decisions regarding the acquisition of Series A and/or B NCC shares in a number that may not exceed 10 percent of the total number of Company shares at any point in time.

Options exercised for share purchases as part of the rolling options program for senior Company executives could affect the number of shares that carry dividend rights. In view of this, the Board may complement its proposal regarding the disposition of unappropriated earnings by the time of the Annual General Meeting.

Solna, February 12, 2001

| | | | |
|-----------------|------------------------|------------------|-----------------------------------|
| Hans Larsson | Antonia Ax:son Johnson | Fredrik Lundberg | Tomas Billing |
| Marcus Storch | Jacob Palmstierna | Carl Wilhelm Ros | Per Welin |
| Kosti Markkanen | Sven Frisk | Lars Bergqvist | Jan Sjöqvist President and CEO |

AUDITORS' REPORT

To the Annual General Meeting of NCC AB shareholders. Registered Number: 556034–5174

We have audited the annual report, the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of NCC AB for the 2000 fiscal year. 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 annual accounts and the consolidated accounts. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any

Board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and consequently provide a true and fair picture of the Company's and the Group's earnings and financial position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the President be discharged from liability for the fiscal year.

Solna, February 27, 2001

| | |
|------------------------------|------------------------------|
| Thomas Jansson | Bo Ribers |
| Authorized Public Accountant | Authorized Public Accountant |

BOARD OF DIRECTORS

BOARD OF DIRECTORS' WORK DURING 2000

In 2000, the Board of Directors consisted of nine members elected by the Annual General Meeting and three members, with three deputies, representing the employees. The Board had one Chairman and two Deputy Chairmen. The President of NCC AB is a member of the Board.

Other executive officers attended Board meetings to present various issues and to serve as Board secretary. The Board of Directors conducted 12 meetings at which minutes were recorded in 2000, which complied with a pre-scheduled 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. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the President, as well as proce-

dures for financial reporting to the Board of Directors. Within the Board, there is a committee that is responsible for remuneration paid to the President and other executives who report directly to the President and for following up efforts to secure the supply of managers to key positions. The committee consists of Hans Larsson, Jacob Palmstierna and Per Welin.

NOMINATION COMMITTEE

At the Annual General Meeting on March 30, 2000, the following persons were elected members of the Nomination Committee: Viveca Ax:son Johnson, Johan Björkman, Bo Eklöf and Fredrik Lundberg, with Johan Björkman as the chairman. Chairman of the Board Hans Larsson is a co-opted member of the Committee, but has no voting right. The Committee's duties are to make proposals to the Annual General Meeting regarding elections of Board members, and director fees for these members.

ELECTED BY THE ANNUAL GENERAL MEETING



HANS LARSSON

Chairman. Born 1942. Member since 1992, Chairman since 1999. Chairman of Biolight International AB and Nobia AB. Board member of Handelsbanken AB, Bilia AB, Holmen AB and Nordstjernan AB. Previous experience: President and CEO of Swedish Match AB, Esselte AB and Nordstjernan AB, among other executive positions. Shareholding in NCC AB: 25,000 series B shares.



TOMAS BILLING

Deputy Chairman. Born 1963. Member and Deputy Chairman since 1999. President of Nordstjernan AB. Chairman of Karolin Machine Tool AB. Board member of Q-Med AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other executive positions. Shareholding in NCC AB: 7,000 series A shares, 8,000 series B shares

and warrants corresponding to 200,000 series A shares.



FREDRIK LUNDBERG

Born 1951. Member and Deputy Chairman since 1997. President and Chief Executive Officer of L E Lundbergföretagen AB. Chairman of Cardo AB, Holmen AB, and Hufvudstaden AB. Board member of L E Lundbergföretagen AB. Shareholding in NCC AB: 301,540 series A shares and 74,464 series B shares (via private companies).



ANTONIA AX:SON JOHNSON

Born 1943. NCC Board member since 1999. Chairman of Axel Johnson AB, Axel Johnson Inc., Axel Johnson International, the Axel and Margaret Ax:son Johnson Foundation, Stockholms Stadsmission and the World Childhood Foundation. Board member of Nordstjernan AB, Ähléns AB, Axfood AB and Xerox Corporation, USA. Municipal

Councilor in Upplands-Väsby. Shareholding in NCC AB: 166,000 series A shares via companies and a private holding of 23,985 series B shares.



JACOB PALMSTIERNA

Born 1934. NCC Board member since 1991. Nordic Advisor to Credit Suisse First Boston. Chairman of Bilia AB, Siemens Elema AB, Abaris AB and Handelshögskolans Vidareutbildning AB. Board member of Nordstjernan AB, Avesta Sheffield AB and Högånäs AB. Previous experience: 30 years at SEB in such positions as President and Chief Executive Officer and nine years at Nordbanken as

Deputy Chairman and as Chairman until the end of 2000. Board member of several exchange-listed companies during the past 30 years. Shareholding in NCC AB: 470 series B shares.



CARL WILHELM ROS

Born 1941. NCC Board member since 1994. Chairman of Atle AB, Framfab AB, Dahl AB and VLT AB. Board member of AssiDomän AB, SEB AB, Profilgruppen AB and LKAB, among other companies. Previous experience: Alfa-Laval, ABB Fläkt, LM Ericsson and Senior Vice President at Ericsson during 1995-99. Shareholding in NCC AB: 1,000 series B shares.

**MARCUS STORCH**

Born 1942. NCC Board member since 1998. Chairman of ConNova AB. Deputy Chairman of Axel Johnson AB, Axfood AB and the Nobel Foundation. Board member of Dagens Industri AB, AB Hannells Industrier, Nordstjernan AB, Skyways Holding AB, OM Stockholmsbörsen AB and AB Tumba Bruk. Previous experience: President of AGA AB during 1981–1997. Shareholding in NCC AB: 0.

**PER WELIN**

Born 1936. NCC Board member since 1997. Chairman of L E Lundbergföretagen AB. Board member of Allgon AB, Autoliv AB, Holmen AB and Östgöta Enskilda Bank, among other companies. Previous experience: Chief Financial Officer of Trygg-Hansa, among other executive positions. Shareholding in NCC AB: 5,000 series A shares.

**JAN SJÖQVIST**

Born 1948. NCC Board member since 1994. President of NCC AB. Board member of StoraEnso AB and SSAB AB. Previous experience: Chief Financial Officer at Asea AB, Deputy President at Nordstjernan AB and thereafter NCC AB and President and Chief Executive Officer of NCC since 1993. Shareholding in NCC AB: 63,089 series B shares. Warrants in NCC

AB: corresponding to 25,632 series B shares.

APPOINTED BY EMPLOYEE ORGANIZATIONS**LARS BERGQVIST**

Born 1951. NCC Board member since 1991. Employee representative for the Swedish Association of Supervisors. Deputy Chairman of the Swedish Association of Supervisors. Shareholding in NCC AB: 1,251 series A and 78 series B shares.

**SVEN FRISK**

Born 1946. NCC Board member since 1999. Employee representative of the Swedish Building Workers' Union.

**KOSTI MARKKANEN**

Born 1931. NCC Board member since 1996. Representative of the Swedish Building Workers' Union. Member of Department 2 (in Malmö) of the Swedish Building Workers' Union. Shareholding in NCC AB: 115 series A shares.

DEPUTY MEMBERS**MARKUS HELLEBERG**

Born 1954. Deputy NCC Board member since 1998. Employee representative of the Swedish Metal Workers' Union.

**KARL-OLOF FRANSSON**

Born 1941. Deputy NCC Board member since 1993. Employee representative for SEKO (union for employees in the service and communication sectors). Chairman of SEKO's Road and Rail Department in southeast Sweden. Shareholding in NCC AB: 100 series B shares.

**MARITA MANNERFJORD**

Born 1944. Deputy NCC Board member since 1998. Employee representative for SIF (the Swedish Industrial Salaried Employees' Association). Member of SIF's Industry Delegation No. 3. Shareholding in NCC AB: 100 series B shares.

SECRETARY**ULFWALLIN**

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary since 1996. Shareholding in NCC AB: warrants corresponding to 6,408 series B shares.

AUDITORS

Regular Auditors

THOMAS JANSSON

Born 1950. Authorized Public Accountant. KPMG. Auditor of NCC since 1998. Deputy auditor of NCC, 1991–1997.

Deputy Auditors

CARL LINDGREN

Born 1958. Authorized Public Accountant. KPMG. Deputy auditor of NCC since 1998.

BO RIBERS

Born 1942. Authorized Public Accountant. KPMG. Auditor of NCC since 2000.

ANDERS LINÉR

Born 1952. Authorized Public Accountant. KPMG. Deputy auditor of NCC since 2000.

EXECUTIVE MANAGEMENT

At the beginning of 2001, the NCC Group was reorganized in order to boost efficiency, increase transparency and strengthen the influence of Nordic operations.

As a result, the Group's management forums were also simplified. The Executive Committee and the Group Council were phased out. The boards of directors of business areas were simplified through the removal of external members and union representatives. At the same time, the national boards of directors were simplified and are now solely of a legal character.

The new executive management organization has the following structure.

Executive Management Group, which includes the Chief Executive Officer, all business area presidents and all Corporate Staff heads. The members' functions include being members of Group management, business area boards of directors and function councils.

Group Management, which mainly focuses on strategic mat-

ters, has the following composition: The CEO, the six business area presidents and the deputy president of the Contracting business area, and the heads of the following staff functions: Corporate Communications, Corporate Development, Finance & Business Control and Human Resources.

OPTIONS PROGRAM

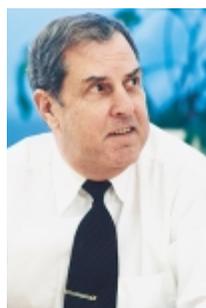
A rolling options program was introduced for senior NCC executives (about 200) during 1999. The options program is based on the return on equity and the share performance in relation to the Construction & Real Estate Index. Options in an amount of SEK 23 M were issued for 1999 and the estimated value of the allotment for 2000 is approximately SEK 20 M. The warrants can be used for share purchases during the period May 31, 2000 February 28, 2005 at an exercise price of SEK 102.50 per share. NCC intends to use repurchased shares to cover allotments of options.

GROUP MANAGEMENT



JAN SJÖQVIST

Born 1948. President and CEO since 1993. Previous experience: Chief Financial Officer at Asea AB, Deputy President of Nordstjärnan AB and thereafter NCC AB. Board member of StoraEnso AB and SSAB AB. Shareholding in NCC AB: 60,089 series B shares; warrants corresponding to 25,632 series B shares.



KENNETH ORRGREN

Born 1942. NCC Contracting. Employed since 1967. Previous experience: Vice President Accounting, Vice President Human Resources, Vice President Administration and Division President within NCC Construction. Shareholding in NCC AB: 2,100 series B shares. Warrants in NCC AB: corresponding to 12,816 series B shares.



PER NIELSEN

Born 1949. Deputy President, NCC Contracting, Head of NCC Contracting Sweden. Employed since 1976. Previous experience: Manager of NCC Construction's Stockholm Division, Nordic Head of major civil engineering projects, Project Director for Öresund Tunnel Contractors, President of NCC International. Warrants in NCC AB: corresponding to 6,408 series B shares.



OLLE HÅKANSON

Born 1948. NCC Housing. Employed since 1975. Previous experience: President of Housing business area. Shareholding in NCC AB: 70 series A shares and 14 series B shares; warrants corresponding to 6,408 series B shares.



MAGNUS MANNESSON

Born 1952. President of NCC Property Development. Employed since 1977. Board member of Sollentuna Centrum AB. Shareholding in NCC AB: 500 series A shares, 2,500 series B shares; warrants corresponding to 12,816 series B shares.



HANS GORMSEN

Born 1951. NCC Industry. Employed since 1989 (in Superfos). Previous experience: Vice President Technology at Chem Crete International, Brussels, President of Superfos 1991–1999, Deputy President NCC Denmark. Warrants in NCC AB: corresponding to 14,972 series B shares.

**OLLE WÄRVIK**

Born 1956. NCC Telecom. Employed since 1980. Previous experience: ABV International, Baghdad, Department Manager at NCC Construction, Stockholm, Regional Manager of NCC Building Mälardalen during 1994–2000. Member of the executive council of Uppsvenska Chamber of Commerce. Warrants in NCC AB: corresponding to 6,408 series B shares.

**MIKAEL ÖBERG**

Born 1961. NCC Service. Employed since 1999. Previous experience: Vice President Purchasing at SIAB AB during 1988–1994, President of Jönsereds Goods Protection during 1994–1998, Chairman of Hallbyggarna AB. Warrants in NCC AB: corresponding to 6,408 series B shares.

**HANS-OLOF KARLSSON**

Born 1946. Senior Vice President Corporate Communications. Employed since 1989. Previous experience: journalist at Dagens Nyheter, Trollhättans Municipality, Volvo Aero during 1975–1989. Board Member of Byggförlaget. Shareholding in NCC AB: 1,000 series B shares; warrants corresponding to 6,408 series B shares.

**BO FRIBERG**

Born 1957. Vice President Corporate Business Development. Employed since 1988. Previous experience: auditor at Price Waterhouse, Business Controller at Alfort & Cronholm, Beckers/Kanthal-Höganäs and Nordstjernan, Senior Controller at NCC, Vice President Business Control & IT at NCC AB. Board Member at Thule Holding AB. Warrants in

NCC AB: corresponding to 13,969 series B shares.

**STAFFAN BENNERDT**

Born 1954. Chief Financial Officer. Employed since 1985. Previous experience: Credit Analyst at Handelsbanken, Cash Manager at Nordstjernan, Chief Financial Officer at JCC, Treasurer at NCC Treasury AB. Board Member of the Society of International Treasurers (SIT), AMFK and FPG. Warrants in NCC AB: corresponding to 6,408 series B shares.

**BJÖRN ANDERSSON**

Born 1959. Vice President Business Control & IT. Employed since 1979. Previous experience: Head of Finance and Control at AB Svenska Shell, various international and Swedish executive positions within Shell. Warrants in NCC AB: corresponding to 6,408 series B shares.

**GUNNAR LJLJESTRÖM**

Born 1943. Senior Vice President Human Resources. Employed since 1974. Previous experience: Vice President Business Development at NCC, Corporate Controller at Nordstjernan AB, Vice President Corporate Planning Nordstjernan AB, Chief Financial Officer at Nya Asfalt AB. Shareholding in NCC AB: 4,000 series B shares; warrants corresponding to 12,816 series B shares.

THIS IS WHERE YOU'LL FIND NCC

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**Contracting, Stockholm/
Mälardalen Region***

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