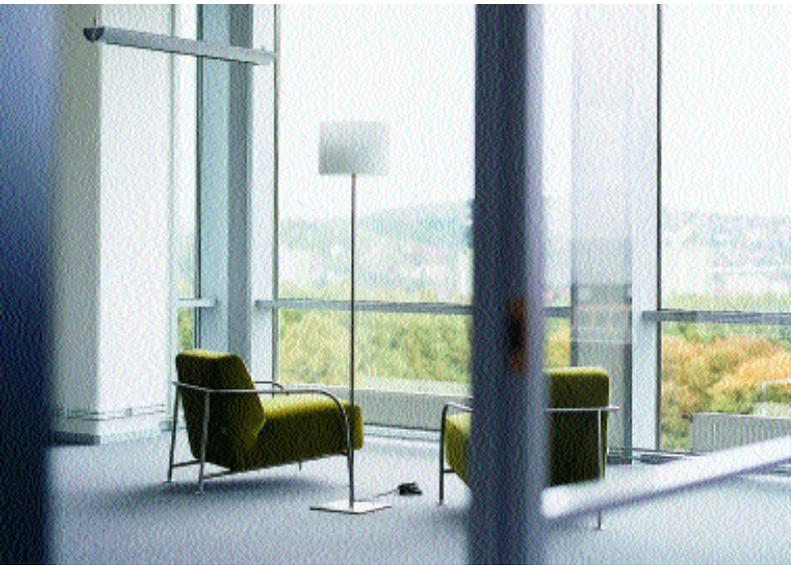


NCC 2002





TOMORROW'S ENVIRONMENTS FOR WORKING, LIVING AND COMMUNICATIONS

NCC is one of the leading construction and property-developing companies in the Nordic region. The Group had annual sales of SEK 45 billion in 2002, with 25,000 employees.

FOCUS ON THE NORDIC REGION

NCC is active throughout the value chain in its efforts to create environments for work, living and communications. NCC develops residential and commercial property projects and builds offices, industrial facilities, housing, roads, civil-engineering structures and telecommunications infrastructure. NCC also offer input materials used in construction, such as aggregates, asphalt and ready-mixed concrete and conducts paving and road-service operations. The Group's geographical focus is on the Nordic region. In selected markets, NCC also undertakes large-scale, technologically advanced civil engineering projects.

NCC 2002

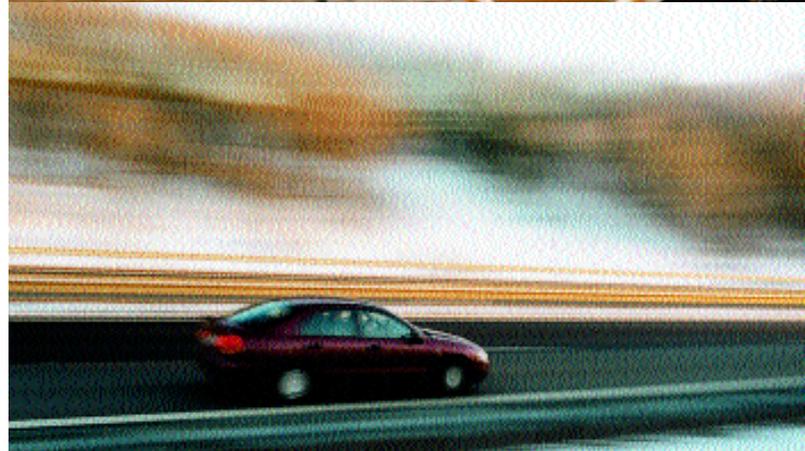
EXPECT A BIT MORE

NCC's vision is that the customer should be able to expect a bit more from NCC when it comes to developing future environments for work, living and communications. We shall operate as a young, exciting company that is distinguished by its customer focus, simple straightforward solutions and responsible action.

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This is a translation of the Swedish version of the Annual Report.



NCC

RESPONSIBILITY

Building the environments of the future and thus contributing to sustainable development entails a major responsibility. Responsible enterprise creates value for customers and, within NCC, accepting personal responsibility is a matter of course.

NER

FOCUS

Focusing on a successful business approach means assigning priority to profitability rather than volume. Our competitive edge is developed in close cooperation with customers. NCC focuses on devoting all of its time and resources to satisfying customer needs in the best possible manner.

RPER

SIMPLICITY

Simplicity means minimizing all forms of bureaucracy that restrict the business and do not generate added value for our customers. Simple, straightforward solutions boost our efficiency. Doing business with NCC must be as simple as possible.

OFITABLE

PROFITABILITY

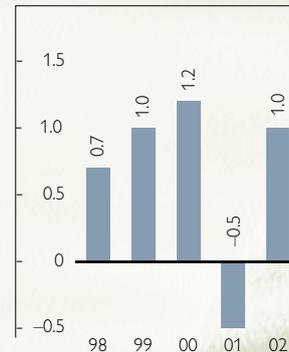
Profitability at every level is the core of successful enterprise. During 2002, the Group's organization was changed, products and services were refined and NCC became leaner but sharper and therefore also more profitable.

Net sales
1998–2002, SEK billion



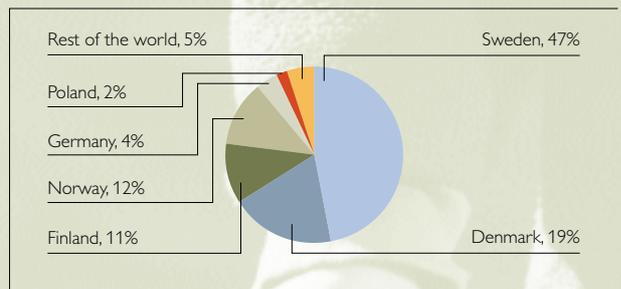
At the end of the 1990s, NCC's sales increased as a result of, among other factors, several acquisitions. During 2002, sales decreased due to consolidation measures, the phase-out of operations, a selective tendering policy and weaker market conditions.

Profit/loss after financial items (EBT)
excl. items affecting comparability,
1998–2002, SEK billion



Profit after financial items amounted to SEK 1.0 billion in 2002, excluding items affecting comparability. The loss reported for 2001 was due mainly to write-downs and provisions.

Geographic markets, sales, percent



The NCC Group's geographical focus is on the Nordic region and Sweden is the largest single market. During 2002, operations in Sweden accounted for 47 percent of total consolidated sales. Denmark is the second largest market, followed by Norway and Finland.

HIGHLIGHTS OF 2002

- The 2002 fiscal year was characterized by measures within the framework of the "Turnaround" action program, which made NCC leaner, sharper and more profitable.
- NCC focused on the Nordic market and concentrated on its core business in 2002. Loss-making operations were phased out, corporate staff units and decision-making levels were reduced and approximately 2,500 employees left the Group during the year.
- Managed properties in an amount of SEK 3.0 billion were sold.
- The Group as a whole strengthened its financial position in 2002. Cash flow was positive in an amount of SEK 5.1 billion (negative: 0.7). Net indebtedness was reduced by SEK 4.5 billion to SEK 5.8 billion. The equity/assets ratio improved to 22 percent (19).
- Orders received by comparable units declined 10 percent, due to reduced demand and a selective project-tendering policy.
- As a result of the actions taken to reduce costs and enhance the profitability of business operations, most units reported earnings improvements.
- NCC Construction Sweden's operating margin improved to 2.3 percent, NCC Construction Denmark's to 2.5 percent and NCC Construction Finland's to 4.8 percent.
- NCC Roads' earnings trend was favorable and its market position remained strong.
- NCC Construction Norway reported a loss, due to major write-downs resulting from inadequate project-tendering routines, deficient follow-up procedures and weak leadership. A new management team has been appointed and an action program implemented, as a result of which an operating profit is expected in 2003.
- Proactive efforts were made to establish and ensure adherence to Group-wide values. For example, training in competition rules was initiated for approximately 1,500 employees.
- The need for consolidation, stabilization and increased efficiency will continue during 2003, in order to release the potential for profitability improvements that is inherent in the Group.
- In addition to the cash dividend of SEK 2.75 (2.25), a spin-off of all of the shares in Altima Group AB is proposed, whereby each multiple of ten NCC AB shares will qualify for one Altima Group AB share.

Key figures

	2002	2001	Change,%
Orders received, SEK M	43,098	50,647	-15
Sales, SEK M	45,165	47,521	-5
Operating profit (EBIT), SEK M ¹⁾	1,519	137	-
Profit/loss after financial items (EBT), SEK M ¹⁾	1,005	-465	-
Earnings per share after full tax, SEK ¹⁾	5.85	-5.25	-
Dividend per share, SEK	2.75 ²⁾	2.25	22
Cash flow before financing, SEK M	5,120	-746	-
Return on shareholders' equity, % ¹⁾	8	neg	-
Equity/assets ratio, %	22	19	16
Average number of employees	25,554	28,170	-9

¹⁾ All earnings figures, plus the return ratios, are shown excluding items affecting comparability. Items affecting comparability were positive in 2002 amounting to SEK 301 M and negative in 2001 amounting to SEK 1,740 M; or SEK 1,665 M if NVS is eliminated.

²⁾ Proposed dividend. In addition, it is proposed that the shares in Altima Group AB be spun off around the end of 2003. Each multiple of ten NCC shares will qualify for one share in Altima Group AB.

REVIEW BY THE PRESIDENT

FOCUS ON REDUCING CONSTRUCTION COSTS

During 2002, NCC became a little leaner. We also started work on becoming much sharper. As a result, we formed a platform for increased profitability. In the years ahead, the greatest challenge facing the industry will be to reduce construction costs.

There is a severe housing shortage in many Nordic cities, yet Sweden, for example, shows one of the lowest levels of new residential production in Europe. One reason is that costs have skyrocketed, particularly in the past few years. In addition, the construction industry has not been sufficiently innovative in developing new technology and work methods. Other factors include taxation, land prices and various types of fees. If all parties work together, construction costs can be reduced. We at NCC have begun our share of the work.

In autumn 2001, NCC launched the “Turnaround” project. The objective was to take the first step towards achieving the goal of a 15-percent return on equity after tax. A profit of at least SEK 1 billion was promised for 2002. We have delivered on that promise, while reducing the Group’s net indebtedness by SEK 4.5 billion and establishing the new strategic focus.

LEANER, SHARPER AND MORE PROFITABLE

“Turnaround” generated results in 2002. Operating profit developed according to plan in most units, thus completing the first step towards sustainable profitability. Our work in 2003 will continue to be guided by the need for consolidation, stabilization and rationalization, in order to release the potential for improving profitability inherent in all parts of the organization, both large and small. There are no shortcuts. In the face of market conditions that remain difficult, profitability can only be strengthened through constant and concerted efforts to increase the efficiency of our everyday work. According to our assessments, construction investments in the Nordic region will not increase either this year or next. The market for commercial premises, particularly offices, will be weak in the next few years, since vacancy rates are at the same levels as during the real estate crisis of just over ten years ago. Put simply, we cannot expect any help from the market, which means that improvements in profitability must be achieved through greater efficiency in our own operations. In the phase that NCC has now entered, however, the fact that the construction market is heading for a decline is not entirely negative, since

this probably enhances the potential to focus on changes and improvements in the construction process.

Although the Nordic construction market will probably not grow in the next few years, we have chosen to focus even further on the Nordic market. Quite simply, we must become better in the areas where we are already proficient. Such a focus will generate results. Accordingly, a decision was taken in 2002 to withdraw from the Polish housing market. Property-development projects outside the Nordic region will be completed and divested, and no new projects will be started. This means that we will withdraw from Poland, Hungary, Germany and Belgium in a gradual and controlled manner. NCC Property Development will focus entirely on the Nordic metropolitan regions and, in addition to office development, it will accumulate expertise in other segments. Synergies between the Construction units will be enhanced, making NCC stronger in the domestic market. Similarly, growth within NCC International Projects will take place in the Baltic Sea region in the future, meaning that in relative terms projects in other foreign markets will diminish in importance and only be considered if they are linked to the Nordic countries’ overseas aid programs or require leading-edge expertise in the civil engineering sector. Nevertheless, Poland and the Baltic countries still represent an important part of NCC Roads’ growth potential, alongside road maintenance and services in the Nordic countries.

Moreover, Altima will be spun off to NCC shareholders around the end of 2003, assuming that the Annual General Meeting approves the Board’s proposal. Efforts to divest appropriate parts of the Group’s concrete operations continue.

Since the work under way within the “Turnaround” project will not be sufficient to achieve the long-term profitability goals, growth will be required if we are to increase profitability even further. However, unless we have a distinct competitive edge, it is not realistic to assume that NCC will grow faster than the market – that we will capture market shares.

MORE OF A DEVELOPER – LESS OF AN IMPLEMENTER

NCC’s strategy is to move towards the earlier stages of the value chain, thus enabling us to offer and better utilize our skills and experience. We will concentrate more on development, both in our own projects and in construction on behalf of a customer. The strategy also necessitates taking greater responsibility and



becoming more involved in the projects that generate the greatest added value and have cost structures that we can influence. Finally, the emphasis must shift so that NCC becomes more of a developer and “consulting contractor” and less of an implementer.

By taking a more active part in the development of concepts and projects, NCC will also enhance its potential to influence the changes in the construction process that we believe are necessary if construction costs are to be cut. As part of our effort to make this possible, NCC is focusing on two areas – partnering and increased industrialization of the construction process.

PARTNERING REDUCES TOTAL COSTS

Stated briefly, partnering means that NCC and the customer sit down on the same side of the table – making us partners, not parties. Consultants, installation engineers, architects and subcontractors can also become part of the process, and all the parties have incentives to reduce total project costs. The prerequisites for making this work are “open-books accounting” combined with fundamentally honest and open attitudes.

NCC has completed a large number of partnering projects with such satisfied customers as the National Road Administration and Gothenburg Energy in Sweden, and Gentofte Municipality and the medical technology company Novo Nordisk in Denmark. The experience gained from these projects is exclusively positive. Costs are reduced for the customer, and the project is completed faster with greater quality. Above all, working relations are improved and the process becomes more efficient. For NCC, these projects have resulted in margins that are about 1 percentage point higher, while improving our control and minimizing risks.

Despite these positive effects, NCC expects that it will take several years before partnering contracts account for any significant share of total sales. There are a number of reasons for this. For example, the method requires knowledge on the part of both NCC’s personnel and the customer of how such projects are best conducted. In addition, the work method and the construction industry as a whole are the targets of distrust, with many critics asking “isn’t this just a new way to make money?” Within NCC Construction Denmark, three to four years of systematic and patient work has proved that patience is not only the fisherman’s best friend, but also the contractor’s – today, partnering contracts account for approximately 20 percent of its sales.

Although it may take several years to secure support for and refine the partnering concept, I am convinced that this work method will form one of the cornerstones in achieving higher quality and lower construction costs.

CHANGING AND INDUSTRIALIZING THE CONSTRUCTION PROCESS

Another important change that we are working on and which will reshape the industry in the years ahead is increased industrialization of the construction process.

In Sweden, 77 of the country's 289 municipalities are suffering from a housing shortage. Despite this shortage, residential construction is low, lower than in any other country in Western Europe. One reason is that it is expensive, in part due to high construction costs. But that's not all. Costs that the contractor cannot influence account for about 40 percent of total production costs for a residential building. For example, the monthly rent for a 70-square-meter apartment at Hammarby Sjöstad in Stockholm was SEK 8,000 even before a single house had been built.

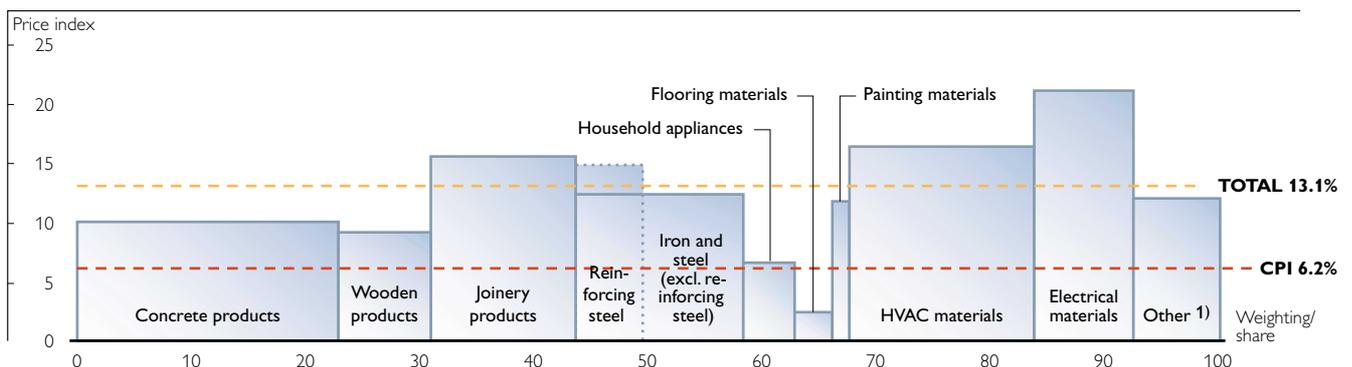
The cost of building materials has increased by about 7 percent in the past two years and by about 13 percent in the past four. The consumer price index rose by about 5 and 6 percent, respectively, during the same periods. At the same time, costs have fallen, not increased in many other industries.

The construction industry has not been particularly successful in improving the construction process. The sector's history shows little correlation between size and profitability. Many small, well managed construction companies have succeeded in generating significantly better returns than NCC. Since each project is considered unique, it is difficult to rationalize and increase efficiency in the same manner as in other industries. At the same time, we have not exploited the cost-saving potential represented by large construction volumes. Major parts of the manufacturing industry have demonstrated with great skill that by employing standardized concept development and production, it is possible to increase customer choices while continuously boosting production efficiency and reducing tied-up capital by optimizing logistics. The construction industry's flows, logistics and processes have not changed at all as dramatically or successfully.

A fundamental change in the construction process is essential, and NCC intends to drive this change. Future construction sites will increasingly become assembly sites. We will see significantly more prefabricated components that are assembled in a simple manner at the construction site. This will increase the technical content, change the purchasing process and require sophisticated logistics and planning for the construction of, for example, ready-to-assemble and standardized houses that are also custom-tailored. Although most of the components are standardized, customers should perceive that they are able to influence

Price trend for various building materials, 1998–2002

Factor Price Index for multifamily dwellings, excl.VAT



¹⁾ This includes materials for heat insulation, waste-disposal equipment, plaster and wood-based sheeting and paper.

Material costs in a Swedish contracting project account for nearly half of the contracting costs, meaning NCC's costs. The price trend for these goods has exceeded the general price trend (according to the Consumer Price Index, CPI) in nearly all cases. On average, prices for building materials have increased annually by 13.1 percent since 1998, compared with a 6.2-percent increase in the CPI. The width of the bars corresponds to their weight in the index. Concrete products and HVAC materials account for the largest proportion, while electrical materials have increased most in price. (Source: Statistics Sweden; calculations apply to annual averages.)

the design and function of their homes. Since no one wants to repeat the mistakes made during Sweden's gigantic housing program of the 1960s, meaning apartments that few people want to live in, the architect is a key component in the industrial process. A different approach is required that is based on collaboration at each stage.

“THE GOOD LIFE” – A WINNING CONCEPT

The first proof of what can be accomplished was seen last year when NCC won the Swedish Association of Municipal Housing Companies' "Build so that we can afford to live" contest. NCC's winning entry, "The Good Life", shows that it is possible to build high-quality rental apartments for people with normal incomes. The concept is based on building space-efficient apartments by applying industrial production methods. Prefabricated modules are assembled quickly at the construction site, yet customers have great freedom in terms of choosing optional fittings and determining floor plans. The first project is being built in Upplands Bro (also see page 14).

Although we have the ambition and the ideas required to create the NCC of the future, we must not lose sight of the need to deliver profits and maximize cash flow in 2003, since this is a basic prerequisite for gaining the trust we need to realize our plans. This time last year, against the background of the large write-downs that occurred in the fourth quarter of 2001, NCC issued

an earnings forecast for 2002. As of 2003, NCC is once again not providing any earnings forecast.

While outsiders may view the construction industry in terms of concrete, asphalt, reinforcement rods and cranes, construction actually differs little from other production. Learning and the production of knowledge will be the key factors in determining who succeeds in the future, and growth will be achieved through a constant process of innovation and the competitive edge that this provides. The greatest potential does not lie in inventing new materials or products, but in changing rigid, stage-by-stage processes and conservative structures. The cynics say that the construction process cannot be changed. We at NCC are convinced that it can. Our ambition is to become sharper at every stage so that we will also become more profitable.

Solna, February, 2003



Alf Göransson
President and Chief Executive Officer



Alf Göransson (middle) and other members of management groups jointly review the various units' progress each month. Here, at NCC Construction Sweden, President Olle Ehrén (left) and Finance Manager Annette Falkenström are discussing current issues with Ann-Sofie Danielsson, Head of Corporate Accounting, and Björn Andersson, Chief Financial Officer (right).

THE NCC SHARE

WEAK PERFORMANCE IN TURBULENT MARKET

Although its price declined compared with 2001, the NCC share outperformed the market average for Stockholmsbörsen during 2002. At year-end, the stock market price per Series B share was SEK 53. NCC's market capitalization at the end of 2002 was approximately SEK 5.4 billion. Regularly updated share data, share-price information, ownership statistics and a list of stock analysts who regularly monitor NCC are available on NCC's website www.ncc.info

Under the name Nordstjärnan, NCC's shares were initially listed on Stockholmsbörsen's O List in 1988. The shares moved to the Exchange's A List in 1989. As of November 18, 2002 the shares are again traded on the O List. The reason for the move was that shares traded on the O List are subject to a lower rate of inheritance and gift tax than shares on the A List. The number of NCC shareholders (including NCC following its repurchase of shares) at the end of 2002 was 23,770 (24,858). Series A shares carry ten voting rights each and Series B shares carry one voting right.

SHARE PERFORMANCE AND TRADING

The highest price paid per Series B NCC share during 2002, SEK 76.50, was noted on May 31 and the lowest price, SEK 46.50, was quoted on October 10. At year-end, the market price was SEK 53 (70), corresponding to a 24-percent decline during 2002. Stockholmsbörsen as a whole (according to the AFV General Index) dropped by 37 percent during the year. The sector index (AFV Construction and Civil Engineering Index) fell by 20 percent. At year-end, the weighting of Series B NCC shares in the AFV General Index was 0.33 percent (0.26) and the weighting in the AFV Construction and Civil Engineering Index was 8.25 percent (7.45).

During 2002, an average of 16,747 (16,118) Series A shares and 96,312 (95,092) Series B shares were traded per day. A total of 28.2 million (26.8) NCC shares were traded during the year, corresponding

to 28 percent (26) of the total number of NCC shares issued (excluding repurchased shares). The price of NCC shares fluctuated less than the General Index. The beta value for 2002 was 0.38 (0.55), meaning that volatility in the price of NCC shares was 62 percent (45) less than that of the General Index during the year.

SHARE REPURCHASES AND CONVERSIONS

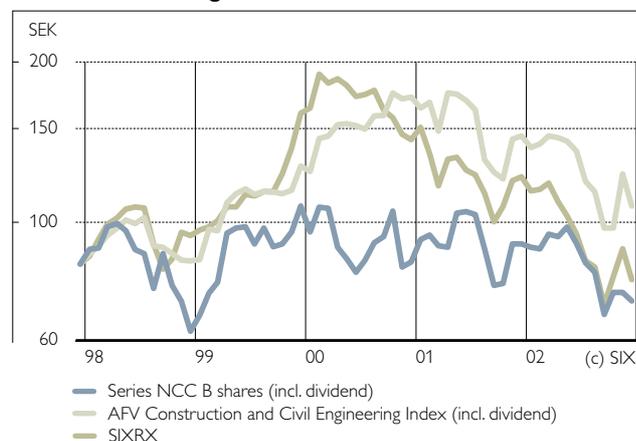
During 2000–2002, NCC repurchased a total of 6,035,389 Series B shares. The intention is to use the repurchased shares to cover obligations under NCC's rolling options program (also see page 76–77), which was discontinued as of 2002. A total of 2,560,800 shares were repurchased in 2002. Less the repurchased shares, the total number of shares outstanding at year-end was 102,400,433.

According to a decision made at the 1996 Annual General Meeting, a paragraph was added to the Articles of Association entitling holders of Series A shares to convert their Series A shares to B shares. During 2002, 860,383 (653,264) Series A shares were converted to Series B shares. Up to February 2003, a further 402,370 Series A shares had been converted into Series B shares. Written requests regarding the conversion of shares must be submitted to the Board of Directors, which makes decisions regarding possible conversions on an ongoing basis.

DIVIDEND

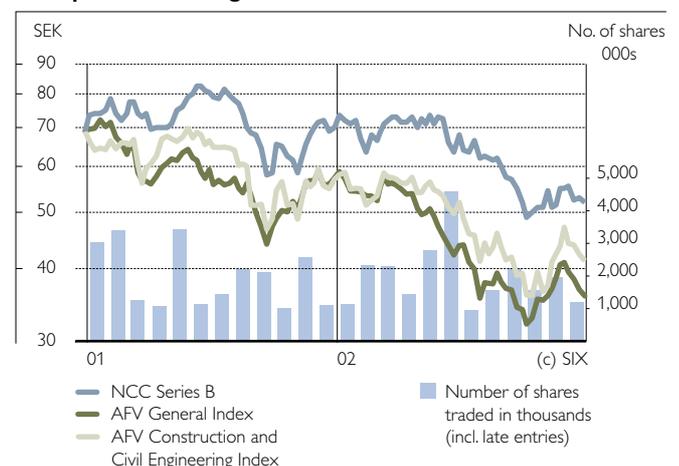
NCC's dividend policy is that approximately half of profit after taxes be distributed to shareholders. The Board of Directors proposes that a dividend of SEK 2.75 (2.25) be paid per share for 2002. In addition to the cash dividend, a spin-off of all of the shares in Altima Group AB is proposed. The total return (dividend plus share price performance) for NCC B shares in 2002 was approximately minus 22 percent (plus 8), compared with the stock-exchange average (according to Six Return Index) of minus 36 percent (minus 15).

Total return including dividend 1998–2002



The total return (share performance including dividend) on Series NCC B shares has fluctuated less than the stock-exchange and sector averages in the past five years.

Share price and trading volume in 2001–2002



Although the price of Series NCC B shares declined by 24 percent in 2002, this was a much less severe decline than that for the exchange as a whole. The same trend also applies in a two-year perspective, during which NCC shares have declined by 24 percent while the General Index has been nearly halved. The sector index has declined by 36 percent in the past two years.

Share data

	2002	2001
Profit after full tax, SEK	7.95	-21.60
Shareholders' equity, SEK	74.20	69.75
Dividend, SEK	2.75 ¹⁾	2.25
Market price/shareholders' equity, %	71	100

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

Series A and B shares¹⁾

	Series A shares	Series B shares	Total A and B shares
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares during 2000	-665,914	665,914	
Shares repurchased during 2000	0	-2,775,289	-2,775,289
No. of shares on Dec. 31, 2000	62,445,768	43,214,765	105,660,533
Conversion of Series A to Series B shares during 2001	-653,264	653,264	
Shares repurchased during 2001	0	-699,300	-699,300
No. of shares on Dec. 31, 2001	61,792,504	43,168,729	104,961,233
Conversion of Series A to Series B shares during 2002	-860,383	860,383	
Shares repurchased during 2002	0	-2,560,800	-2,560,800
No. of shares on Dec. 31 2002	60,932,121	41,468,312	102,400,433
Number of voting rights	609,321,210	41,468,312	650,789,522
Percentage of voting rights	94	6	100
Closing price, Dec. 31, 2002	52	53	
Market capitalization, SEK M	3,168	2,198	5,366

¹⁾ Between January 1, 2003 and February 11, 2003, 402,370 Series A shares were converted into Series B shares.

Ownership structure at December 31, 2002¹⁾

Shareholder	No. of Series A shares	No. of Series B shares	Percentage of	
			Share capital	Voting rights
Nordstjernan AB ²⁾	32,144,700	3,652,740	35.0	50.0
Lundbergs	10,721,140	3,242,860	13.6	17.0
Robur mutual funds	4,662,504	1,798,587	6.3	7.4
Eikos mutual funds	1,050,000	3,350,000	4.3	2.1
Nordea mutual funds	395,200	2,320,900	2.7	1.0
Skandia	1,313,175	830,624	2.1	2.1
Svenska Handelsbanken	1,400,302	630,230	2.0	2.2
Confederation of Swedish Enterprises	1,069,256	639,948	1.7	1.7
Third AP Fund	1,075,400	395,000	1.4	1.7
The Knowledge Foundation	615,000	385,000	1.0	1.0
Second AP Fund	298,500	647,321	0.9	0.6
SHB mutual funds	386,076	524,198	0.9	0.7
Fourth AP Fund	673,000	175,000	0.8	1.1
Futuris mutual fund	0	822,200	0.8	0.1
FPG/AMFK	247,100	400,900	0.6	0.4
Alecta	621,091	0	0.6	1.0
Baltic Sea Foundation	0	462,973	0.5	0.1
Alfred Berg FK	402,370	0	0.4	0.6
Lundberg, Fredrik, via companies	301,540	74,464	0.4	0.5
Novitus AB	130,400	100,000	0.2	0.2
Total, largest 20 shareholders	57,506,754	20,452,945	76.1	91.5
Others	3,425,367	21,015,367	23.9	8.5
Total	60,932,121	41,468,312	100	100
Repurchased shares	0	6,035,389		
Total number of shares	60,932,121	47,503,701		

¹⁾ Calculated after a deduction for repurchased shares.

²⁾ Between January 1 and February 11, 2003, 402,370 Series A shares were converted into Series B shares. As a result of these conversions, NCC became a subsidiary of Nordstjernan AB, whose shareholding corresponds to 50.2 percent of the voting rights.

(Source: VPC and SIS Ägarservice.)

The largest changes in shareholdings during 2002¹⁾

Owner	No. of Series A shares	No. of Series B shares	Total No. of shares	Percentage of	
				Share capital	Voting rights
Robur mutual funds	-1,783,116	-3,190,174	-4,973,290	-3.2	-4.8
Eikos mutual funds	1,050,000	3,350,000	4,400,000	2.1	4.2
Nordea mutual funds	0	-1,786,400	-1,786,400	-0.3	-1.7
HQ.SE mutual funds ²⁾	0	-1,482,650	-1,482,650	-0.2	-1.4
Alecta	-403,000	-953,351	-1,356,351	-0.8	-1.3
Futuris mutual fund	0	487,000	487,000	0.1	0.5
Investor ²⁾	0	-950,000	-950,000	-0.1	-0.9
Nordstjernan AB	-322,800	790,000	467,200	-0.4	0.5
Baltic Sea Foundation	0	-460,000	-460,000	-0.1	-0.4
Svenska Handelsbanken	-691	-387,475	-388,166	-0.1	-0.4
Third AP Fund	402,400	-30,000	372,400	0.6	0.4
Swedish Industrial Salaried Employees	84,400	243,000	327,400	0.2	0.3
SPP Livförsäkring AB	-74,000	-162,399	-236,399	-0.1	-0.2

¹⁾ Calculated after a deduction for repurchased shares, average number of Series A and B shares during the year.

²⁾ Entire holding was divested during 2002.

(Source: VPC and SIS Ägarservice.)

Distribution of shares by holding¹⁾

No. of shares held	No. of shareholders	Percentage of total shareholders	No. of shares	Percentage of share capital
1-500	18,733	78.8	2,794,717	2.7
501-1,000	2,669	11.2	2,181,194	2.1
1,001-2,000	1,223	5.1	1,898,632	1.9
2,001-5,000	650	2.7	2,203,958	2.2
5,001-10,000	218	0.9	1,660,448	1.6
10,001-20,000	102	0.4	1,497,780	1.5
20,001-50,000	71	0.3	2,253,062	2.2
50,001-100,000	28	0.1	2,114,251	2.1
100,001-	75	0.3	85,796,391	83.8
Total	23,769	100.0	102,400,433	100.0

¹⁾ After a deduction for repurchased shares.

(Source: VPC.)

Geographic distribution of shareholdings¹⁾

Country	No. of shareholders	No. of Series A shares	No. of Series B shares	Percentage of share capital
Sweden	23,359	60,737,948	38,965,750	97.4
Switzerland	30	85,983	881,052	0.9
United Kingdom	77	20,391	368,666	0.4
Luxembourg	21	11,838	325,180	0.3
United States	33	50,069	286,000	0.3
Finland	15	981	185,803	0.2
Belgium	13	0	138,905	0.1
Norway	32	2,474	74,188	0.1
Total	23,580	60,909,684	41,225,544	99.7

¹⁾ Calculated after a deduction for repurchased shares.

(Source: VPC.)

Changes in share capital

	No. 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 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 acquisition of Siab	28,303,097	708
2002 Year-end	108,435,822	2,711

STRATEGIC ORIENTATION

FOCUS ON CUSTOMER VALUE AND INCREASED PROFITABILITY

NCC's strategic orientation involves focusing operations on the Nordic markets, assigning priority to profitability ahead of volume, concentrating operations around the core business, changing and industrializing the construction process and reducing the financial risk. In a long-term perspective, growth is a prerequisite for stable profitability.

A large part of activity in 2002 was shaped by the "Turnaround" program, whose aim is to enable the Group to show sustainable profitability and financial strength. The profitability objectives are a 15-percent return on shareholders' equity after tax, an equity/assets ratio of 30 percent and a positive cash flow.

During 2002, work was concentrated on restructuring operations in order to sharpen internal efficiency, at the same time as the Group's future strategic orientation was established.

The focus of NCC's strategy is to consolidate and develop those parts of the Group that already hold strong positions – meaning that NCC will become even better in those areas where it has the best capabilities – and to shift the Group's position to the early stages of the value chain. Reducing construction costs is a key strategic challenge that necessitates changing the entire building process. A prerequisite for success in this area is the development of new forms of cooperation (such as partnering) and an increased industrialization of the construction process.

CLEARLY DEFINED DOMESTIC MARKETS

At the end of the 1990s, NCC expanded by acquiring a number of companies, including Eeg-Henriksen of Norway (1995), Puolimatka of

Finland (1996), Rasmusson & Schiøtz of Denmark (1996), Siab of Sweden (1997), Superfos Construction (1999) and Rieber Roads (2000) of Denmark and Norway. These acquisitions provided NCC with a strong position in the Nordic market, as well as an unstructured variety of operations. At the end of 2001, a consolidation and restructuring phase was initiated in order to focus on the submarkets and segments with the greatest potential for creating sustainable profitability.

NCC's geographical focus is on the Nordic region. The reason for focusing on the Nordic region is that NCC has in-depth knowledge of, and a strong market position in, the Nordic markets. During 2001 and 2002, operations were increasingly oriented towards high-growth areas. As a result, the production of housing and other buildings as well as property development is now mainly concentrated in and around the various capital cities and other high-growth locations, such as regional capitals and university cities. However, Poland and the Baltic countries continue to be growth markets for NCC Roads.

COMPETITORS IN THE NORDIC REGION

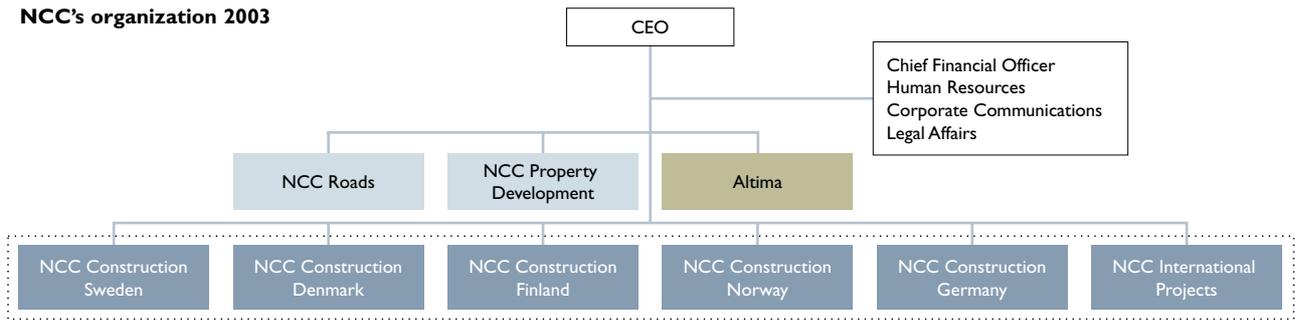
The Nordic construction market is highly fragmented. Although NCC is the second largest company in the Nordic market, the Group's share of total construction investments is less than 10 percent. In local markets, NCC competes with small building contractors. Major civil engineering projects are mainly tendered for in the face of international competition from Europe's largest construction companies. NCC's principal competitors in the Nordic market are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke of Norway and YIT and Lemminkäinen of Finland. In the

Focus on the Nordic region



Geographically, NCC focuses on the Nordic region. NCC's activities in Germany mainly involve residential construction in the Berlin region, while operations in Poland consist primarily of construction of the A2 Highway. In the Baltic countries, certain asphalt and crushing operations are conducted. In the market for large-scale, technologically advanced civil engineering projects, future expansion will occur mainly in the Baltic Sea countries. As of 2003, property development will also be concentrated to the Nordic region.

NCC's organization 2003



As of 2002, NCC's building, housing and civil engineering operations (Construction) have been organized on a geographical basis, because construction is primarily a local business. During 2002, the legal structure was aligned with the operational format, thus simplifying both control and reporting. As of 2003, the operations of NCC Construction Poland are part of NCC International Projects.

Swedish housing market, JM is NCC's largest competitor. The key factor in competition for projects is price, which is affected by such considerations as Sweden's Public Procurement Act. This act limits the building contractors' opportunities to obtain orders based on parameters other than price, such as operating costs or energy efficiency during the lifetime of the building. NCC aims to intensify its efforts to highlight the Group's competencies by promoting new forms of tendering, whereby the partnering concept will be a key ingredient (also see pages 12–13).

CUSTOMER-ALIGNED ORGANIZATION

In the construction sector, the potential for generating cross-border coordination benefits is limited. Accordingly, expanding into new markets does not offer any categorical advantages, since it is not certain that knowledge and production resources can be transferred. Building residential properties in Sweden does not simplify the construction of similar properties in nearby Finland or in Germany, since the game rules, requirements and demand scenarios vary from country to country. The differences may pertain to rules

and regulations (building and planning legislation), political policy (for example, rent regulation in Sweden) or demand patterns.

This means that construction is a national business and, accordingly, each NCC country must work within the framework of its particular national conditions. Since contracting operations are also exposed to a number of business risks that can be curtailed with the help of expert knowledge of the local market, suppliers, business culture, customers and competitors, NCC has organized its construction operations into nationwide units. Large-scale civil engineering projects are usually undertaken in cooperation with the NCC International Projects business area. Effective January 1, 2003, civil engineering operations in Poland – which had been conducted mainly through the Polish subsidiary Hydrobudowa – were integrated into NCC International Projects.

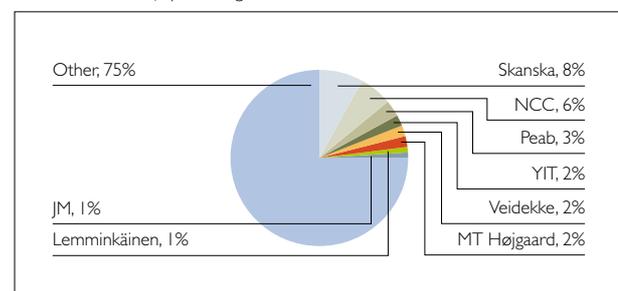
In the asphalt, aggregates and concrete segments, production resources are the key factors in efforts to cultivate markets. Since asphalt and ready-mixed concrete cannot be transported over long distances, close proximity to gravel pits and natural resources is generally essential.

Competitors in the Nordic region 2002

Key data and products	MT							
	NCC	Skanska	Peab	Højgaard	Veidekke	YIT	Lemminkäinen	JM
Sales, SEK billion	45.2	145.6	19.8	10.9	13.8	16.1	11.5	8.9
No. of employees	25,600	76,400	10,300	6,300	7,000	12,000	6,700	2,600
Housing	•	•	•	•	•	•	•	•
Building	•	•	•	•	•	•	•	•
Civil engineering	•	•	•	•	•	•	•	•
Asphalt, aggregates, concrete	•	•	•	•	•	•	•	•
Property development	•	•	•	•	•	•	•	•
Machinery operations	•	•	•	•	•	•	•	•

The Nordic construction market is fragmented and characterized by the existence of thousands of small-scale firms. Accordingly, NCC competes with many small-scale building contractors in local markets. The largest competitors with a Nordic-wide presence are Skanska, Peab, MT Højgaard, Veidekke, YIT and Lemminkäinen. Skanska's total sales include approximately SEK 60 billion from North American operations. Skanska also conducts operations in other countries, such as the United Kingdom, which also impedes direct comparisons. (The figures for MT Højgaard are based on figures for 2001.)

Market shares, percentage



The construction market in the Nordic region generates total sales of approximately SEK 680 billion, distributed approximately equally between Sweden, Norway, Denmark and Finland. The market is fragmented and although NCC is the second largest company in the Nordic region, its market share is less than 10 percent. Combined, the largest Nordic construction companies account for approximately one fourth of the market, while small local contractors account for three fourths. (Source: Euroconstruct.)

SELECTING PRODUCTS FROM A PLATFORM OF STRENGTH

Generating profitability is not solely a matter of doing things right, it is also necessary to do the right things. During 2001 and 2002, the Group's entire product range was analyzed and its strengths and weaknesses were carefully documented. Several parts of NCC have a track record of poor profitability. On the basis of the analysis, a number of operations and geographical units were divested or closed during the year. The operations that have been largely phased out include building services and facility management. In the civil engineering segment, operations in Finland, western Denmark and parts of Norway were closed down.

NCC's principal competencies are mainly concentrated in the building and residential construction segments, civil engineering projects, road construction and maintenance and property development. The Group is intensifying its efforts in these segments, particularly in high-growth regions.

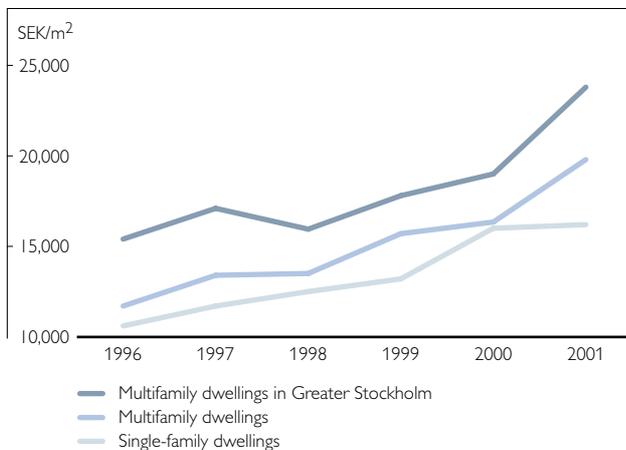
FOCUS ON VALUE-GENERATING SEGMENTS

In parallel with its focus on products with the potential to make the greatest contribution to profit, NCC is also concentrating on

Average production cost per apartment per m²

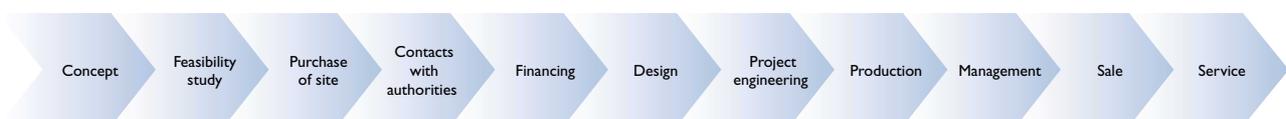
Less subsidies. Including VAT.

Production cost = cost of land + construction cost
(including utility-connection charges and contractor's profit)



Production costs for newly built multifamily dwellings in Sweden have risen sharply since 1996. One reason for the sharp increase is that residential production in recent years has mainly been concentrated in locations hallmarked by strong demand, such as metropolitan areas. In such locations, the cost of land is higher than in other parts of the country, which affects total production costs. Another reason is that the standard of the properties built has been higher.
(Source: Statistics Sweden.)

NCC'S value chain



NCC intends to become active at an early stage of the value chain. This will increase the emphasis on the development role and reduce the importance of implementation. Profitability is normally greater in the earlier stages of the value chain and being active there also provides control over the phases that generate most value. Access to strategic land is a prerequisite for attractive development projects in the housing and the real estate sector.

the segments that generate the greatest value. For example, developing a residential estate is much more profitable than managing the same estate. Generally, the greatest value is added during the early phases of the value chain.

NCC is focusing on the development of commercial premises and housing projects. In both cases, access to attractive land combined with cost-effective production resources is the key to success. NCC Property Development is the Nordic region's leading property-development company in the office segment and is focusing on sharpening its competencies in other segments as well.

In the market for roads, NCC is a major player in the construction and paving segments, as well as operation and maintenance. In this market, the Group is active throughout the value chain. NCC expects that demand for services on and around roads will increase in the future, thus further enhancing growth prospects within NCC Roads.

CHANGED AND INDUSTRIALIZED CONSTRUCTION PROCESS

During the course of the "Turnaround" program, it has become abundantly clear that changing and refining NCC alone will not be sufficient; it is the entire construction process that must be changed and refined. The way construction projects have been structured to date, with the client and the builder as two counterparties, is outmoded, since it impedes efforts to develop better methods and prevents the advent of new forms of cooperation in the sector.

In Sweden, NCC's largest market, the increase in construction costs has, for many years, far exceeded that motivated by the general price rises reflected in the Consumer Price Index (CPI). In the past three to four years in particular, the cost of building multifamily dwellings has risen dramatically – by up to 50 percent in the Stockholm region. The cost of land is another factor that has driven up total production costs sharply.

While increased fees may be one explanation, the cost of building materials has also risen much more rapidly than the CPI. The probable reasons are found at various levels – such as a lack of competition and high price levels in certain phases of the production and distribution processes, undeveloped industrialization of the construction process, ineffective internal purchasing control, inefficient logistics and an excessive number of intermediaries. In addition, the productivity trend in the construction sector is inadequate.

NCC has begun strategic work aimed at reducing total construction costs, which is considered of vital importance to NCC's fundamental ability to achieve increased competitiveness and growth. The cornerstones in the Group's long-term efforts to change the construction process will be:

- Sharpening the customer focus of operations and developing projects that provide the best possible quality.
- Applying the partnering concept to create a form of cooperation that ensures that all stakeholders in a project become partners rather than parties. The partners work together on an "open-books" basis and agree on joint incentives for reducing the total cost of projects (also see pages 12–13).
- Industrializing the construction process, in order to reduce construction costs and cut construction time. This will be achieved through a significant increase in the proportion of prefabricated and ready-to-assemble units, whereby the construction sites of the future will increasingly resemble assembly sites. "The Good Life", NCC's winning entry in the competition arranged by the Swedish Association of Municipal Housing

Companies, with the aim of generating ideas for the construction of apartments for people with normal incomes, is an initial step in this direction (read more on page 14).

- Changing planning, purchasing and logistics in order to break conservative structures and thus make flows in the construction process more efficient, while reducing the number of intermediate levels.

In Sweden, the concept of industrializing the construction process is readily associated with the country's large-scale residential construction programs of the 1960s and 70s. These programs resulted in large, impersonal and inhospitable housing areas that are currently costing hundreds of millions of Swedish kronor to restore, because they were not built with the wellbeing of tenants in mind. Nobody wants a repetition of this program. One lesson learned, however, is that the building of housing with low lifecycle costs should be prioritized in the future. In the years ahead, NCC will invest considerable resources in efforts to change the construction process fundamentally and thus enhance the Group's competitiveness and profitability.



NCC is creating tomorrow's environments for work, living and communication. Frösunda in Solna, less than 10 kilometers from central Stockholm, is an example of NCC's presence throughout the value chain. This enables the company to affect the development of entire urban districts. In building a total of approximately 1,500 residential units and 40,000 square meters of office space, NCC regards conserving trees, creating new courtyards and adapting the housing environment to tenant needs as key considerations. Large terraces are just one of the notable features.

PARTNERING FOR MORE PROFITABLE RELATIONS

The traditional way of conducting business in the construction sector is to submit tenders, following which the assignment is performed in accordance with the specifications upon which the winning bid was based. Non-conformities that arise during the course of a project result in additional charges that often lead to disputes between the client and the builder. Instead of being partners in the project, they become counterparties. NCC's partnership format for achieving a better, more cost-effective construction process is called partnering.

NCC in Denmark has successfully conducted partnering-based assignments for several years. During 2002, work was conducted throughout the Group to enable the concept to be developed and implemented in other countries and units. Partnering is a form of cooperation whereby the client and the contractor jointly resolve a building assignment, based on a partnership in which all parties work with open books.

Partnering entails a focus on a project and cooperation aimed at generating the best possible total value for the end customer and for the other partners in a construction project.

Before the project is started – Phase 0 – partnering involves choosing the partners. The selections are based solely on competencies – choosing the right team. A private customer is free to choose any partners for a project, while a public-sector client normally has

to operate within a certain framework, for example, the Public Procurement Act. Partnering also requires shared values and objectives and a compatible personal chemistry. Phase 0 ends when the partners in a project sign a contract, which then serves as a starting point for subsequent activities. If it becomes apparent later in the project that achieving the set objectives will not be possible, the contract contains stipulations governing how the partnership is to be terminated.

Phase 1 commences when the project partners have signed a partnering agreement and jointly established the financial parameters. The joint objectives are stipulated and the partners establish the conditions for partnership at the management and implementation levels. Phase 1 entails integrated and open cooperation, a dialog between the client, users, architects, designers and contractors, which results in a concrete project proposal. The dialog also leads to a cost framework approved by the partners as being the amount at which the project can be implemented, and an incentive structure that rewards all parties if actual costs are kept below the cost ceiling.

Phase 2 starts when the cost framework and the main features of the project have been established. This is when everything is prepared for implementation. For example, if the project involves a residential property, choices have to be made regarding whether a wooden floor is to be coated or oiled, or if the windows are to be made of wood or alu-

Phases of a partnering project



Partnering is a partnership format characterized by considerable openness. The shared objective is better-performed work at a lower total cost.

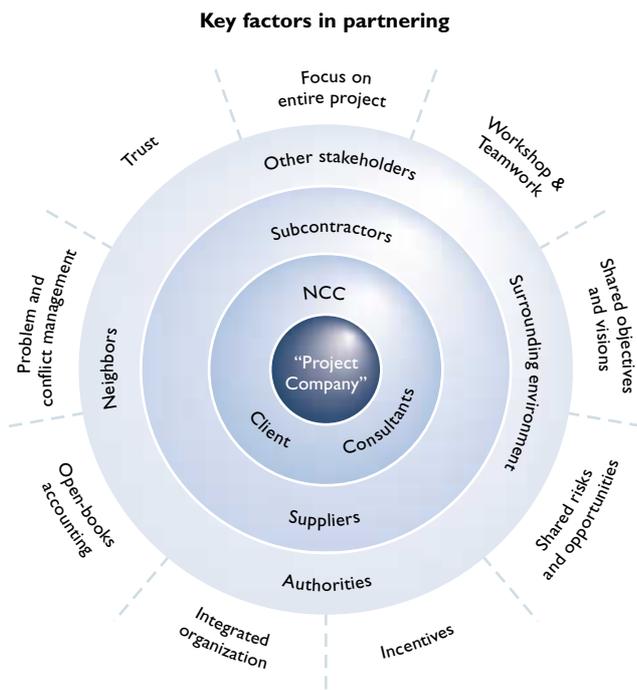
NCC BUILT THE SCHOOL FASTER AND AT A LOWER COST



Henrik Olsson, NCC Construction Denmark, and Jens Guldbæk, project director at Gentofte Municipality.

In December 2000, NCC was commissioned by Gentofte Municipality in Denmark to build a completely new school in Hellerup on the outskirts of Copenhagen. The order value was DKK 105 M, and construction of the school began in spring 2001. Completion was scheduled for July 31, 2002, a critical deadline since 100 teachers and educational staff would start using the school on August 5, 2002 and soon be followed by 750 pupils. A delay would mean postponing the start of school.

In Denmark, NCC has for several years been successfully applying the partnering concept, a form of collaboration for contracting projects based on openness between the parties in a construction project. In traditional projects, the customer usually chooses the contractor that submits the lowest bid according to a detailed call for tenders. This often results in a poorly functioning construction process in which considerable time and effort is devoted to finding fault with the other party. Instead of focusing on solu-



The illustration shows the key factors in a successful partnering project. Partnering is a structured form of cooperation whereby the client, consultants and contractor jointly agree on a building assignment. The prerequisites for successful partnering are that all of the parties focus on the project and cooperate with each other with the aim of generating the best possible results in all respects.

PHASE 3

Delivery
Evaluation

minum. Actual building production often begins at the same time as detailed planning of the project.

The final stage – Phase 3 – includes the completion of the construction process and delivery of the project. Delivery becomes effective on the day when the client receives the “key” and when the entire project team witnesses the future users putting the building into operation. It is on delivery that an evaluation is made of how well the objectives have been achieved. If the actual project costs have exceeded the agreed amount, the excess costs are divided among all of the parties in the manner stipulated in the agreement. If the costs are lower, the gains are shared in a corresponding manner. As a result, all of the parties share the objective of reducing the total project costs.

With notable frequency, the partnering model has proven successful. The client receives better-performed work at a cost that, in many cases, is lower than that resulting from the traditional tendering model. The main gain for NCC consists of satisfied customers, partners and employees.

NCC Construction Denmark is the NCC unit that has made greatest progress with the partnering model (see example below). During 2002, partnering projects accounted for about one fifth of all construction assignments in Denmark. While operations in Sweden, Norway and Finland have not progressed equally far, there are some examples of Swedish partnering projects, such as the Highway 339 Hökvattsån–Öjån Project in Jämtland and the Cooling Centers Project in Gothenburg.

NCC’s work method for successful partnering projects mainly involves choosing its partners based on their competencies, ensuring that the people who will use the product (a building, for example) participate in the actual construction process, cooperating openly with all the parties involved and evaluating completed work. The success of a partnering project is often determined by the attitudes taken to this work format. The undertakings made by NCC in a partnering project can only be achieved by using skilled and committed employees.

– THANKS TO PARTNERING

tions that are best for the project, relations are characterized by disputes and conflicts between the client and the contractor. In many cases, energy is spent on finding various ways to obtain supplementary orders to recover lost profits. In a partnership project, the relationship between the client, the architect, consultants and the contractor is completely different, since all of the parties work together to achieve jointly established goals.

Approximately one fourth of NCC’s construction projects in Denmark are partnering projects. Hellerup School is one of several that were completed during 2002. NCC’s assignment for Gentofte Municipality entailed building a school consisting of 8,500 square meters on three floors, including a 600-square-meter basement. In addition, the contract included 7,000 square meters of paving work.

When the project began, a virtual company – Project AB – was established in which all parties were equal participants and the client had

unrestricted insight into invoices, discounts and costs. Continuous status checks were held during the course of the project and any problems that arose were solved jointly.

Although the start of construction was delayed by two weeks – and despite delayed delivery of certain building materials – the school was ready more than a month before the deadline. On June 28, Steen Johannsen, project manager at NCC Construction Denmark, handed over the keys to Jens Guldbæk, project director at Gentofte Municipality. The final cost was DKK 87 million, nearly 20 percent below the amount stated in the initial costing. Accordingly, Gentofte Municipality saved money that could be used for other purposes. For NCC, the project resulted in a profit according to plan – and yet another satisfied customer.

STRATEGIC TRAINING PROGRAMS

NCC provides comprehensive training programs in order to secure the supply of expertise required as a result of the ongoing process of change.

Knowledge in competition issues is a key field of training in which efforts were strengthened during the year. Knowledge in competition law is a fundamental aspect of NCC's business ethics. Training in this field is mandatory for all employees who are responsible for the arrangement or implementation of business transactions within NCC. The aim is to ensure that competition law is respected and, in so doing, to form a platform for engaging in transactions characterized by true competition, in which all parties are aware of the boundaries between what is permitted and what is prohibited. The training programs are being held in Sweden, Norway, Denmark and Finland, as well as for NCC International Projects personnel stationed abroad. They are based on self-study via an e-learning system, supplemented by course attendance and

"THE GOOD LIFE"

"The Good Life" was NCC's winning entry in the "Build so that we can afford to live" contest arranged by SABO, the Swedish Association of Municipal Housing Companies. The challenge was to be able to produce rental apartments that households with normal incomes could afford. NCC won this contest in the face of competition from 39 other construction companies. The average rent for these apartments was to be about SEK 6,000 for a two-room apartment measuring 65 square meters. The first project in accordance with this concept is being built in Upplands Bro Municipality, outside Stockholm. The aim of the concept is to build more space-efficient apartments by industrializing production. Prefabricated modules are assembled quickly on-site, at the same time as the tenants' opportunities for influencing the choice of apartment fittings and varying the room layout are considerable.



This floor plan shows space-efficient, 48-square-meter two-room apartments, equipped with bright and spacious kitchens and bathrooms with ample space for a bathtub and a washing machine. (Illustration: Origo Arkitekter AB.)

knowledge tests. During 2002, 700 employees attended the programs, which are continuing during 2003 and will encompass a total of approximately 1,500 participants.

Compared with traditional construction contracts, NCC's focus on partnering and project development requires an innovative and completely different approach. A key feature of the training arranged within NCC Construction Denmark during the year was aimed at increasing interaction within the business process. During 2002, 80 employees received training in partnering and an additional 150 employees participated in in-house experience-exchange seminars.

Within NCC Construction Sweden, an important training program is under way to address the key strategic issue of maintaining the right focus during purchasing work. During 2002 a total of approximately 200 employees received this training, which is aimed at all purchasers and project-costing employees with responsibility for construction and civil engineering projects.

LONG-TERM APPROACH TO R&D

NCC has a track record of fruitful cooperation with colleges and universities, in part through the Group's industrial doctorate programs. The researchers are employed by NCC at the same time as they complete their theses. During 2002, ten industrial doctorate researchers were active within NCC, of whom two graduated with Technology Licentiate qualifications. The projects included, among others, "Virtual Reality in construction", "Control over the value chain in the construction process" and "Logistics in the construction process."

Construction is a traditional business in which innovation has the potential to generate major, highly profitable changes. In recognition of its development efforts, NCC became the first construction company ever to reach the final of the Best EU Project competition. NCC's project involved a technology for producing vibration-free (self-compacting) concrete, which enables the elimination of extremely strenuous physical work at construction sites.



A CAD image extracted from a 3D virtual reality model of Centralhuset in Gothenburg, one of NCC's largest ongoing projects. The model is created by NCC Technology, the NCC Group's principal expert unit in technological matters. Stefan Woksepp, project manager, used the model in 2002 in the licentiate thesis he completed at the Chalmers University of Technology. With the help of the model, it was detected at an early stage of the design process that 350 piles under the building were positioned too close to each other. In addition, installation clashes were identified that would never be detected using traditional or 2D designs. The model costs only a few thousandths of the total project cost, while construction defects account for an average of about 10 percent of total construction costs in the sector.

THE WORLD AT LARGE AND RISKS

EXTERNAL FACTORS AFFECT OUR BUSINESS

NCC conducts operations that affect many people, both directly and indirectly. A traffic route through a sensitive natural area is an example of a project in which NCC has to align the interests of external parties with its own technical and commercial considerations. The conditions underlying NCC's projects are influenced by external events and the expectations of the Group's various stakeholders.

NCC IN THE COMMUNITY

During autumn 2002, a project was initiated to formulate a Code of Conduct for NCC. The foundation had already been laid through the work on corporate values conducted within the Group over the past few years, which has identified NCC's core values as responsibility, focus and simplicity. With the aim of analyzing NCC's impact from the perspective of social and ecological sustainability, a general sustainability analysis of the entire Group was initiated during 2002.

Customer relations – and thus the prerequisites for conducting business operations – are influenced by how NCC is perceived within the community. Accordingly, brand-building efforts and confidence-inspiring information campaigns directed at various stakeholders are of vital importance. During 2002, NCC implemented a Group-wide branding campaign aimed at showing the general public what NCC accomplishes in the community at large.

During 2002, NCC measured its media publicity each quarter. These measurements showed that, compared with other large and well-known companies, NCC receives a high level of media publicity. On a quarterly basis, media coverage in Sweden amounts to some 240 million exposure opportunities, divided among about 1,800 articles and features in the press, on radio and television, and in news agency reports. Since NCC is frequently the target of media attention, it is the player that has the greatest influence on how its image is reflected in the media. In addition, a large proportion of NCC's media publicity derives from the companies' own press releases.

During 2002, Swedish media coverage of the construction industry was dominated by news about asphalt cartels, which resulted in NCC receiving considerably more negative publicity than had previously been the case. The number of reports focusing on the cartels declined toward year-end, however, making way for a radical improvement in media views. During the final quarter of 2002, the media stance became balanced once again, meaning approximately equal numbers of negative and positive items.

CLIMATE IN THE CONSTRUCTION SECTOR

As a rule, the climate in the construction sector tends to track the general economic trend, expressed in terms of gross domestic product (GDP). Historically, demand for construction work has arisen later in the economic cycle than, for example, demand for the forest products and engineering industries. To some extent, this is due to construction projects often being ordered in one cycle and delivered in another. Major projects also tend to be produced over a long period. Infrastructure projects are often influenced by political decisions and national budgetary considerations.

EXPECT A BIT MORE FROM NCC



During autumn 2002, NCC initiated the first coordinated Nordic brand campaign in the company's history. The channels chosen for the campaign were television and various newspapers. The campaign is aimed at showing the general public in the Nordic countries what NCC stands for and what the Group achieves in the community in the form of new environments for work, housing and communications. The message of the campaign is that both customers and other stakeholders should be able to "Expect a bit more" from NCC. The aim of the campaign is to strengthen the NCC brand and thus boost the Group's business performance.

Publicity in the media (Average full-year values)

Year	1997	1998	1999	2000	2001	2002
Approximately number of features	5,100	6,000	6,700	5,700	6,000	7,000
Positive, %	25	15	10	9	10	8
Negative, %	13	12	7	8	10	27
Neutral, %	62	73	83	83	80	65

(Source: Observer Media Intelligence.)

OPERATIONAL RISKS IN CONTRACTING PROJECTS

The principal phase at which a contracting company can limit its risks is during the contract-tendering process. NCC's overall strategy entails adopting a more selective approach than previously to contract tendering in order to reduce the proportion of unprofitable projects. For example, NCC refrained from tendering bids on several projects in 2002, including the Svinesund bridge project between Sweden and Norway and the large Karahnjúkar hydropower project in Iceland. Several others were probably also forfeited because NCC chose to offer solutions that would reduce the technological and financial risks in the projects. The majority of risks, such as contract risks and technological and production-related risks, are best managed in cooperation with the customer and other players during the early stages of the project. NCC has a specialist unit for risk management.

As a rule, a contracting project involves a limited amount of tied-up capital and generates a positive cash flow. Such operations mean that the Group is mainly exposed to different commercial risks in its various projects. In many projects, the environment plays a central role. Such issues are addressed through the operational support systems that have been employed by the Group for several years and which as early as the planning stage show the effects of, for example, product selection, any harmful substances, contamination, emissions and energy consumption.

The control of projects is of decisive importance to minimizing problems and thus costs. To improve the control and follow-up of operations, NCC uses various management systems. A large proportion of Group units are quality and environmentally certified, particularly those in the Swedish organization.

PROFIT RECOGNITION

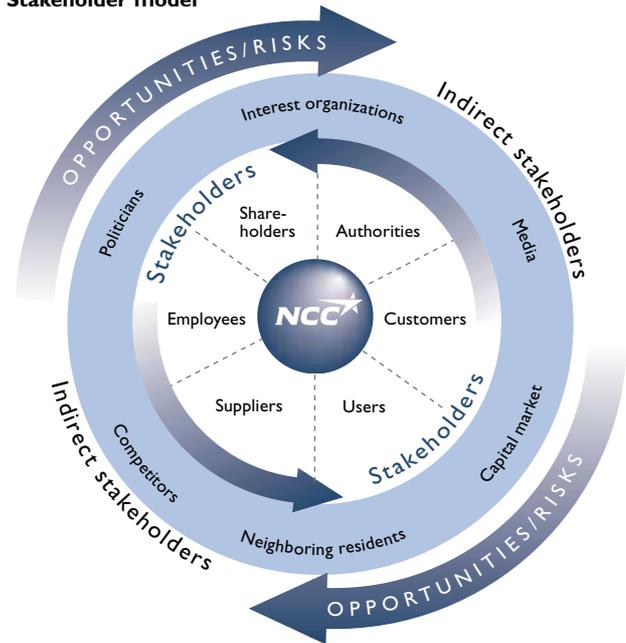
NCC and many other companies in the sector apply the percentage-of-completion method for the profit recognition of contracting operations. A specific form of profit recognition is applied for NCC's proprietary housing projects, whereby profit is recognized based on either the worked-up rate or the sales rate, whichever is lower. This eliminates the risk of recognizing profit from proprietary housing projects before a sale has been completed.

So-called zero recognition is applied for contracting projects with a value exceeding SEK 100 M. This means that no profit is recognized before 50 percent of the project has been completed (worked up). Further information on profit recognition is presented on page 56.

FINANCIAL CONTROL AND EXPERTISE

NCC's strategy includes an emphasis on profitability and close and responsible interaction with customers. Prerequisites for achieving these aims are adequate control mechanisms and a reliable system for managing financial risks, combined with highly specialist and accessible business support in the financial arena. Within NCC, finance activities are concentrated in a corporate

Stakeholder model



NCC's direct stakeholders are customers, users (our customers' customers), suppliers, employees, shareholders and authorities. The Group is also surrounded by several indirect stakeholders who can influence NCC. In turn, NCC can influence its stakeholders. This situation results in both opportunities and risks. The manner in which NCC satisfies the requirements and expectations of its stakeholders is of vital importance to the success of NCC's business operations. Accordingly, in-depth knowledge of the stakeholders involved is of strategic importance.

unit that operates on a commercial basis. The regulations for finance activities are stipulated in the Group's finance policy, which focuses on limiting the adverse impact of financial risks on the Group's earnings. The Finance function consists of the Corporate Staff and three specialist units.

NCC Treasury AB

NCC Treasury AB coordinates the Group's financial flows and actively manages the related risks. The unit is also responsible for NCC's borrowing and functions as the Group's internal bank. NCC Treasury's return on the liquid assets it manages is assessed in relation to Handelsbanken's money market index, which was outperformed in 2002.

NCC Structured Finance

NCC Structured Finance develops customized financial solutions that are linked to the products and services provided by the Group and offers these solutions to NCC's customers. A broad spectrum of financial solutions is offered, including grants and conditional loans from, for example, the EU.

NCC Insurance/RM

The Group's insurance and risk-management activities are handled and coordinated by NCC Insurance/RM.

NCC Insurance AB is the Group's own direct insurance company. Via the in-house reinsurance company, NCC Re, insurable risks are reinsured in the international reinsurance market.

EMPLOYEES

CHANGE STARTS WITH THE EMPLOYEES

At the end of 2001, NCC initiated efforts to increase the Group's profitability radically. The efforts included shifting the business focus towards activities that generate increased value, such as the creative concept work conducted within property development and the partnering format in contracting operations.

This process of change means that NCC is becoming more of a knowledge company. The traditional general contracts are being replaced by negotiated contracts, project development and partnering. The relations with customers, suppliers and subcontractors are becoming more open, based on mutual trust.

An important part of this work entails ensuring that NCC's employees have the appropriate knowledge and experience, as well as the required values. Training programs to help achieve this were conducted in all of NCC's markets during the year. Essentially, it is also a matter of developing leadership based on NCC's values.

LEADING THROUGH VALUES

The values are expressed in visible management that underlines responsibility, focus and simplicity. The implementation of these values was conducted using focused activities throughout NCC. See text box below.

The extent to which leadership actually works and how well it highlights NCC's values is measured through a Human Capital Index (HCI), based on an annual survey of all personnel. The survey results are used as a basis for development activities in all operations. The issues addressed include openness and honesty in management, confidence in managers, information at workplaces and goals for operations. The following table shows the response pattern for NCC's four Nordic markets.

Important aspects of leadership at NCC

(from HCI survey in 2002)

Percentage that believed that ... (%)	Sweden	Norway	Denmark	Finland
... my manager is open and honest	67	79	72	69
... I have great confidence in my manager	63	76	78	72
... I am well-informed about what is important for doing a good job	61	57	62	65
... we have distinct goals at my workplace	56	81	65	72

NCC can already be regarded as a knowledge company and will become even more knowledge-oriented in the future. As a result, skills development and having employees who are proud of working at NCC will become increasingly important, since the employees' pride in their own roles and in their company is of vital importance to the competitiveness of a knowledge company. According to the HCI survey, an important reversal of trends in this respect occurred in 2001, which was further strengthened in 2002 (see table below).

The results shown in the table pertain to Swedish operations, although a similar trend is noticeable in all of the Nordic countries.

Employee pride in NCC – Trend in Sweden

Percentage in Sweden that believed that ...	1998	1999	2000	2001	2002
... I am proud of working at NCC	63	60	52	56	58

Employee pride in NCC – Difference between Nordic countries (2002)

Percentage that believed that ...	Sweden	Denmark	Finland	Norway
... I am proud of working at NCC	58	71	72	77

PRACTICAL APPLICATION OF VALUES

During 2002, a large number of uniformly structured seminars were conducted within NCC Construction Sweden to address the practical application of NCC's values. The objective was for all employees to participate in a values seminar. The achievement of this objective is measured in the annual HCI survey.

Seminars on NCC's values conducted within NCC Construction Sweden

This is how our employees responded to the question: "Have you participated in a review/discussion about what NCC's values mean at your workplace?"

	White-collar	Blue-collar	Total
	62%	33%	45%

EMPLOYEE TALKS FOR CONTINUED DEVELOPMENT

Career-development talks are an important tool for shaping the Group's skills development. Well-organized career-development talks provide inspiration and potential for an in-depth dialog between managers and employees. Accordingly, NCC's objective is to provide well-prepared and well-implemented career-development talks for all employees each year. Sweden accounted for the highest proportion of career-development talks in 2002, based on rates of 83 percent of all white-collar employees and 42 percent of blue-collar employees (see table below).

Employees who have attended career-development talks
percentage (from HCI survey 2002)¹⁾

	White-collar	Blue-collar	Total
... Sweden	83	42	61
... Norway	59	20	39
... Finland	69	23	49

¹⁾ Career-development talks in Denmark are not monitored in HCI surveys.

Development power of management
(from HCI survey 2002)

Percentage that believed that ...	Sweden	Norway	Denmark	Finland
... my manager is interested in my development	52	51	49	41

KNOWLEDGE FROM THREE SOURCES

New knowledge originates from education, on-the-job training and external recruitment. In efforts to increase NCC's competitiveness, it is vital that in-house and on-the-job training are conducted in strategic areas and function as a support for implementing the strategy.

Training

The policy for training within NCC highlights the connection between strategies and training. In 2002, the average number of training days in the various countries ranged from 1.8 to 2.0 (see following table).

Training activities 2002

(average number of training days)

	White-collar	Blue-collar	Total
Sweden	3.7	0.7	2.0
Norway	0.7	0.3	0.4
Denmark	3.3	0.6	1.8
Finland	3.4	0.6	1.8

TRAINING THAT SUPPORTS VISION AND STRATEGY

NCC Group – Business Creation

In 2002, NCC conducted its first Group-wide management program. The participants were highly qualified managers from Sweden, Norway, Denmark, Finland, Germany and Poland. The program was organized by NCC University, supported by personnel and development functions in Finland, Denmark and Norway, which each took responsibility for a module. The program provided business know-how through practical studies of successful business concepts. Concepts that were examined in detail included partnering in Denmark, Business Parks in Finland and business with an environmental focus in Norway. The program lasted 14 days. A total of 18 regional managers or future regional managers participated in the program.

NCC Construction Finland – Management Training Program

For the second consecutive year, NCC Construction Finland conducted an extensive, advanced-level training program for 17 future managers. The program is inte-



NCC Technology offers project-design, project-management and technical-development services to the NCC Group's various units and their customers. Anna Nordquist, Alf Nilsson and Sasha Lee are three of NCC Technology's employees.

Training in competition legislation, business ethics, partnering and project purchasing, which are expressly strategic business-related areas, was described earlier (see page 14). A selection of other important training courses that support NCC's vision and strategy is presented below.

On-the-job training

As a result of forceful efforts to develop leadership and management-by-objectives, NCC's employees believe that they are currently given greater responsibility for making independent decisions about how their work assignments should be conducted. This is evident from the following trend noticeable in the HCI survey.

Percentage in Sweden that believed that...	1998	2000	2002
... I decide independently or almost independently how to conduct my work	36 ↗	41 ↗	43

This is an extremely positive development that can also be detected in other Nordic countries. The trend also indicates the need for increasingly distinct goals and a greater focus on skills development. A key source of development in this context is the on-

grated into the manager-supply system and is a compulsory step towards senior management. It comprises 20 days and covers all of the areas of strategic management, such as business development, business finance, project finance, marketing and management. Major importance is attached to entrepreneurial innovativeness, business plans and visible leadership.

NCC Construction Norway – Recruitment and skills program for graduate engineers

During the year, NCC Construction Norway offered students aiming to become graduate engineers the opportunity to perform practical work, in parallel with their studies, at selected construction sites during their summer vacation. In addition, the students participated in training courses at NCC, which were organized in the form of four seminar days. The program had a total of 20 participants. It has become a major success and is now an established method of recruiting future managers.

the-job training pursued systematically within NCC. This entails being given new duties and challenges, and accepting them – or changing organizational domicile to try something new and develop. The challenge is to secure on-the-job training through inspirational leadership and values that support internal mobility.

The way on-the-job training works is measured in the HCI. Major differences are noticeable between various occupational categories and operations (see table below).

It is interesting to note how well the statistics reveal the consistent training efforts for blue-collar workers pursued in Finland.

Differences in on-the-job training

(from HCI survey 2002)

Percentage within NCC Construction Sweden and Finland who believe that ...	White-collar Sweden Finland		Blue-collar Sweden Finland	
... I have opportunities to develop my knowledge and skills at work	72	79	42	60

To ensure its success, on-the-job training must be supported by systems and programs, such as the SeeMee recruitment system. Tools for successful on-the-job training are described in closer detail below.



Denis Lyovin, one of about 25,000 NCC employees, spent most of his working time in 2002 at NCC's project in Frösunda, Solna.

External recruitment

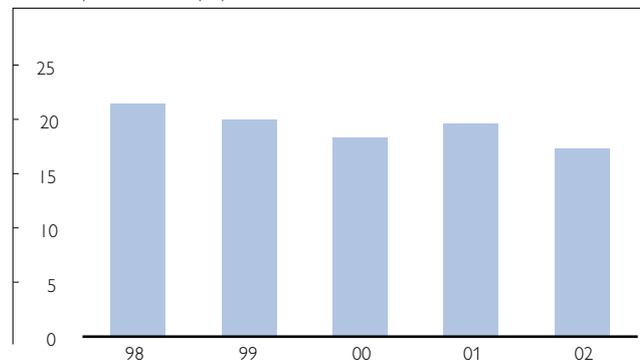
External recruitment involves renewal and rejuvenation of the organization, while adding new skills. From this perspective, university-educated engineers comprise a key target group for external recruitment efforts, since they form the basis for future managers and provide a flow of innovative thinking, particularly in production. In 2002, NCC recruited 108 employees from this category, including 18 women. This is considered to be a favorable result, considering the major organizational changes that have been implemented.

WORK ENVIRONMENT

Safe and secure workplaces and healthy employees are of vital importance to the operations. The active efforts made for several years to prevent injuries have contributed to a reduction in industrial accidents.

The difference in work-environment legislation and social insurance systems between the various countries complicates the presentation of common statistics. There is a unit for health and work-environment issues within the Swedish operations, aimed at organizing operations in the areas of work environment, keep-fit, healthcare and rehabilitation. The objective is to enhance the health awareness and job satisfaction of NCC's personnel. The primary goal is to break the upward trend in the employees' absence due to illness.

Occupational injuries, number of occupational injuries per million hours worked by blue-collar employees in Sweden



The rate of occupational injuries remains low and has declined steadily. The main causes of occupational injuries are falls (27.7%) and work involving handheld tools (20.5%).

TOOLS FOR SUCCESSFUL ON-THE-JOB TRAINING

NCC Group – SeeMee

SeeMee is a system aimed at facilitating employee mobility. During 2002, SeeMee was used to its fullest extent in Sweden and was installed and put into operation in the other Nordic markets. In 2002, 80 employees changed jobs internally via this system and about 1,500 expertise profiles had been registered by year-end. The system has also been developed into an instrument for external recruitment.

NCC International Projects – international project management

During the year, a program was conducted aimed at building knowledge for future roles in international project operations. The program is based on participants who are already connected to international operations, thus enabling the knowledge gained to be applied immediately. The program, which comprises five weeks spread over 18 months, focuses on the specific international features in the area, such as project tendering and negotiations, project design, logistics, contract legislation and financing. In 2002, 14 employees from Sweden, Norway, Den-

mark, Singapore, St. Petersburg, the Dominican Republic and Poland attended the program.

NCC Construction Sweden – development program for the management team

The executive management team consists of all regional managers and staff managers at national level. The entire management team participated in a program aimed at clearly defining "visible leadership" using NCC's values as a guideline, and which was distinctly linked to the values seminars conducted within NCC Construction Sweden, as described earlier.

Since on-the-job training functions as the starting point for the management team's program, it is an integrated part of ordinary management team meetings, which have therefore been extended. The program is followed up, quality-assured and compared against the established goals on a continuous basis.

NCC AND SUSTAINABLE DEVELOPMENT

OPPORTUNITIES AND RESPONSIBILITIES

NCC develops and builds future environments for work, housing and communications. Work in this area must be characterized by customer focus, simplicity and responsibility, and our customers must be able to expect a bit more from NCC. The same principles also apply in the area of sustainable development.

The manner in which society is currently developing is not sustainable. Today, life-sustaining natural resources are being destroyed as the natural environment is contaminated and eradicated in various ways. At the same time, the human population is growing and the gap between rich and poor is widening. These factors in combination are jeopardizing the potential of future generations to meet their own needs.

NCC aims to contribute to a reversal of the current trend so that the overall scope for welfare, health and prosperity increases. This will require many new ideas and open, trusting and long-term cooperation with customers, users and suppliers.

NCC's ambition is to enter the value chain at an earlier stage and, by seeking optimal solutions for the future throughout the construction process, to contribute to the sustainable development of society.

All NCC employees have a joint responsibility for choosing the right materials and construction methods to ensure that the Group's operations develop along sustainable lines. Group management is responsible for the strategic platform, meaning defining what success in terms of sustainability means for NCC and designing a process for steering operations in the appropriate direction.

Executive Management issues the overall directives that affect the entire Group, in the form of, for example, an environmental

policy, general environmental objectives and lists of harmful substances whose use is forbidden within NCC. Each business area has secured sufficient local competence and the necessary tools to support work at the operational level. The Swedish operations, for example, currently have at their disposal employees with expert knowledge of the environmental, health and work-environment areas. More than 50 percent of the Group's various units hold environmental certification, the largest proportion of such certified units being in Sweden. During 2002, NCC Property Development introduced an integrated operational management system that enables social issues and quality and environmental matters to be handled in parallel with development work. NCC Construction Sweden will place a similar system in operation during 2003.

The primary method of contributing to sustainable development is creating products for the future, which often takes place within the framework of research-related projects. This is exemplified by the prize-winning Holmen housing project in the Hammarby Sjöstad waterfront development in Stockholm, construction of which began during 2002. This project incorporates systems for recovering heat from wastewater and ventilation systems, and solar cells to reduce the buildings' energy requirement.

The management training programs and values-based dialogs that are under way within NCC are examples of the forums within which Group management's objectives and strategies are discussed and implemented. A general sustainability analysis of all NCC operations was initiated in 2002, with the results serving, among other purposes, as the basis for a more precise definition of the Group-wide fundamental values that were established during 2001.



The best way to contribute to sustainable development is to create products that satisfy the needs of the future. At Hammarby Sjöstad, Stockholm, NCC Construction Sweden is developing renewable sources of energy. The idea is to prepare the entire area so that it will be compatible with various types of ecological solutions. The energy solutions of tomorrow are being tested in Glass Building 1, Hammarby Sjöstad's environmental information center. One of the solutions involves converting solar cell energy into electricity and heat via fuel cells.

NCC's STAKEHOLDERS

EXTERNAL RELATIONS

NCC faces expectations and demands from many different stakeholders. How NCC lives up to these expectations is a decisive factor for the Group's success in its business operations. The matrix below summarizes NCC's aims and objectives, the success factors for achieving these goals, and examples of measures relating to each stakeholder category.

	AIMS AND OBJECTIVES	SUCCESS FACTORS	MEASURES IMPLEMENTED	MEASURES PENDING
CUSTOMERS	<p>Strong, long-standing customer relations.</p> <p>Customer benefit in all activities.</p> <p>High level of competence.</p> <p>Contribute to sustainable social development.</p> <p>Satisfied customers.</p>	<p>Personal relations.</p> <p>Technical competence.</p> <p>Partnering.</p> <p>Innovation.</p> <p>Training.</p>	<p>Partnering introduced Group-wide.</p> <p>Training programs in project management, etc.</p> <p>Dialog on values.</p>	<p>Implementation of shared fundamental values.</p> <p>Partnering project for sustainable construction.</p>
USERS	<p>Create healthy built environments.</p> <p>No harmful substances.</p> <p>No climate-changing impact during useful life of buildings.</p> <p>Satisfied users.</p>	<p>Technical expertise.</p> <p>Well-conceived design.</p> <p>Innovation.</p> <p>Energy efficiency.</p> <p>Continuous dialog.</p>	<p>Future-oriented studies of new values.</p>	<p>Offer environmentally certified buildings.</p>
SHAREHOLDERS	<p>Increased value growth.</p> <p>15% return on shareholders' equity.</p> <p>Positive cash flow.</p> <p>30% equity/assets ratio.</p>	<p>Focus on core business.</p> <p>Simple organizational structure and decision-making channels.</p> <p>Customer value in all activities.</p>	<p>Reorganization.</p> <p>Focus on Nordic region.</p> <p>Intensified product and customer focus.</p>	<p>Ensure implementation of changes in all operations.</p> <p>Profitable growth.</p>
EMPLOYEES	<p>Open internal dialog.</p> <p>Low level of sick leave and zero work-related accidents.</p> <p>Motivation, commitment and innovation.</p> <p>Satisfied employees.</p>	<p>Clear, value-guided and supportive leadership.</p> <p>Influence over own work.</p> <p>Recruit and retain the best employees.</p> <p>Simple and clear internal communication.</p> <p>Safe work environment.</p>	<p>Simpler and clearer organization and responsibilities.</p> <p>Management training.</p> <p>Employee interviews.</p> <p>"SeeMee", recruitment system for internal and external recruitment.</p> <p>Preparation of guidelines for business ethics.</p>	<p>Implementation of shared fundamental values.</p>
SUPPLIERS	<p>Strong, long-standing relations with a limited number of suppliers.</p> <p>Reduced costs.</p>	<p>Personal relations.</p> <p>Efficient purchasing process.</p> <p>Technical competence.</p> <p>Knowledgeable product-range team.</p> <p>Innovation.</p>	<p>E-trading system.</p> <p>Coordinated purchasing across national boundaries.</p> <p>Training in cooperation with suppliers.</p>	<p>Implementation of shared fundamental values.</p>
AUTHORITIES	<p>Provide best possible documentation prior to political decisions.</p>	<p>Show understanding for the role of the authorities.</p> <p>Continuous dialog.</p>	<p>Dialog with municipal administrations and government authorities and departments.</p> <p>Discussions regarding new forms of procurement.</p>	<p>Continued dialog.</p> <p>Reduced construction costs.</p> <p>Adapting legislation in order to expand opportunities for partnering concepts.</p>
INDIRECT STAKEHOLDERS	<p>Be perceived as open and credible.</p> <p>Increase awareness of and knowledge about NCC.</p>	<p>Participation in public debates.</p> <p>Dialog with nearby residents.</p> <p>Dialog with media.</p>	<p>Involvement in member organizations and industry organizations.</p> <p>Brand campaign.</p>	<p>Long-term, systematic brand-building.</p> <p>Dialog with stakeholders.</p>

GROUP OVERVIEW

OPERATIONS IN 2002

NCC CONSTRUCTION



NCC Construction develops and implements building, residential and civil engineering projects. In 2002, operations were conducted in Sweden, Norway, Denmark, Finland, Germany and Poland, with a distinct focus on the Nordic market. As of 2003, Polish operations are part of NCC International Projects. The construction of housing and buildings is mainly concentrated around high-growth locations in the Nordic region. NCC Construction is organized geographically into national units, with each Country Head reporting to the Chief Executive Officer.

NCC INTERNATIONAL PROJECTS



NCC International Projects conducts large and technically advanced civil engineering projects in selected international markets and in Nordic markets jointly with local NCC Construction units. Projects are currently under way in mainly Europe, Southeast Asia, Central America and East Africa.

NCC PROPERTY DEVELOPMENT



NCC Property Development develops and adds value to properties and land to create attractive, high-quality workplaces for tenants and to offer profitable commercial properties for investors. The business area's image as a value-generating property developer has been strengthened in recent years as a result of sales of completed properties.

NCC ROADS



NCC Roads provides the products and services required to build, operate, maintain and service highways. Activities comprise the production of raw materials, paving operations and service and maintenance activities.

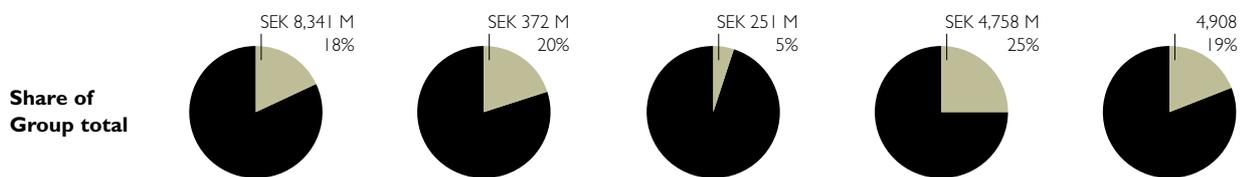
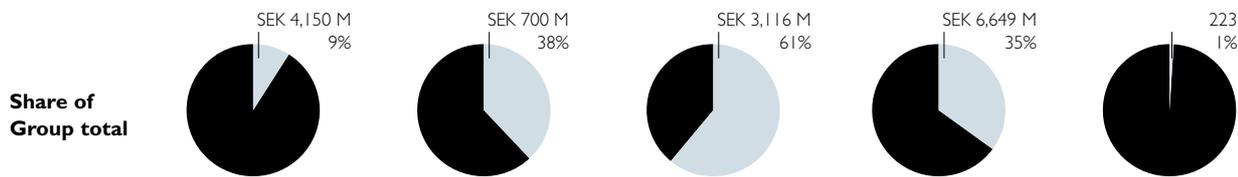
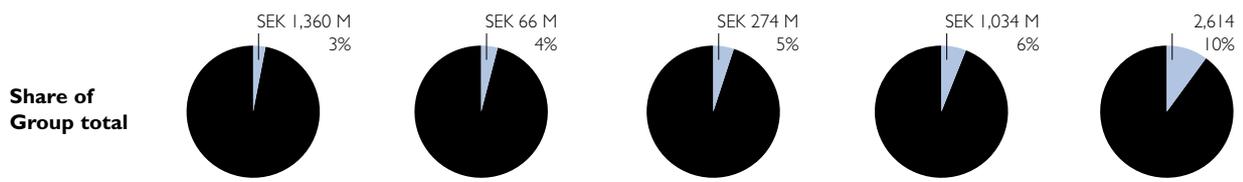
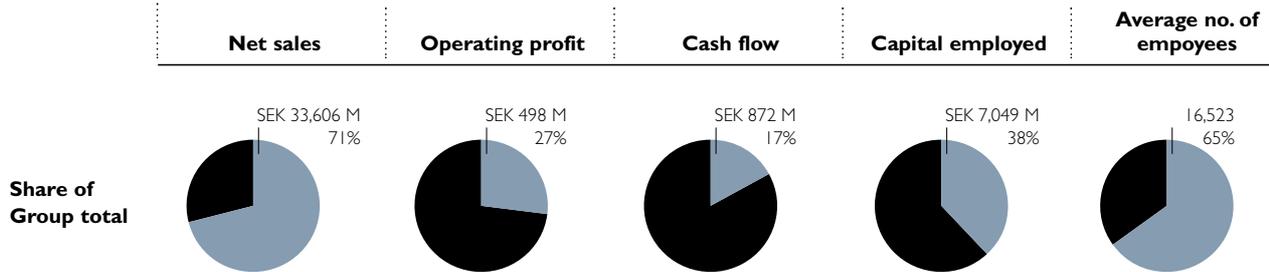
ALTIMA



Since January 1, 2002 NCC's machinery operations have been concentrated in Altima, which is active in the Nordic Region, the Baltic States and St. Petersburg, Russia. In addition to construction companies, customers include other industrial sectors and the public sector. NCC's construction operations constitute the largest customer, but the percentage of external customers has increased steadily since Altima was established as an independent company.

Group structure

	NCC Construction	NCC International Projects	NCC Property Development	NCC Roads	Altima
Sweden	■	■	■	■	■
Denmark	■	■	■	■	■
Finland	■	■	■	■	■
Norway	■	■	■	■	■
Germany	■	■	■	■	■
Poland	■	■	■	■	■
The Baltic States				■	■
Other countries		■	■		■



GROUP TOTAL

SEK 45,165 M

SEK 1,820 M

SEK 5,120 M

SEK 18,759 M

25,554



NCC CONSTRUCTION

FOCUSING ON THE NORDIC REGION

NCC Construction develops and implements building, residential and civil engineering projects. Operations are mainly concentrated in the Nordic market. The hallmarks of 2002 were major structural changes and a trend toward a higher percentage of building and residential construction, as well as cost-cutting measures.

In recent years, the growth trend in the Nordic building market has been slow but stable. Housing construction, in particular, increased in 2002, while investments in civil engineering projects declined. NCC estimates that the Nordic market as a whole will not grow in the next few years. Demand will also soften in previously strong submarkets and segments.

Conditions in the construction market vary from country to country, region to region and segment to segment. Political game rules are highly important, not least where decisions regarding major investments in highways, railways, tunnels and bridges are concerned. Housing policies and incentives for the construction of public buildings and housing are other key factors. In NCC's opinion, the benefits of cross-border coordination are limited. Accordingly, NCC Construction has operated in a country-based organization since 2002, and the Country Heads of the Nordic units are members of the Corporate Management Group.

NCC's project structure also affects the potential for coordination between different countries. Contracts generating total sales of less than SEK 5 M accounted for about two-thirds of NCC's contract-

ing projects in 2002, while the portion of projects with a value exceeding SEK 100 M was less than one tenth (see figure on page 25).

Since NCC's future geographical focus will be on the Nordic market, there will be no expansion in Germany, where operations are conducted in a clearly defined geographical area (Berlin) and consist primarily of housing production. As of 2003, all civil engineering operations in Poland, which essentially consist solely of the subsidiary Hydrobudowa, are organized within NCC International Projects. NCC intends to divest its shareholding in Prinz, a Polish civil engineering company.

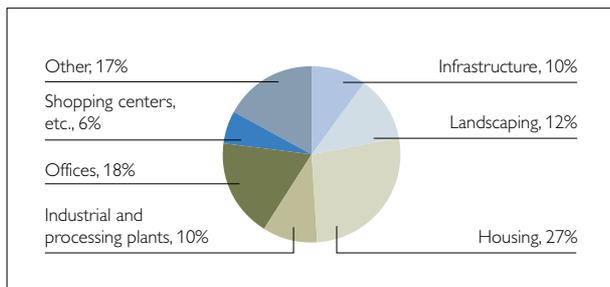
STRUCTURAL CHANGES GENERATE PROFITABILITY

The year 2002 was characterized by major structural changes following the Group's "Turnaround" action program. The civil engineering operations in Finland and western Denmark were phased out and the Norwegian activities were restructured. Large parts of NCC's other operations were also restructured. The main priorities in 2002 were profitability rather than volume, selective project tendering and clear leadership. Improvements proceeded as planned in all units except those in Norway, where additional actions to restore profitability in the future were taken in autumn 2002, such as the appointment of a new management team.

The introduction of a geographical organization has reduced overhead costs and increased efficiency.

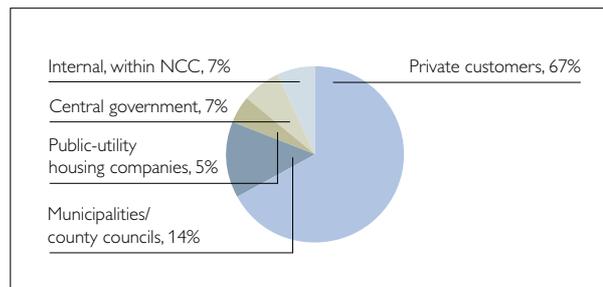
As a result of NCC's more selective project-tendering policy in 2002, business volume declined slightly, particularly in the civil engineering segment. As of 2002, major civil engineering projects are included in the NCC International Projects business area.

Product mix, percent

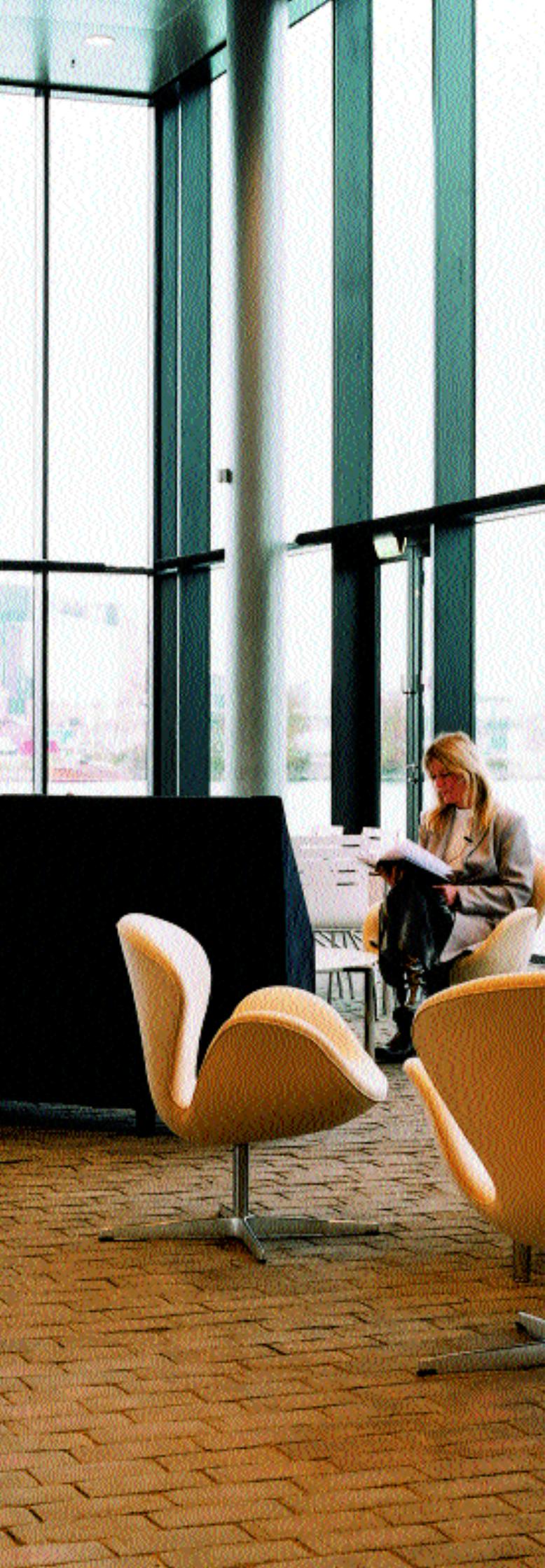


In terms of sales, NCC Construction mainly built housing and offices in 2002, with a distribution noticeable throughout the Nordic region. Housing (27 percent) and offices (18 percent) include contracts conducted on behalf of others and proprietary projects. In Norway, the share of infrastructure projects was slightly higher.

Customer mix, percent

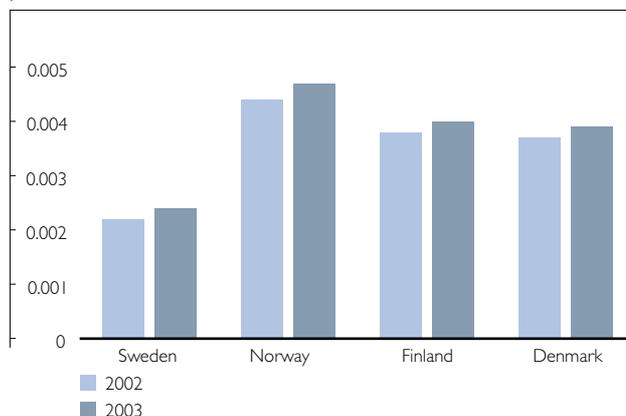


Since housing and offices accounted for most of the sales in 2002, private customers were NCC's largest customer category during the year. Public-utility housing companies were the largest customer category in Finland, while central government authorities were the largest category in Norway.



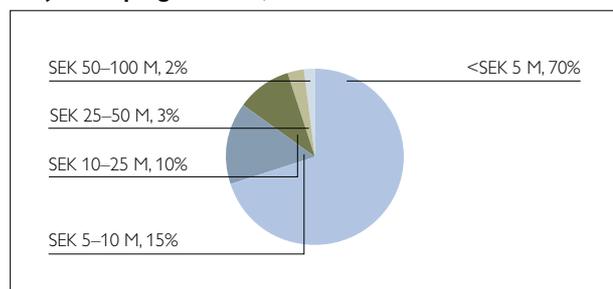
NCC's vision includes developing tomorrow's environments for working, living and communication. In 2002, NCC completed the Danish Trade Union Council's new head office on one of Copenhagen's many wharfs. The open interior design with high windows at an optimal angle allows daylight to flood the interior while providing those who work there with a view of the water.

Nordic housing production in 2002 and 2003, per thousand inhabitants



Although Sweden is the most populous Nordic country, it is not the country where most housing has been built. This has resulted in a housing shortage in most growing municipalities, not least in Stockholm. Development of the Swedish market has been held back by the regulation of rent levels. Sweden also taxes housing at both the producer and consumer levels. Norway is the country where most housing has been built. (Source: Euroconstruct.)

Projects in progress 2002, NCC Construction Sweden



NCC's various construction units perform a large number of different projects of varying sizes. The most typical NCC project has revenues of less than SEK 5 M. During 2002, projects with revenues less than SEK 5 M totaled 70 percent in NCC Construction Sweden. (Source: Euroconstruct.)

Nordic contracting market 2003 and 2004

% forecast	DK	FI	NO	SE
Roadwork and civil engineering	-5	+3	+4	+6
Housing construction	+4	+4	-1	-1
Other building construction, incl. industrial	-3	-3	-3	-5
Total market trend 2003	0	1	0	0
Forecast 2004	0	2	1	0

(Source: NCC.)

NCC's assessment is that the Nordic contracting market as a whole will not grow during 2003 and 2004.

NCC CONSTRUCTION SWEDEN

NCC Construction Sweden is responsible for the Group's construction operations in Sweden – building and housing as well as civil engineering projects. Operations cover a broad field, ranging from small assignments to multi-year projects amounting to hundreds of millions of Swedish kronor. During 2002, sales totaled SEK 17.6 billion, resulting in operating profit of SEK 406 M.

The production resources for building and civil engineering operations are divided into six geographical contracting regions. In addition, Housing – a special unit within NCC Construction Sweden – is responsible for developing residential projects from the concept stage to ready-for-occupancy houses and apartments. The business area also includes five specially focused units that deal with specific customer segments, such as Däldehög, a company that focuses solely on building gasoline stations (see organization chart on page 27).

THE CONSTRUCTION MARKET IN SWEDEN

The competitive situation is characterized by a few large players and a large number of local construction companies, while the number of regional construction companies is limited. NCC's principal competitors in the Swedish market are Skanska and Peab, plus JM in the residential segment. In the civil engineering market, NCC competes with major international contractors.

Competition in the construction market was intense in 2002, as demonstrated by the depressed margins in the industry, not least in the small-project segment, where many local players can be involved. In line with NCC's strategy of focusing on profitability and applying a selective project-tendering policy, the company elected not to bid for certain large projects where the risks were not regarded as reasonable

in relation to the commercial opportunities. NCC will continue to prioritize profitability ahead of volume.

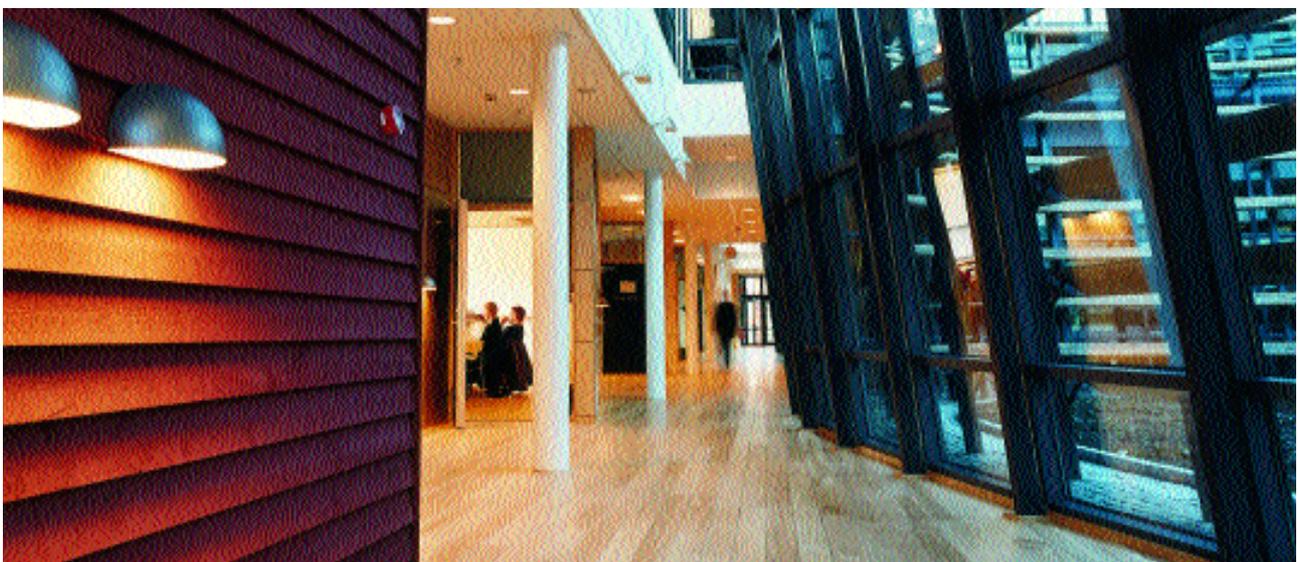
The Swedish construction market is not expected to grow during 2003 and 2004. Public civil engineering investments (in highways, railways and the like) are expected to increase, while private building construction (offices and stores) and residential construction are expected to decrease.

CONTINUED INVESTMENTS IN HOUSING PROJECTS

The number of housing-development rights held by NCC increased by nearly 50 percent between 2000 and 2002, with a particularly sharp rise in the Stockholm area. Since the company holds more than 7,100 development rights in Stockholm, it has a solid platform for continuing to focus on the proprietary development of housing projects. One example is Frösunda in Solna, north of Stockholm, where NCC is developing a complete urban district and will build 1,500 residential units and 40,000 square meters of office space during the period up to 2005. Ulriksdalsfältet in Solna (500 apartments), Ursvik in Sundbyberg (1,000 apartments) and Beckomberga in Stockholm (200 apartments) are other examples.

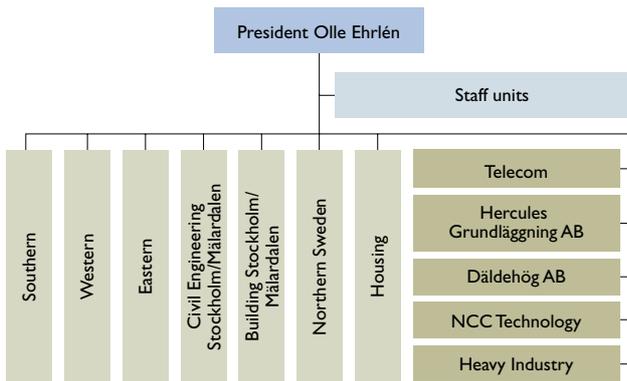
In 2002, NCC's entry – "The good life" – won the "Build so that we can afford to live" contest, arranged by SABO (Swedish Association of Municipal Housing Companies). The award was recognition of NCC's position at the forefront of efforts to develop the building process so that more customers can be offered reasonably priced, attractive housing.

NCC's partnering concept was further refined and implemented throughout the organization in 2002. Highway 339 between Hökvattsån and Öjån in Jämtland, for the National Road Administration, and project Kylcentraler in Gothenburg, on behalf of Göteborg Energi, are examples of partnering projects.



NCC built Sweden's largest modern wooden building, located near Växjö. The building was commissioned by Videum and is used by Växjö University. Varying types of wood with inspiring shapes create a soothing and pleasant environment for the students.

NCC Construction Sweden's organization



NCC's housing-development rights in Sweden

Year	Number	of which, in Stockholm region
2000	8,800	4,600
2001	12,800	6,600
2002	13,000	7,100

Access to development rights is a prerequisite for being able to develop attractive housing projects. Since 2000, NCC has increased its development rights by 50 percent.

MEASURES TO BOOST PROFITABILITY

During 2002, NCC Construction Sweden implemented a comprehensive restructuring program. Unprofitable units were phased out and the number of geographical regions was reduced from 23 to 6, plus Housing. The restructuring has resulted in lower costs, greater clarity for customers and partners and better internal interaction. As a result of the actions taken, a total of 1,300 employees, including 500 employees in administrative staff units, left the organization during 2002. Mainly as a result of the action program, operating profit improved to SEK 406 M (125).



The Koffen parking building at Stena Line's Denmark Terminal in Gothenburg is an NCC-constructed modern parking facility that resolves the parking requirements of the client, Göteborgs Stads Parkerings AB. Well-conceived logistics facilitate traffic flows to and from the building, while a space-efficient layout enabling more cars to park in the limited floor area reduced the construction cost for the customer.

NCC CONSTRUCTION SWEDEN

Share of Group total

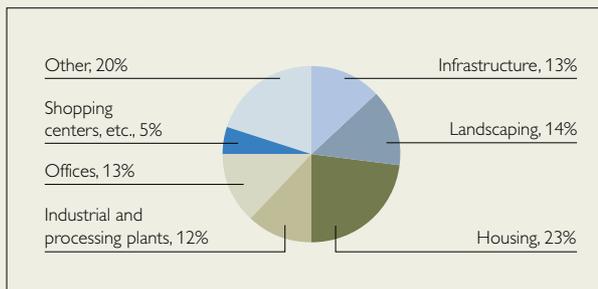
Net sales	Operating profit	Cash flow	Capital employed	Average no. of employees
39%	22%	1%	14%	35%



SEK M	2002	Pro forma 2001
Orders received	15,297	21,333
Order backlog	9,532	11,142
Net sales	17,562	19,147
Operating profit, EBIT	406	125
Capital employed at year-end	2,675	3,674
Cash flow before financing	47	
Operating margin, %	2.3	0.7
Return on capital employed, % ¹⁾	19.3	neg.
Investments in fixed assets and properties held for future development	155	509
Average number of employees	8,843	

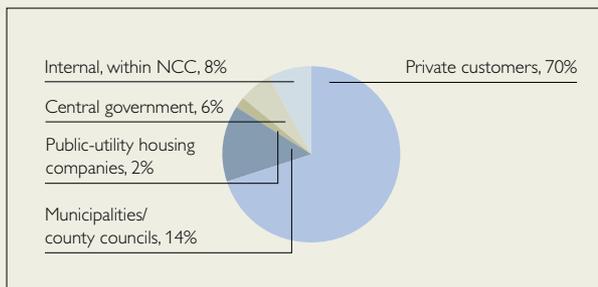
¹⁾ Return figures are based on average capital employed.

Product mix, percent



In 2002, NCC Construction Sweden operated with a broad product base and held strong positions in virtually all market segments. In terms of sales, residential construction was the largest segment, accounting for 23 percent.

Customer mix, percent



During 2002, private customers accounted for 70 percent of NCC Construction Sweden's sales. Private customers include tenant-owner associations, the customers who order the construction of tenant-owned apartments.



President Olle Ehrlén

NCC CONSTRUCTION DENMARK

The Danish construction and civil engineering market was characterized by uncertainty and sluggishness during 2002, but remained at a relatively high level, following a number of years of buoyant growth. The market for housing – multi-family buildings and single-family homes – was favorable during 2002, while demand for civil engineering, renovations and other new buildings (offices and industrial premises) declined. Sales in 2002 totaled SEK 5.7 billion, resulting in operating profit of SEK 144 M.

NCC Construction Denmark has worked consistently to develop project managers, in-house production facilities and management tools that support the development and implementation of projects. As a result, the company has secured a strong position in the Danish market. NCC has also become known and recognized in Denmark for its target-oriented program to introduce “partnering” as a form of cooperation in the building process. A large number of satisfied customers from different partnering projects confirm that this is a suitable approach. In 2002, partnering projects accounted for approximately one fourth of completed construction assignments, particularly among those conducted for public-sector customers. At year-end, approximately one quarter of the order backlog for building construction consisted of partnering projects.

NCC Construction Denmark’s strongest position was in the market for office construction, with an approximately 10-percent share. The overall market share in 2002 was approximately 6.5 percent. Through the subsidiaries Bülow & Nielsen and O.C. Huset, NCC was the leading builder of single-family housing, although its share of the multi-family segment is small.

PARTNERING – A STRONG COMPETITIVE WEAPON

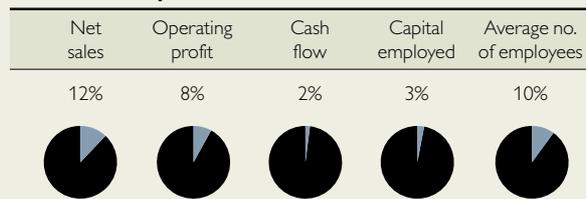
Competition in the Danish construction and civil engineering market increased in 2002, exerting increased pressure on prices. At the same time, partnering – the new form of cooperation based on joint objectives, openness and trust – became well established and is expected to be of major importance to the future development of the Danish construction market.

A restructuring of the consulting segment is under way, whereby fewer companies will consider the Nordic region as their home market, a trend that could have a bearing on the future competitive situation. NCC’s largest competitors in the construction sector are MT Højgaard, Skanska and Hoffman. As a result of the severe price competition, earnings capacity in the industry is generally low.

With the objective of enhancing profitability, operations were reduced during 2002 in terms of sales and the workforce. The civil engineering operations in Jutland and Fyn were liquidated, as were a number of other less profitable units. Construction capacity was adapted to the reduced demand expected in the years ahead, while the number of corporate-level employees was adjusted accordingly. About 150 administrative employees were laid off. Operating profit improved to SEK 144 M (loss: 26), mainly as a result of the action program.

NCC CONSTRUCTION DENMARK

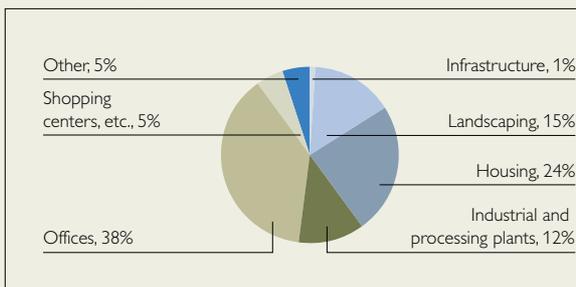
Share of Group total



SEK M	2002	Pro forma 2001
Orders received	5,377	7,915
Order backlog	4,348	4,820
Net sales	5,689	7,058
Operating profit, EBIT	144	-26
Capital employed at year-end	511	614
Cash flow before financing	122	
Operating margin, %	2.5	-0.4
Return on capital employed, % ¹⁾	27.0	neg.
Investments in fixed assets and properties held for future development	153	252
Average number of employees	2,484	

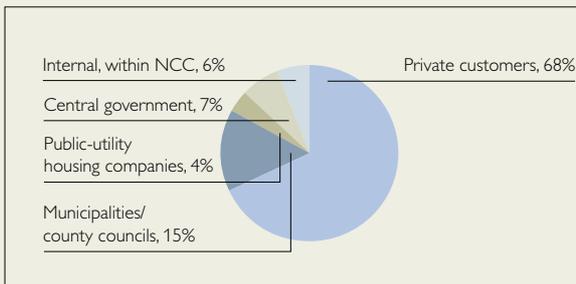
¹⁾ Return figures are based on average capital employed.

Product mix, percent



In 2002, NCC Construction Denmark noted the largest share of office construction (38 percent) among all the NCC business areas. Housing, landscaping and industrial projects were other important cornerstones in Danish operations during the year.

Customer mix, percent



The large share of office construction in Denmark during 2002 is reflected in the fact that private customers constituted the largest customer category during the year. Municipalities and county councils also comprised a relatively large customer category in Denmark, in part because of construction of schools and hospitals.



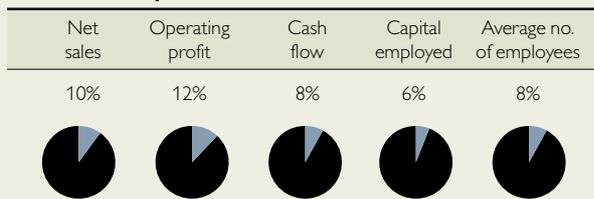
President Søren Ulslev



NCC CONSTRUCTION FINLAND

NCC CONSTRUCTION FINLAND

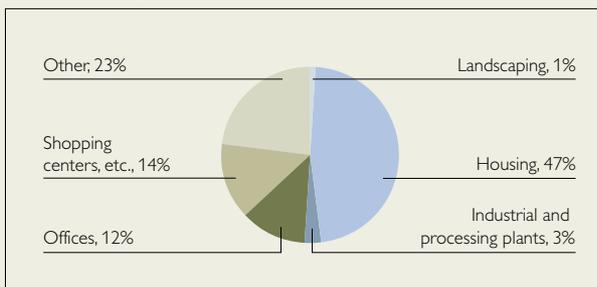
Share of Group total



SEK M	2002	Pro forma 2001
Orders received	4,954	4,255
Order backlog	2,888	2,667
Net sales	4,696	4,960
Operating profit, EBIT	226	149
Capital employed at year-end	1,122	1,475
Cash flow before financing	425	
Operating margin, %	4.8	3.0
Return on capital employed, % ¹⁾	19.2	7.5
Investments in fixed assets and properties held for future development	1,139	397
Average number of employees	2,098	

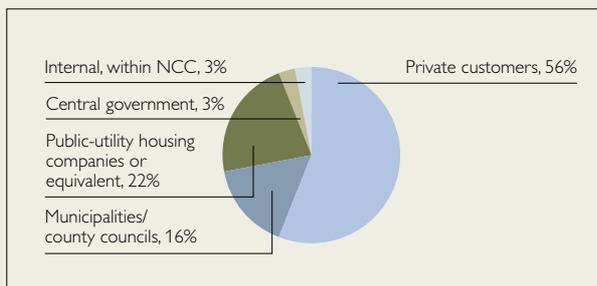
¹⁾ Return figures are based on average capital employed.

Product mix, percent



In Finland, NCC mainly constructs housing, as clearly reflected in NCC Construction Finland's product mix for 2002, in which residential construction accounted for nearly half of sales. The share of shopping centers built in Finland was also relatively large, amounting to 14 percent. However, civil engineering operations were phased out during 2002.

Customer mix, percent



Private customers and Finland's equivalent to Sweden's public-utility housing companies comprised NCC's largest customer category in Finland during 2002.



President Timo U. Korhonen

In Finland, NCC is mainly involved in building and residential construction. During 2002, the share of housing production increased significantly and accounted for most of the year's profit. Sales in 2002 amounted to SEK 4.7 billion, resulting in operating profit of SEK 226 M.

NCC's competitors in Finland are YIT, Skanska and Lemminkäinen. NCC had a total market share of 8–9 percent in 2002. However, it was the third-largest company in building construction and its share of the housing segment in the country's principal market areas was 15–20 percent.

The production of privately financed housing is the most profitable sector of the Finnish building market, where access to land and development rights is a key competitive factor. NCC has development rights for approximately 5,500 housing units, enough for about three years of housing production.

RECORD NUMBER OF HOUSING UNITS SOLD

NCC's annual production totals about 3,000 apartments, including 2,000 built on company-owned land. Half of the latter apartments are developed on a proprietary basis, while the other half consist of joint-venture projects with public-utility housing companies.

Major ongoing building projects include the Alberga (Leppävaara) commercial center, a joint venture with Skanska. The first phase, valued at approximately EUR 100 M, will be completed in spring 2003.

In Esbo, NCC is building a school on a proprietary basis. This BOT building project is being conducted in partnership with ABB and the service company Sodexo. The school was designated "Building of the Year" in Finland. In the citation for this award, it was noted that NCC acted as a builder always should: responsibly and taking the operating and life-cycle costs of the building into consideration. The latter costs were calculated in accordance with a model developed by NCC, called EkoKoncept.

The outlook for building investments in the year ahead is bleak, and the market is not expected to grow in 2003. Since the economic situation in Finnish municipalities has deteriorated, investments have been deferred. The office market is also weak, with somewhat declining rents.

As a result of such positive factors as low interest rates, favorable labor supply and rising incomes, however, demand could increase rapidly when the general economic outlook improves.

As part of NCC's Group-wide "Turnaround" program, telecom and civil engineering operations in Finland were phased out during the year.

The strong housing market was the main factor underlying the improvement in operating profit to SEK 226 M (149).

NCC CONSTRUCTION NORWAY

NCC Construction Norway continued to show a loss in 2002, due mainly to write-downs of civil engineering and housing projects. A comprehensive restructuring program has been implemented. Sales in 2002 amounted to SEK 4.3 billion and an operating loss of SEK 359 M was reported.

NCC Construction Norway's business performance has been unsatisfactory for several years. During autumn 2001, these operations, in common with the Group's other operations, were scrutinized and a corrective action program was established. In 2002, it gradually became clear that the actions taken were not adequate and that substantial parts of the business required fundamental restructuring, a new corporate culture and stricter follow-up procedures. Accordingly, additional changes were implemented during the year.

In November, an acting president was appointed, whose task, in cooperation with district and regional managers, is to improve project follow-up routines, ensure realistic forecasts and establish fixed procedures for applying the Group's more selective project-tendering policy. Several units were phased out or merged as part of the restructuring. Operations in the housing-development segment were concentrated around Oslo and Bergen and the program to divest completed and ongoing housing projects was given the highest priority. In the future, the strategic focus in the housing segment will be to build units in a lower price segment than before. Two thirds of the former management team left the company during the year and the number of administrative employees was reduced from 850 to 650.

NORWEGIAN CONSTRUCTION MARKET

The Norwegian construction market has experienced low but stable growth for several years. Although the country's national finances are healthy, public-sector investments have not increased significantly and the need for infrastructure renewal is considerable. The low rate of investment is due to concern that the economy could overheat.

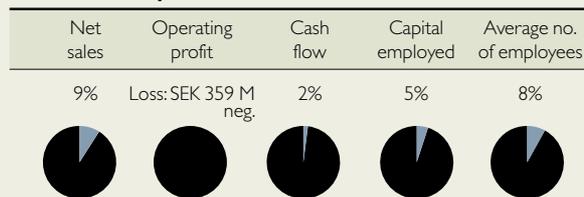
Within the civil engineering market, several large projects were started in 2002. As part of the expansion of the Snøhvit oil field in the Barents Sea, NCC – in a consortium between NCC Construction Norway and NCC International Projects – is a supplier to Tractebel of Belgium. The assignment is to construct four large concrete gas tanks for Norway's first LNG (Liquid Natural Gas) terminal on the island of Melkøya, outside Hammerfest. The order was worth approximately SEK 700 M.

Apart from the Snøhvit project, NCC's largest order during 2002 pertained to Lysaker Brygge in Oslo, where a complete residential and office district is being established. Other large orders involved Byåsen Skole and the final stage of Norsk Hydro's office district on the outskirts of Bergen.

The principal competitors in Norway are Veidekke and Skanska-owned Selmer. Vegproduksjon AS, a newly formed production company (formerly the production department of Statens Vegvesen), will be the largest player in the civil engineering market as of 2003.

NCC CONSTRUCTION NORWAY

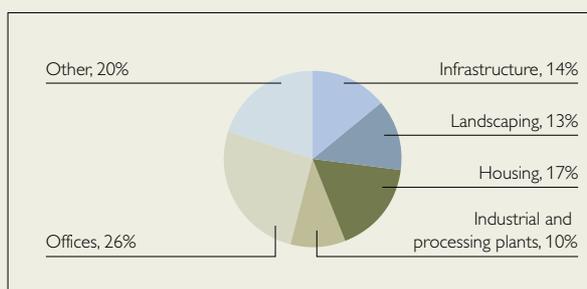
Share of Group total



SEK M	2002	Pro forma 2001
Orders received	4,658	4,036
Order backlog	4,115	3,670
Net sales	4,260	4,962
Operating profit, EBIT	-359	-331
Capital employed at year-end	993	1,516
Cash flow before financing	98	
Operating margin, %	-8.4	-7.1
Return on capital employed, % ¹⁾	neg.	neg.
Investments in fixed assets and properties held for future development	183	192
Average number of employees	2,008	

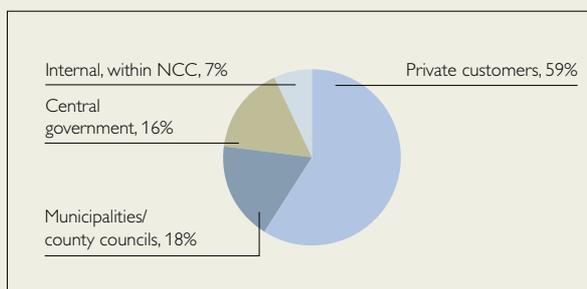
¹⁾ Return figures are based on average capital employed.

Product mix, percent



In Norway the proportion of office-construction projects was large in 2002, accounting for 26 percent of sales, which included several proprietary development projects. Norway was the country that had the largest share of infrastructure projects in 2002, namely 14 percent of sales.

Customer mix, percent



The Norwegian State was a major customer of NCC Construction Norway in 2002. Municipalities and county councils were also large customer categories, in relation to other Nordic countries. One reason for the high portion of public-sector customers is Norway's relatively large share of infrastructure projects.



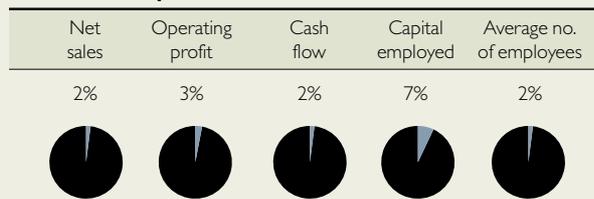
President Jan Svensson



NCC CONSTRUCTION GERMANY

NCC CONSTRUCTION GERMANY

Share of Group total



SEK M	2002	Pro forma 2001
Orders received	806	341
Order backlog	610	807
Net sales	966	945
Operating profit, EBIT	47	-263
Capital employed at year-end	1,317	1,370
Cash flow before financing	126	
Operating margin, %	4.9	-27.8
Return on capital employed, % ¹⁾	4.8	neg.
Investments in fixed assets and properties held for future development	8	25
Average number of employees	533	591

¹⁾ Return figures are based on average capital employed.



President Olle Boback

In Germany, NCC mainly engages in residential construction, largely in Berlin. The company also conducted a certain amount of building construction in 2002. During 2002, sales totaled SEK 966 M and operating profit SEK 47 M.

The German construction market was generally sluggish in 2002, marked by severe price competition and the elimination of large and small construction companies. This mainly affected the housing market and the market for buildings. Market conditions are expected to remain weak in 2003 and the immediately following years.

Despite the softer market, NCC Construction Germany sold 240 residential units in 2002, compared with 217 in 2001. Its earnings improved, primarily as a result of continued concentration on the moderately priced market segment, combined with cost-cutting and rationalization measures.

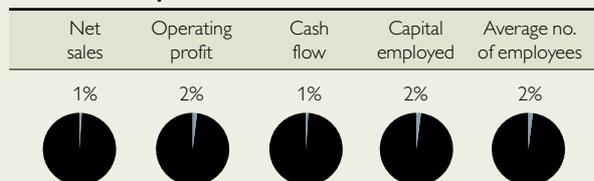
In line with the Group's focus on profitability, reducing tied-up capital and improving cash flow, resources in Germany were concentrated on selling existing housing projects rather than starting new ones. By increasing the percentage of contracts conducted for external clients, net sales rose while tied-up capital was reduced. Large external projects during the year included construction of a shopping mall in Berlin-Adlershof and residences for US and United Arab Emirate embassy staff in Berlin. At year-end, unsold apartments in the completed Sonnengarten housing project, NCC's largest project in Germany, totaled 367, all of which were rented.



NCC CONSTRUCTION POLAND

NCC CONSTRUCTION POLAND

Share of Group total



SEK M	2002	Pro forma 2001
Orders received	833	547
Order backlog	860	758
Net sales	433	612
Operating profit, EBIT	34	-19
Capital employed at year-end	430	537
Cash flow before financing	54	
Operating margin, %	7.9	-3.1
Return on capital employed, % ¹⁾	11.8	neg.
Investments in fixed assets and properties held for future development	16	18
Average number of employees	557	514

¹⁾ Return figures are based on average capital employed.



President Janusz Puzia

Operations in Poland were phased out or restructured during 2002. As of 2003, NCC Construction Poland no longer exists and activities in Poland are now conducted within the framework of NCC International Projects and NCC Roads.

Activities during 2002 mainly comprised the Kabaty housing project in Warsaw. Civil engineering operations – with an emphasis on marine installations, bridges and foundation engineering – are conducted in Hydrobudowa, a subsidiary acquired in 2001. Hydrobudowa's sales in 2002 amounted to approximately SEK 400 M.

Effective January 1, 2003 NCC Construction Poland was phased out and the Polish civil engineering operations were transferred to NCC International Projects, a business area whose activities in Poland during 2002 were conducted within the framework of the A2 highway project. Asphalt and aggregates for the A2 project are still being supplied by NCC Roads. The 47-per cent holding in the civil engineering company Prinz is on sale.

NCC INTERNATIONAL PROJECTS

GEOGRAPHIC CONCENTRATION AND SPECIALIZATION

NCC International Projects conducts large and technically advanced civil engineering projects in selected international markets and in Nordic markets jointly with local NCC Construction units. Projects are currently under way in mainly Europe, Southeast Asia, Central America and East Africa. Sales amounted to SEK 1.4 billion in 2002, generating an operating profit of SEK 66 M.

Extensive restructuring measures were implemented during 2002, resulting in increased profitability for international projects. During the year, the strategy for these operations entailed a focus on a limited number of selected markets, but also on increased specialization in fewer product areas, namely underground, hydropower, water-treatment and major infrastructure projects. NCC International Projects derives its competitive edge from its expertise in local markets combined with specialist skills in international project management, risk management, project financing and the business area's specific areas of focus.

SPECIALIST SKILLS

Operations are organized in four units: Denmark, Europe, Southeast Asia and Central America/Hydropower. The Denmark region includes operations in the Faeroe Islands and Greenland via local companies, as well as East Africa, Nicaragua and Honduras. Operations in the latter countries are mainly linked to overseas development funds.

In addition to NCC's major infrastructure projects in other parts of Europe, the European region consists primarily of NCC's domestic Nordic markets. NCC International Projects conducts major infrastructure projects – ones that demand specialist skills due to their complexity with regard to financing, for example – in cooperation with local NCC Construction units.

The Central America region has unique knowledge and experience in hydropower. Operations are primarily conducted in the Dominican Republic, Nicaragua, Costa Rica and Honduras.

The Southeast Asia region, with local offices in Singapore, Shanghai and Malaysia, engages primarily in underground projects, as well as project assignments for key customers.

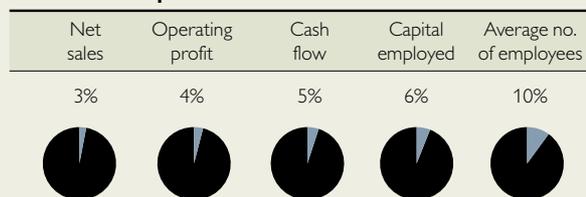
LONG-TERM PROJECTS

Each individual project normally extends over a long period of time. One such project is the construction of the A2, a privately financed highway in Poland whose first stage was put into service in December 2002. Construction of an underwater tunnel in the Faeroe Islands was completed during the autumn. Earlier in 2002, an underground

gas storage facility in Ningbo, China, was handed over to customer, the petroleum company BP Amoco, and in Singapore, construction of a new subway line is in progress. A number of new orders were also received during the year, including a railway station in Trollhättan, Sweden, a gas storage facility for the Snøhvit project in northern Norway, roads in Honduras, a large wastewater-treatment plant in St. Petersburg, Russia, and yet another stage of the subway in Singapore.

NCC INTERNATIONAL PROJECTS

Share of Group total



SEK M	2002	Pro forma 2001
Orders received	2,474	1,885
Order backlog	4,726	3,860
Net sales	1,360	1,494
Operating profit, EBIT	66	-191
Capital employed at year-end	1,034	2,192
Cash flow before financing	274	
Operating margin, %	4.9	-12.8
Return on capital employed, % ¹⁾	8.8	neg.
Investments in fixed assets and properties held for future development	127	112
Average number of employees	2,614	

¹⁾ Return figures are based on average capital employed.

Ongoing projects



President Per Nielsen

Hellerup School, Copenhagen



Lilleborg, Oslo



Trade Union Council's building, Copenhagen



Business Park, Helsinki

Scandic Hotels, Stockholm



Subway Line, Singapore



Frösunda, Stockholm

The photos depict a few of the projects in which NCC Construction and NCC International Projects were involved during 2002.

VALUE-GENERATING PROPERTY DEVELOPMENT

NCC Property Development develops and adds value to properties and land to create attractive, high-quality workplaces for tenants and to offer profitable commercial properties for investors. The business area's image as a value-generating property developer has been strengthened in recent years as a result of sales of completed properties. Operating profit of SEK 700 M was reported in 2002.

Property development always begins with an idea. Regardless of whether the project involves an existing property that can be used for a different purpose or undeveloped land, an idea of what future workplaces will look like and where they should be located must always exist. From this initial concept, the development work proceeds in stages and is completed, where NCC is concerned, when the property is sold. Projects are carried out in close cooperation with NCC Construction.

A project increases in value as the development process progresses. Key steps include when a detailed development plan that supports the proposed use is approved, or when tenants sign leases. By largely using its own organization for leasing activities, NCC acquires in-depth knowledge of the market and of what is important for prospective tenants.

Economic growth is one of the principal factors in efforts to select attractive geographical areas. Factors affecting growth in-

clude infrastructure changes (such as the Öresund Link), a change in the supply of services (such as changed traffic flows caused by the establishment of a hypermarket), or training and research programs (the number of companies in Ronneby and Umeå has grown sharply following the establishment of technical colleges in these areas).

NCC's long-standing experience, substantial knowledge and many successful property-development projects provide a solid foundation. The company also has a broad portfolio with a variety of planned and ongoing projects with differing risk profiles. The portfolio's breadth makes it possible to develop certain properties with a low occupancy rate, since these are offset by other properties that are fully leased.

The sale of a property-development project can take place at any stage after the land has been acquired. Normally, however, NCC participates in the entire value-creating process, which involves a sale when the property has been leased and tenants have move in.

PREREQUISITES FOR SUCCESS

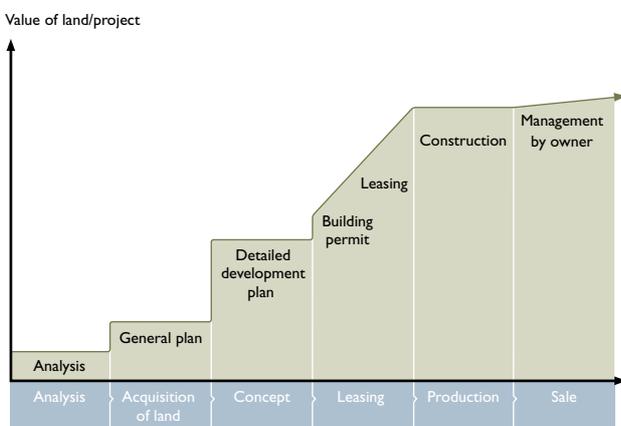
Increasingly, construction companies are conducting property development in parallel with their traditional building contracts. Competitors also include real estate companies that, in addition to property-management activities, also develop landholdings and add value to existing properties.

A well-implemented property-development project can yield an excellent return on invested capital. As a result, the market is hallmarked by strong competition, while creativity and initiative are critical factors for success. During 2002, NCC Property Development identified four factors that must hallmark its work and the Group's project properties:

- Systematic building of relationships
- Creativity
- Initiative
- Properties with "feeling"

NCC must know its customers and its customers should know NCC. The creative process must be given priority because this is what adds the greatest value to a project. NCC must address and solve problems before the customer even notices them. Finally, NCC must bring to its properties the extra quality that hallmarks the company's projects.

Value generation in a property development project



The value of a property-development project rises as development work progresses. Successful property-development projects always begin with a well-conceived idea, while access to attractive land is of strategic importance to a project's success. NCC is active throughout the value-generation process and its involvement ends with the sale of a project.



Helsfyr Panorama, one of NCC's proprietary projects in Norway, is a 17-story building with distinctive architecture located close to the E6/Strømsveien highway. The view over the city of Oslo is breathtaking. Approximately half of the property's office space will be leased by NCC Construction Norway, which will use it as its head office.

MARKETS

NCC's geographical focus is on the Nordic Region. The prioritized locations in Sweden are the Stockholm, Gothenburg and Malmö metropolitan areas. In Denmark, NCC's operations are concentrated in Copenhagen and Århus. In Norway, activities are conducted in Oslo, and in Finland in the cities of Helsinki, Tampere and Oulu.

During 2002, rental markets weakened throughout the Nordic Region. Although investors continued to show substantial interest in properties, their demands for secure occupancy rates increased, which in turn had a negative impact on property sales. As a result of the weaker market, NCC adopted a cautious attitude toward starting new projects throughout 2002.

SALES OF PROPERTY PROJECTS

During 2002, property projects were sold for SEK 3,749 M, generating a capital gain of SEK 403 M. Sales of projects at an early stage of development and whose income was recognized before 2002, meaning before completion, contributed capital gains of an additional SEK 42 M. This was a result of lower project costs and reduced provisions for rental guarantees, as well as a slight rise in sales revenues, namely by SEK 20 M. Finally, sales of land for SEK 126 M yielded a gain of SEK 54 M.

The major project sales during the year included Plaza Forte in Helsinki to Polar, NCC Building 1 in Helsinki to Nordisk Renting, Seestern B2/B3 in Düsseldorf and West Gate in Warsaw to German property fund DGI, six projects that were part of a larger transaction with Whitehall funds, Hausmannsgate 17 in Oslo to Utdanningsforbundet and Højhuset in Aarhus to KPMG Denmark.

A number of the sold property projects, comprising a total of 37,000 square meters of floor space, were linked to guarantees for first-time leasing. The maximum leasing risk resulting from the guarantees, meaning if no further space is leased out during the guarantee period, is SEK 321 M.

Leasing guarantees have also been provided for four projects sold prior to 2002. Unleased floor space totals 3,700 square meters for which the maximum leasing risk is SEK 76 M.

In the accounts for 2002, a cautious estimate has been made of the probable outcome of the rental guarantees issued and a corresponding provision has been posted.

COMPLETED PROPERTY PROJECTS

Completed property projects are projects that are ready for occupancy, apart from any remaining adjustments to tenant requirements in cases where the project is not already fully leased. At the end of 2002, the business area had eleven completed property projects with a book value of SEK 1,447 M (0) and a completion rate of 91 percent. Total rentable floor space was 84,400 square meters, of which 45,000 square meters was leased. Measured in terms of contracted rental revenues as a percentage of estimated gross rental revenues, the leasing rate was 59 percent.

Following fiscal year-end, at the end of January 2003, one of these projects, Grani Shopping Center in Helsinki, was sold. The remaining completed property projects are expected to be sold during 2003, after further leasing has been conducted.

ONGOING PROPERTY PROJECTS

Ongoing property projects are projects about which a definitive decision has been taken regarding a building start and for which the activities required to complete the property project have been initiated. However, an actual building start on the property is not necessary. At the end of 2002, NCC had ten ongoing property projects for which costs incurred totaled SEK 1,897 M and the completion

rate was 60 percent. Total rentable floor space was 132,700 square meters, of which 49,800 square meters was leased. Measured in terms of contracted rental revenues as a percentage of estimated gross rental revenues, the leasing rate was 32 percent.

The ongoing projects include Kista Science Tower, which is being conducted via a joint venture company – Kista Science Tower KB – in partnership with Vasakronan. Kista Science Tower accounted for SEK 666 M of the total costs incurred specified above. The joint venture is not consolidated in NCC's balance sheet and is instead entered at the book value of NCC's 50-percent share in Kista Science Tower KB, which amounts to approximately SEK 12 M.

Construction of Kista Science Tower was started in summer 2000 and comprises a total of approximately 60,000 square meters of floor space, including about 48,000 square meters of office space. The first tenants moved in during November 2002 and the project is scheduled for completion in February 2004.

In 2001, 50 percent of the project was sold to Vasakronan. This transaction included an option to sell the remaining 50 percent on commercial market terms. The earliest date for exercising this option is June 1, 2004. In February 2003, approximately 20 percent of the total office space had been leased.

Completed and ongoing property projects, December 31, 2002

SEK M	Year of completion				Total
	Completed projects	2003	2004	2005	
Book value on completion	1,596	1,897	964	300	4,757
Book value, December 31, 2002	1,447	1,089	666	142	3,344
Rate of completion, December 31, 2002	91%	57%	69%	47%	70%
Leasing rate, December 31, 2002	59%	44%	18%	0%	41%
Estimated operating net	140	155	76	28	399
Yield, %	8.8%	8.2%	7.9%	9.2%	8.4%

¹⁾ Pertains to the estimated operating net for the first year after completion, based on 100-percent leasing and excluding initial rent discounts.

A complete specification is available on NCC's website: www.ncc.info

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The holding of properties held for future development consists of land/development rights and project properties intended for further development and sale, as well as land not intended for further development but for sale in its present condition, in certain cases after additional planning work.

Land/development rights and project properties intended for development and sale correspond to a gross area, excluding garage space, of approximately 880,000 square meters, of which office space accounts for about 650,000 square meters and retail space for about 100,000 square meters. Project-development work will be performed at a pace permitted by market conditions. The year-end book value was SEK 1,324 M, including SEK 81 M for participations in joint ventures that are not consolidated.

Real estate markets, Nordic region 2002

Figures and projections apply to Q4 2001	Annual rent/m ²	Required yield, %	Investor market	Trend in past quarter	Vacancy market	Trend in past quarter	Vacancy rate, %	Trend in past quarter
Stockholm CBD (City Business District)	SEK 4,300	6.25–6.50	Weak	→	Weak	→	8.3	↗
Stockholm, prime location	SEK 3,200	6.5–7.0	Weak	→	Weak	→	9.7	↗
Stockholm, inner suburbs	SEK 2,000	7.50	Weak	→	Weak	→	12.4	↗
Gothenburg, prime location	SEK 2,150	6.75	Weak	→	Weak	→	4.3	↘
Malmö, prime location	SEK 1,700–1,800	6.50	Weak	→	Weak	→	8.2	↗
Helsinki, CBD	EURO 300	6.25–7.00	Stable	→	Weak	↘	5.0	↗
Helsinki, prime location	EURO 198	7.75–8.75	Stable	→	Weak	↘	5.0	↗
Helsinki, business parks	EURO 150–240	8.0–9.0	Stable	→	Mixed	↘	4.5	↗
Copenhagen, CBD	DKK 1,800	6.25–6.75	Stable	→	Weak	→	6.8	↗
Copenhagen, prime location	DKK 1,800	6.25–6.75	Stable	→	Weak	→	6.8	↗
Denmark/Copenhagen, other	DKK 1,250	7.0–8.0	Stable	→	Weak	→	10.5	↗
Oslo, CBD	NOK 2,100	7.25–7.75	Stable	→	Weak	↘	6.0	↗
Oslo, prime location	NOK 1,850	8.0–8.75	Stable	→	Weak	↘	6.0	↗

(Source: Jones Lang Lasalle.)

Land intended for sale consists of about 90 properties with a book value of SEK 356 M, including SEK 27 M for participations in joint ventures that are not consolidated. Most of these properties came into NCC's possession following the major company acquisitions effected during the 1990s.

The holding of land in Sweden intended for sale consists of about 80 properties with a book value of SEK 228 M. During 2002, approximately 20 Swedish properties held for future development were sold for SEK 92 M (89), generating a gain of SEK 54 M (56).

MANAGED PROPERTIES

Managed properties are the completed properties intended for leasing that NCC held at the end of 2001 less the properties sold during 2002. No new properties will be added and the holding will be sold at a pace permitted by market conditions.

The book value at the end of 2002 was SEK 1,109 M (3,693), distributed among 30 properties. During 2002, 42 properties were sold for SEK 3,025 M (943), generating a gain of SEK 253 M (161).

At the end of 2002, the portfolio of Swedish managed properties had a book value of SEK 903 M (3,377). The market value, according to an independent valuation, was SEK 1,123 M (4,125). The market value of the remaining Swedish holding declined by SEK 176 M during 2002.

Revenue losses due to unleased properties were considerable during 2002. The total revenue loss from the managed properties remaining at year-end was approximately SEK 22 M (vacancy rate of 11.8 percent based on rent), of which the Borgarfjord 2:1 and 2:2 properties in Kista accounted for about SEK 16 M (vacancy rate of 19.9 percent based on rent). A pharmaceuticals company signed a major lease for 3,155 square meters of Borgarfjord 2:1, following which the total year-end vacancy rate was 8.7 percent. The corresponding vacancy rate based on floor space was 8.5 percent.

A complete specification of all completed and ongoing property projects, managed properties and properties held for future development is presented on NCC's website: www.ncc.info.

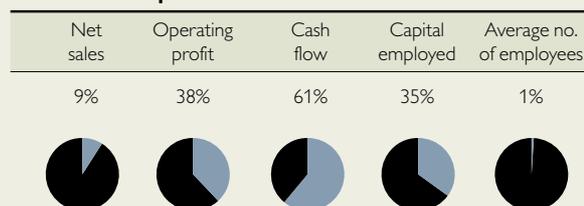
Capital employed and profitability, 1999–2002



NCC Property Development's image as a property developer has been strengthened during recent years as a result of sales of managed properties and projects. The increased return on capital employed is due in part to the reduction in tied-up capital.

NCC PROPERTY DEVELOPMENT

Share of Group total



SEK M	2002	2001
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Income statement

Net sales	4,150	2,328
Production costs	-3,554	-1,643
Gross profit	596	685
Selling and administrative expenses	-242	-261
Result from property management	104	201
Result from sales of managed properties	253	161
Write-downs/reversals of write-downs, properties	-4	-77
Result from participations in associated companies	-4	-11
Result from sales of participations in Group companies	-3	14
Result from sales of participations in associated companies		2
Operating profit	700	714

Key figures

Capital employed at year-end	6,649	9,013
Property investments	1,604	3,055
Sales of properties	6,920	3,126
Cash flow before financing	3,116	272
Gross margin (property development), %	14.6	24.4
Operating margin (property development), %	8.5	15.6
Return on capital employed, %	11.3	9.6
Average number of employees	223	221



President Magnus Mannesson
until March 16, 2003



President Mats Wäppling
as of March 17, 2003

FULL-SERVICE OFFERING FOR HIGHWAY PROJECTS

NCC Roads provides the products and services required to operate, maintain and service highways. Activities comprise the production of raw materials, paving operations and service and maintenance activities. Sales in 2002 totaled SEK 8.3 billion, yielding operating profit of SEK 373 M.

NCC Roads' offering of products and services is strengthened by the fact that its operations cover the entire chain, from the production of aggregates to the operation and maintenance of roads. NCC's breadth means that customers can purchase just as much of the value chain as they wish – a certain part or all of it. NCC has established itself as a full-service supplier, moreover one with operations throughout the Nordic Region, in Poland and in other Baltic countries. Combined, these factors form a platform for carrying out projects that are designed to provide safe and comfortable travel for road users.

Results of the "Turnaround" action program within NCC Roads include the removal of a managerial level in the organization in Sweden, Denmark, Finland and Norway, and a workforce reduction. Efforts to sell appropriate parts of the business area's concrete operations continue.

A COMPREHENSIVE PRODUCT RANGE

Aggregates

NCC Roads operates crushing plants that process 25.4 millions tons of rock material from gravel and rock pits into various types of aggregates annually. Approximately ten million tons of rock and sand material is also extracted from the seabed in Denmark each year. NCC Roads also offers "on-site" crushing at construction locations and quarries.

Aggregate products are used as the base material in all construction and paving operations and have many areas of use, ranging from filler material, bearing courses under highways and railways, drainage, sanding and graveling. Aggregates are also an important raw material in the production of asphalt and concrete. NCC's aggregates are marketed under the "Ballast" name in Sweden.

Asphalt

NCC Roads has its own plants that produce asphalt products with different properties – both standard products and specialty products used in applications ranging from streets and bicycle paths to highways and airfields. Since business area units cooperate across national boundaries, synergy effects are generated, notably in research and development. NCC Roads markets a series of proprietary asphalt mixes with self-draining or sound-dampening properties, for example.

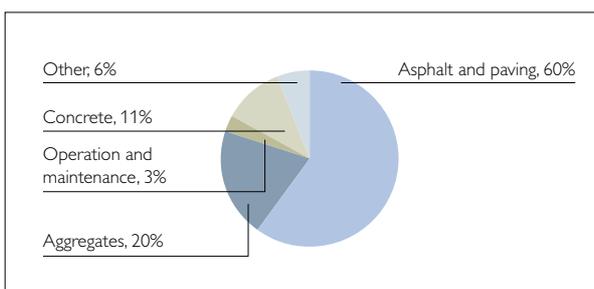
Recycled asphalt is used in the production of new asphalt. NCC's laboratories continuously perform careful quality-control checks of the products.

Paving

NCC Roads performs all types of paving activities – both the laying of new surfaces and maintenance work on existing roads. Operations also include preventive and emergency maintenance of all types of asphalt surfaces. In addition, the business area undertakes Design, Construct and Maintain (DCM) contracts, such as the maintenance of specific stretches of a highway or the long-term maintenance of a complete highway network.

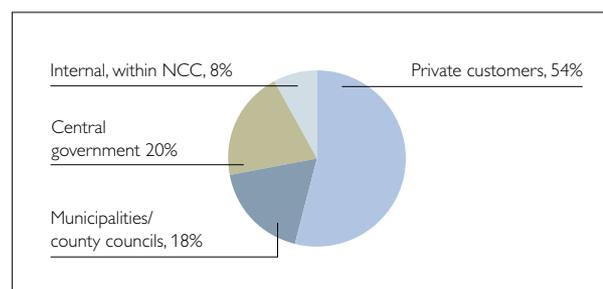
NCC is at the leading edge of paving technology and develops its own work methods to ensure the quality of highways. During both the production and laying of asphalt, it is possible to use

Product mix, percent

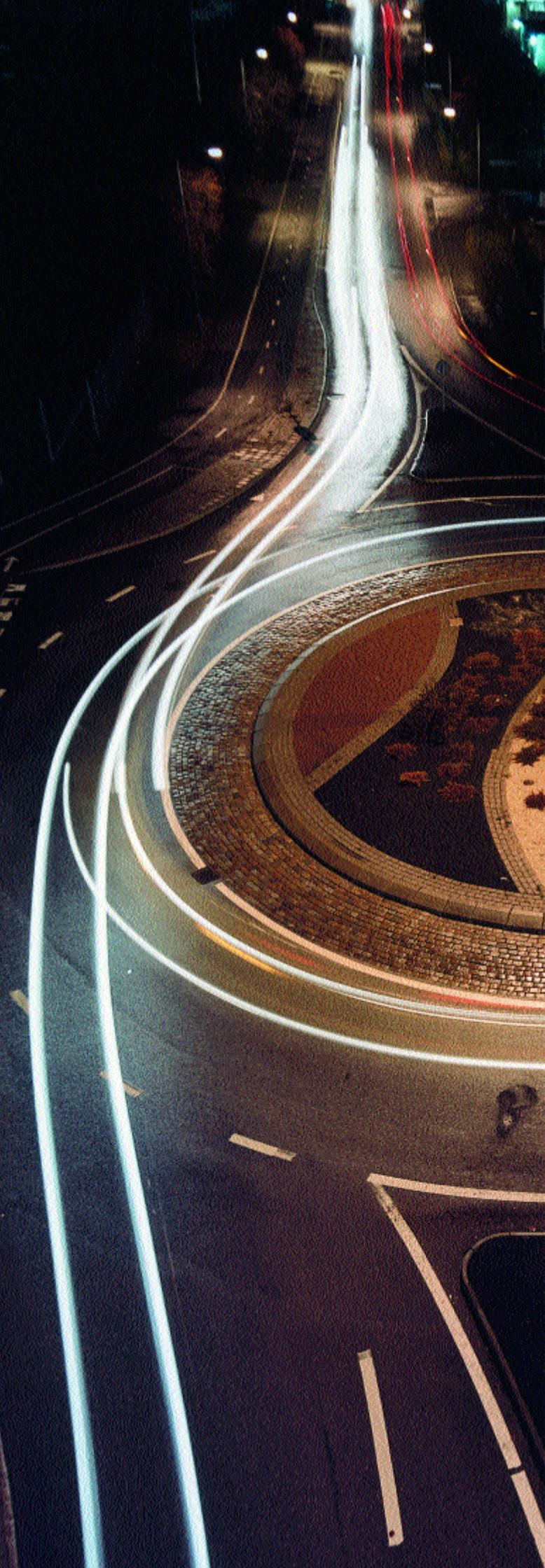


Asphalt, aggregates and paving accounted for 80 percent of NCC Roads' sales in 2002. The share for concrete was 11 percent. NCC Roads is the leading company in the Nordic market for asphalt, aggregates and concrete.

Customer mix, percent



During 2002, NCC Roads' customer structure varied from product to product and country to country. Central government authorities and municipalities were major customer categories in the asphalt segment, particularly in Sweden, while private customers dominated the aggregates segment. Sales to NCC were much lower in Denmark than in Sweden.



NCC Roads contributes to the creation of safe traffic environments featuring high-quality paving. This central island in Gothenburg is also adorned by three different types of stone materials from NCC Roads: red granite, black diabase and white quartzite.

company-developed thermal cameras to check that the temperature is always at the same level. As a result, a road becomes more level and has a longer life.

Road safety

Today, all planning and construction of the traffic environment is hallmarked to the highest degree by safety considerations. NCC Roads supplies products for both large highway systems and small parking lots, with properties that make the roads safer to drive on. Various types of highway markings, road signs, railings, fixtures and weather-protection facilities at rest-stops are used in connection with the construction of highways and for finished roads.

Road service

NCC Roads assumes turnkey responsibility for roads, in connection with construction and thereafter. This may involve cleaning, snow removal, sanding or taking care of plants and lawns.

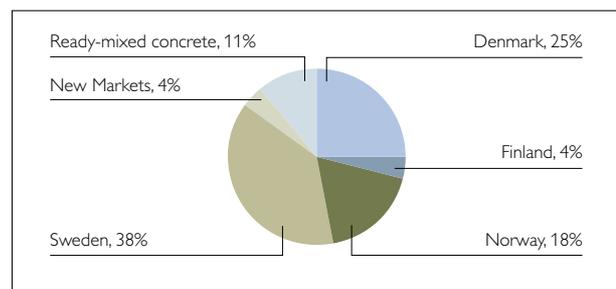
Ready-mixed concrete

NCC Roads produces standard and specialty products in its own concrete plants. Ready-mixed concrete is used in the casting of structures for buildings and civil engineering assignments. Self-compacting concrete that does not require vibration is a major specialty product, since it is more fluid than regular concrete and thus reduces the casting time by as much as 70 percent, while relieving concrete workers of heavy duties that often cause industrial accidents.

MARKET AND CUSTOMERS

Operations are conducted in the Nordic countries, Poland, Estonia, Latvia, Lithuania and in the St. Petersburg region in Russia.

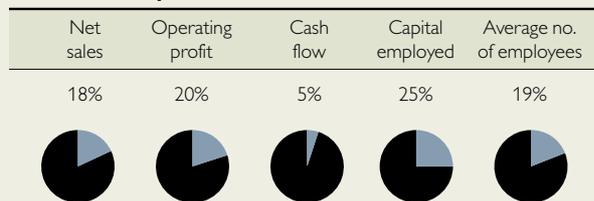
Geographic markets Sales, percent



The NCC Roads business area is divided into geographical regions, plus a unit for ready-mixed concrete. Denmark is the largest unit, followed by Norway. Sweden is divided into three regions, of which Southwest Sweden is the largest. New Markets comprises Poland, the Baltic countries and the St. Petersburg region.

NCC ROADS

Share of Group total



SEK M	2002	Pro forma 2001
Orders received	8,429	8,331
Order backlog	908	839
Net sales	8,341	8,106
Operating profit, EBIT	373	242
Capital employed at year-end	4,758	4,646
Cash flow before financing	251	
Operating margin, %	4.5	3.0
Return on capital employed, % ¹⁾	8.7	1.7
Investments	484	608
Average number of employees	4,908	

¹⁾ Return figures are based on average capital employed.

The largest Nordic players in various segments 2002

	Asphalt	Aggregates	Ready-mixed concrete
NCC (figures pertain to market position)	1	1	4
Skanska	■	■	■
Lemminkäinen	■	■	■
Production units within government road administrations in Sweden, Norway and Finland	■	■	
Veidekke	■	■	
CRH	■	■	■
HeidelbergCement		■	■
Unicon Beton			■
RMC			■
Colas	■	■	
Peab	■	■	■

Source: NCC



President Hans Gormsen

Aggregates are exported mainly from Norway and Sweden to the countries around the Baltic Sea. Demand is related directly to activity in construction markets. No growth in the Nordic market was reported in 2002 and no increase is expected in 2003 either.

Customers consist primarily of construction companies and national or municipal agencies that retain NCC for the paving of public highway networks, among other assignments. Construction companies account for approximately 54 percent of sales, of which NCC companies account for 8 percent.

During 2002, increased attention was devoted to developing new forms of contracts with customers. The need varies from market to market and from customer to customer. Generally, the share of DCM contracts has risen, which means that NCC Roads is increasingly assuming more comprehensive supplier responsibility for one or more products – for example, creation of a durable, sound-dampening highway rather than paving a road in the traditional way.

OPPORTUNITIES AND RISKS

Demand for aggregates and asphalt products is highly seasonal, since a large part of the operations cannot be carried out during the winter half of the year. Accordingly, revenues are greatest during May-October. As a result, a loss is normally reported during the first half of the year, although this is more than offset by third and fourth-quarter earnings.

The market for aggregates, asphalt and ready-mixed concrete products is highly local. Transport costs are high. Moreover, asphalt and ready-mixed concrete are “fresh” products that lose their quality if transportation periods are too long. Having quarries and plants that are located close to markets is therefore an important strategic consideration.

The cost of raw materials accounts for approximately one third of the price of laid asphalt and about half the price of delivered ready-mixed concrete.

To obtain a competitive and stable purchasing price for bitumen and cement, NCC coordinates its purchasing contracts in different countries with international suppliers. To ensure stable long-term access to aggregates, NCC Roads owns most of the facilities required to meet the Group’s needs.

In January 2002, NCC acknowledged its illegal participation in a cartel in the Swedish asphalt market. A number of stringent measures have been taken to ensure that NCC abides by the laws and regulations applicable in this market. During the year, the employees responsible for the structure and implementation of transactions participated in compulsory training in competition legislation. Practices in this area are followed up continuously. Customer surveys conducted during the year indicate that customer confidence in NCC has not changed due the company’s admission of participation in the cartel. NCC Roads’ percentage of the Swedish paving market in 2002 was approximately the same as in 2001.

INCREASINGLY CUSTOMER-ORIENTED

Since January 1, 2002 NCC's machinery operations have been organized in Altima, which is active in the Nordic Region, the Baltic States and St. Petersburg, Russia. In addition to construction companies, customers include other industrial sectors and the public sector. NCC's construction operations constitute the largest customer, but the percentage of external customers has increased steadily since Altima was established as an independent company. During 2002, external sales rose by 15 percent.

Rental equipment – such as modules (temporary premises), lifts, cranes, electricity, heating and construction and civil engineering machines – accounts for slightly more than half of total sales. In addition to machinery, Altima rents out scaffolding and other building materials, such as electrical cables and safety equipment. The company also offers supplementary services, such as service and maintenance, technical advice and customer-specific total-package solutions, as well as consumables. Customers are offered custom-tailored solutions in a number of fields. A well-developed logistics system ensures that the products are in place when customers need them.

STRONG MARKET POSITION

Although Altima is a young company, it has many years of experience in handling turnkey assignments. The company occupies a strong market position in the relatively fragmented equipment-rental industry. In Denmark and the Baltic States Altima is the market leader; in Sweden it ranks number two; in Norway, number three; and in Finland, number four. The largest competitors in the Nordic countries are Cramo, Ramirent, including Bautas/Stavdal, and Lambertsson (Peab).

Kista Science Tower, the 160-meter-tall office building being constructed in northern Stockholm, is one example of Altima's expertise and capacity. Construction was begun in May 2000 but the initial project partnership with NCC had already started a year earlier. Altima participated in the planning work, calculating and dimensioning the entire machine park, including the high-tower cranes.

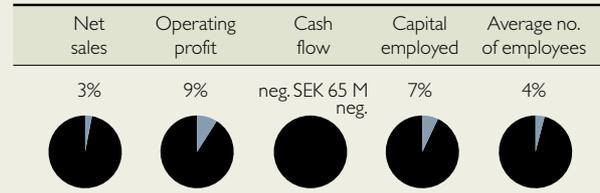
CUSTOMER ORIENTATION AND STREAMLINING

During the year substantial work was devoted to Altima's transformation from an intra-Group equipment supplier to a modern, customer-oriented service company. For example, company-wide work methods and procedures have been developed and will be implemented in 2003 to facilitate cooperation between the different country organizations. A logistics program to boost Altima's profitability and competitiveness has been started and uniform customer centers are to be established. A comprehensive "re-profiling" program conducted during 2002 has strengthened Altima's brand in all of its markets.

Parallel with these measures, the number of products and service areas in Altima's product line has also been reduced. The company offers different types of turnkey services and custom-tailored solutions.

ALTIMA

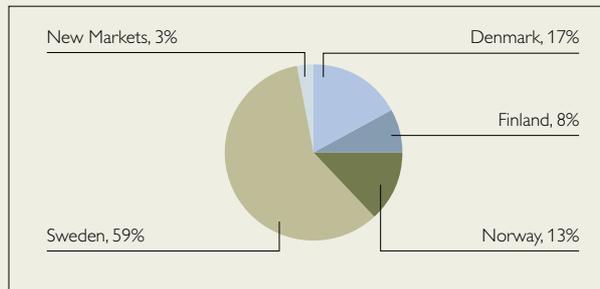
Share of Group total



SEK M	2002	Pro forma 2001
Orders received	1,390	1,545
Net sales	1,390	1,545
Operating profit, EBIT	158	158
Capital employed at year-end	1,289	996
Cash flow before financing	-65	
Operating margin, %	11.4	10.2
Return on capital employed, % ¹⁾	12.7	10.0
Investments	389	353
Average number of employees	1,057	

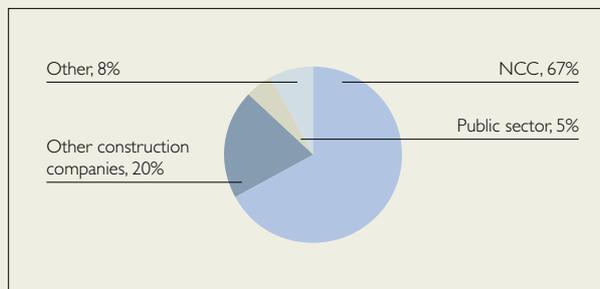
¹⁾ Return figures are based on average capital employed.

Geographic markets Sales, percent



In 2002, Sweden was by far Altima's largest market, followed by Denmark, Norway and Finland. New Markets, which comprises Poland, the Baltic countries and the St. Petersburg region of Russia, was the fastest growing unit in 2002.

Customer mix, percent



The NCC Group was Altima's largest customer category in 2002, accounting for 67 percent of sales. The proportion of external customers rose during the year, as a result of systematic efforts to increase external sales.



President Mikael Öberg

REPORT OF THE BOARD OF DIRECTORS¹⁾

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

Comprehensive action program to increase profitability

Activities within the "Turnaround" program dominated developments within the NCC Group during 2002. The purpose of the program was to take actions during 2002 and 2003 aimed at forming a platform for sustainable profitability within the Group.

Focus on the Nordic market

Group operations were concentrated towards activities in the Nordic region during the year, with a specific focus on core business. A new organizational structure was introduced on January 1, 2002, whereby NCC's resources for building, housing and civil engineering operations were concentrated in units organized geographically within NCC Construction. Aggregates, asphalt and paving operations, as well as ready-mixed concrete plants, were organized within NCC Roads and a special subsidiary, Altima, was formed for machinery-rental activities, in order to increase the share of sales to external customers. NCC Property Development's operations, which are already focused around property development, will be concentrated solely in the Nordic region as of 2003. Effective January 1, 2003, all civil engineering operations in Poland, which consist mainly of the subsidiary Hydrobudowa, are concentrated in NCC International Projects. The shareholding in Polish civil engineering company Prinz will be divested. However, Poland and the Baltic countries (New Markets) continue to be potential growth markets for NCC Roads.

Phase-out and restructuring of unprofitable units

During 2002, unprofitable units in all of the Nordic countries were phased out or restructured. Decreasing the number of units in several countries helped to reduce overhead costs. Civil engineering operations were phased out completely in Finland, western Denmark and parts of Norway. In Sweden, most of the building-service activities were discontinued, as were other unprofitable units. About 500 administrative employees were laid off in Sweden, approximately 200 in Denmark and about 200 in Norway. The remaining activities in the telecom segment were concentrated to Sweden and Denmark, and liquidated in Norway and Finland. Facility Management was completely liquidated. A total of approximately 2,500 employees left the Group in 2002.

Divestment of non-core operations

NCC is focusing on its core business. The former subsidiary NVS (Nordiska Värme Sana), an HVAC installation company, was sold in January 2002. It is proposed that Altima be spun off to NCC shareholders around the end of 2003. Efforts to divest appropriate parts of NCC's concrete operations continue. Most of the Group's remaining managed properties were sold in 2002.

Selective tendering policy

During 2002, profitability was assigned priority ahead of volume, which entailed that NCC abstained from submitting tenders for several projects. This more selective tendering policy was one of several reasons underlying the decrease in orders received during the year.

Continued work on corporate values

During 2002, NCC continued its efforts aimed at established fundamental corporate values for the organization. The Group had already established the core values of focus, simplicity and responsibility. During 2002, a comprehensive training program was arranged to ensure that all NCC employees will live up to the Group's values.

Cartel collaboration in asphalt sector

During 2002, the Swedish Competition Authority continued its investigation into alleged illegal tendering collusion and the dividing-up of markets in the paving sector. NCC has assisted the Authority in its inquiries by answering a number of questions. NCC employees have also been interviewed by the Authority, which has announced in the media that its inquiry will be completed during spring 2003.

NCC introduced and partly implemented a training program in competition matters for the entire Group during the year. The program encompasses 1,500 employees, who have to sit a written test of their knowledge after completing the training. The former handbook on competition matters has been developed into a compliance program, which means that such matters are now part of the employees' job description.

As a result of the inquiry initiated during 2001 by the Norwegian Competition Authority, which was targeted at the civil engineering and paving operations conducted by NCC and certain other companies, an in-depth external inquiry was implemented. Nothing has come to light that establishes that Norwegian competition rules have been contravened. In July 2002, the Norwegian Competition Authority reported the five largest companies in the paving sector, including NCC, to the police for alleged cartel collusion. In February 2003, NCC in Norway was also reported to the police for alleged illegal cartel collaboration in the construction and civil engineering sector. Also see "Significant events following fiscal year-end" on page 45.

"The Good Life" – NCC's award-winning construction concept

In August, NCC's entry – "The Good Life" – won a competition arranged by the Swedish Association of Municipal Housing Companies, with the aim of promoting the construction of apartments for households with normal incomes. Upplands Bro is the first Swedish municipality to commission construction based on the concept.

¹⁾ In addition to pages 42–47, the Report of the Board of Directors consists of the comments provided in conjunction with the income statement, cash flow statement and balance sheet on pages 48–51 and the description of the Board of Directors' work on pages 74–75.

NCC sues National Road Administration

In November, NCC filed a writ at Stockholm District Court claiming that the National Road Administration should pay an additional SEK 643 M, including value added tax, for work performed on the Southern Link highway project in Stockholm.

ORDERS RECEIVED, NET SALES AND EARNINGS

Orders received and order backlog

Orders received by the NCC Group during 2002 amounted to SEK 43.1 billion (50.6). Proprietary property-development projects accounted for SEK 699 M (2,388) of total orders received and proprietary housing-development projects for SEK 3,750 M (2,931). Orders received in 2001 included SEK 2.3 billion for NVS. Excluding NVS and proprietary projects, orders received declined by 10 percent during 2002, compared with 2001. NCC Construction Sweden and NCC Construction Denmark showed the largest decreases in orders received, as a result of the phase-out of operations, a more restrictive project-tendering policy and more stringent profitability requirements, as well as weaker market conditions. The order backlog on December 31 was SEK 27.8 billion (30.6), with the decrease due mainly to the lower order bookings.

Net sales

Consolidated net sales in 2002 totaled SEK 45,165 M (47,521). Excluding sales of real estate projects, net sales amounted to SEK 41,270 M (45,532).

Earnings

The Group's operating profit for 2002 was SEK 1,820 M (loss: 1,536), including a capital gain of SEK 301 M from the divestment of NVS during the first-quarter of 2002. The figure for 2001 included items affecting comparability amounting to a loss of SEK 1,740 M, which derived from restructuring costs, changed accounting methods and the write-down of goodwill, as well as operating profit of SEK 67 M from NVS. Excluding items affecting comparability, operating profit amounted to SEK 1,519 M (137). The im-

provement was mainly attributable to favorable effects from the "Turnaround" action program, which proceeded as planned during the year, and a reduced need for write-downs and provisions. NCC Construction Sweden, NCC Construction Denmark and NCC Roads, the units that underwent the most comprehensive restructuring during 2002, noted the largest earnings improvements.

Profit after financial items (EBT) for 2002 amounted to SEK 1,005 M (loss: 465), excluding items affecting comparability. Net financial items amounted to an expense of SEK 514 M (expense: 602). The reduction in net indebtedness had a favorable impact on the financial net.

Profit after taxes for 2002 amounted to SEK 821 M (loss: 2,269), corresponding to earnings of SEK 7.95 (loss: 21.60) per share. Tax costs for the year were adversely affected by the fact that, as a precautionary measure, tax loss carryforwards, particularly for Norwegian operations, were not included at their full value.

Revaluation of properties

As part of preparations for the year-end accounts, an independent valuation of NCC's Swedish real estate portfolio was commissioned. According to this valuation, the year-end market value of managed properties in Sweden was SEK 1.1 billion, which exceeded the book value by approximately SEK 200 M. The surplus value at the end of 2001 was SEK 750 M. The decrease in surplus value in the portfolio of managed properties was due to the weaker market conditions and the extensive number of property sales during the year.

The year-end book value of the portfolio of managed properties was SEK 1.3 billion (3.7), of which properties within NCC Property Development accounted for SEK 1.1 billion. The year-end accounts also include write-downs of those properties whose book value exceeds the estimated market value. The valuation conducted pertains to the Group's entire holding of properties, not only properties within NCC Property Development. The revised values of properties had a negative impact on earnings of SEK 10 M (negative: 140), of which properties within NCC Property Development accounted for a negative impact of SEK 4 M (neg: 77).

Profit/loss after financial items (EBT)

excluding items affecting comparability, SEK M



NCC's earnings trend is characterized by considerable seasonal variations, mainly because the proportion of asphalt, aggregates and paving operations is relatively large and the degree of activity in these segments is extremely limited during the winter. As a result, essentially no revenues are generated during November–April, which has a sharply adverse seasonal impact on earnings during the first quarter. The fourth quarter of 2001 was affected by write-downs and provisions.

Orders received and order backlog

SEK billion



Orders received and the order backlog decreased in 2002, compared with 2001. Excluding NVS and proprietary projects, orders received declined by 10 percent. The reasons for the downturn were the phase-out of operations, a more selective tendering policy, more stringent profitability requirements and weaker market conditions.

PERSONNEL

Number of employees

The number of employees at the beginning of the year was approximately 27,000. The number of employees on December 31, 2002 was approximately 22,400. NVS accounted for approximately 2,000 of the total decrease of about 4,600.

Pension foundation

At a Board meeting held on December 19, 2002, it was decided that a pension foundation would be formed for all parts of the NCC Group in Sweden. The Foundation's purpose will be to secure all pension commitments connected to the general pension plan and all other pension obligations. Members of the Foundation's Board have been appointed by the employer and employees. The Foundation will be established before the end of the first quarter.

FINANCIAL POSITION

Profitability

The return on capital employed was 10 percent (neg.). The return on equity was 11 percent (neg.). Excluding items affecting comparability, the return on equity was 8 percent (neg.).

Investments and financing

Cash flow before financing during the year was positive in an amount of SEK 5,120 M (neg. 746). The restructuring costs charged against the fourth quarter of 2001 had an adverse effect of approximately SEK 1 billion on cash flow during the year. On December 31, 2002, NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) amounted to SEK 5,819 M (10,306), a decrease of SEK 4,487 M. The main factor affecting net indebtedness was the sale of properties during the second quarter. Very strong cash flow from operations and a reduction in working capital, particularly towards the end of the year, also had a favorable impact on cash flow.

Equity/assets and debt/equity ratios

The equity/assets ratio on December 31 was 22 percent (19). The debt/equity ratio (net indebtedness divided by shareholders' equity including minority share) was 0.8 (1.4) at year-end.

FINANCIAL RISK MANAGEMENT

Interest-rate risks

Within an established framework, NCC aims for a good balance between long and short periods of fixed interest. At year-end,

Portfolio of debts, December 31, 2002

	SEK and foreign currencies		SEK and foreign currencies			SEK	
	Amortization		Fixed-interest loans during period		Average	Fixed-interest loans	
	SEK M	Percentage	SEK M	Percentage	interest rate	during period, SEK M	Average interest rate
2003	4,987	50%	5,296	53%	5.1%	2,722	5.2%
2004	2,776	28%	2,691	27%	5.4%	426	5.3%
2005	633	6%	714	7%	5.3%	50	6.2%
2006	496	5%	730	7%	5.7%	122	5.3%
2007	329	3%	158	2%	5.6%	156	5.6%
2008–	689	7%	321	3%	5.3%	106	5.5%
Total debts	9,910	100%	9,910	100%	5.3%	3,582	5.4%
Pension liability	1,168		1,168		6.3%	1,129	6.3%
Interest-bearing liabilities	11,078		11,078			4,711	
Liquid assets	–3,714		–3,714			–1,032	
Interest-bearing receivables	–1,545		–1,545			–1,374	
Net indebtedness	5,819		5,819			2,305	

Sensitivity analysis

	Change	Effect on profit after net financial items (annual basis), SEK M	Effect on return on equity, percentage points	Effect on capital employed, percentage points
NCC Construction and NCC International Projects				
Volume	+/- 5%	128	1.2	0.6
Operating margin	+/- 1 percentage point	350	3.3	1.7
Sales, proprietary housing units	+/- 10%	51	0.5	0.2
NCC Property Development				
Sales volume, projects	+/- 10%	53	0.5	0.3
Sales margin, projects	+/- 1 percentage point	39	0.4	0.2
NCC Roads				
Volume	+/- 5%	44	0.4	0.2
Operating margin	+/- 1 percentage point	83	0.8	0.4
Capital rationalization	+/- 10%	26	0.2	0.3
Altima				
Volume	+/- 5%	15	0.1	0.1
Operating margin	+/- 1 percentage point	14	0.1	0.1
Capital rationalization	+/- 10%	7	0.1	0.1
Group				
Interest rate, borrowing	+/- 1 percentage point	26	0.3	
Amortization of loans	10%	13	0.1	0.3
Change in equity/assets ratio	+/- 5 percentage points	93	–1.4	

NCC's net indebtedness totaled SEK 5.8 billion. The average period of fixed interest in the portfolio of debts was 1.3 years.

Currency risks

The Group's finance policy stipulates that known currency risks must be eliminated. Currency exposure related to the business operations' transactions is hedged via NCC Treasury, mainly through currency swaps. As a rule, NCC's investments outside Sweden are financed in corresponding currencies.

Credit risks

NCC's investment regulations are reviewed continuously and characterized by the utmost caution. The point of departure is that no credit risks should arise in operations.

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 portion of unutilized committed lines of credit amounted to SEK 3.8 billion. Available funds are invested primarily in government paper with solid secondary markets. At year-end, the Group's liquid assets amounted to SEK 3.7 billion.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit obligations in accordance with the Environmental Code. This applies to the Swedish Parent Company and Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt, concrete and gravel pit operations conducted within NCC Roads that affect the external environment. The external environmental impact of these operations mainly comprises emissions to air and noise.

PARENT COMPANY

Parent Company sales totaled SEK 16,177 M (18,936) in 2002. Profit after financial items amounted to SEK 2,187 M (loss: 1,627). The average number of employees was 8,329 (11,607).

COMMISSION AGREEMENT

Since January 1, 2002, NCC Construction Sverige AB conducts its operations on behalf of NCC AB under a special agreement.

NCC AB'S REPURCHASE OF OWN SHARES

The Annual General Meeting on April 3, 2002 provided the Board with renewed authorization to repurchase a maximum of 10 percent of the total number of NCC shares. Following the repurchase of 2,560,800 shares in June 2002, no further shares have been repurchased. Since the original repurchase authorization was granted at the 2000 Annual General Meeting, NCC has repurchased 6,035,389 Series B shares at an average price of SEK 73.35, corresponding to 5.6 percent of the total number of shares. Excluding the repurchased shares, the number of shares outstanding is 102,400,433. The Board proposes that it be re-authorized to make decisions up to the next Annual General Meeting regarding the purchase of Series B NCC shares in such a number that the Company's holding of its own shares does not exceed 10 percent of the

total number of NCC shares at any point in time. Share purchases must be effected via Stockholmsbörsen at a price per share that is within the band of share prices registered at each particular time. The reason for repurchasing shares is to adjust NCC's capital structure.

PROPOSED DIVIDEND

The Board proposes that a cash dividend of SEK 2.75 (2.25) be paid per share. The proposed record date for dividends is April 15, 2003. If the Annual General Meeting approves the Board's proposal, it is estimated that payment of the dividend, under the auspices of VPC, will commence on April 22, 2003.

In addition, the Board proposes that the Annual General Meeting approve a cash-in-kind dividend in the form of all of the shares in Altima Group AB in accordance with the following. Each multiple of ten NCC AB shares will qualify for one share in Altima Group AB. As a result of the spin-off of Altima Group AB, unrestricted shareholders' equity in NCC AB will be reduced by at most SEK 550 M. The Board also proposes that it be authorized by the Annual General Meeting to establish the record date for the spin-off of the shares in Altima Group AB and to establish other conditions pertaining to the execution of the spin-off decision. It is estimated that the spin-off will be effected around the end of 2003. The intention is to list the Altima shares on Stockholmsbörsen. A prospectus covering the listing of the Altima shares will be published in ample time prior to the initial listing date.

Altima, which is one of the leading machinery-rental companies in the Nordic region, offers machinery and equipment to customers in the construction, industrial and public sectors. The company had sales of SEK 1,390 M (1,545) in 2002 and operating profit of SEK 158 M (158). NCC companies accounted for approximately 70 percent of total sales. Altima is active via 59 customer centers in Sweden, Denmark, Norway, Finland, the Baltic countries and St. Petersburg in Russia. In addition to the rental of machinery and equipment, Altima offers supplementary services, such as servicing, technical advice and customer-specific turnkey undertakings. The company has 1,057 employees and is headquartered in Gothenburg.

NCC has successfully developed Altima into one of the leading machinery rental firms in the Nordic market. By enabling Altima to operate as an independent company, the spin-off of Altima to NCC's shareholders will improve Altima's prospects of developing and expanding in the machinery rental market. From NCC's viewpoint, the spin-off will release resources that enable the Group to further sharpen the focus on its core business.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 4:30 p.m. on April 10, 2003, at the Grand Hotel, Stockholm, Sweden.

NOMINATION COMMITTEE

Nominations to the Board fall within the framework of the Nomination Committee's duties. The Nomination Committee consists of Viveca Ax:son Johnson, Erik Åsbrink and Johan Björkman, chairman. The Chairman of the NCC Board, Tomas Billing, has served as a co-opted member of the Committee, but with no voting right.

SIGNIFICANT EVENTS AFTER FISCAL YEAR-END

NCC becomes Nordstjernan subsidiary

As a result of the conversion of Series A shares into Series B shares during January 2003, Nordstjernan became the owner of more than 50 percent of the voting rights in NCC, whereby NCC became a subsidiary of Nordstjernan AB.

Report from the Norwegian Competition Authority

In February 2003, the Norwegian Competition Authority reported NCC and three other leading construction companies to the Norwegian police authority for economic crimes. The companies are charged with illegal cartel collaboration in the construction and civil engineering sector in Norway during 1994-2000. NCC's own enquiries have uncovered cases in which fictitious invoices were exchanged between Norwegian building contractors, apparently designed to function as compensation for the companies that were not awarded contracts. NCC is awaiting the results of the forthcoming police investigation.

OUTLOOK FOR 2003

In a long-term perspective, the market for construction investments approximately tracks the trend of general economic growth, as reflected in the gross domestic product. However, NCC has concluded that the Nordic construction market will not grow in either 2003 or 2004. Demand for offices and other buildings is slackening in all the Nordic countries, while uncertainty regarding residential construction has increased and varies sharply among the different countries and regions. A slight increase in civil engineering investments is expected. NCC's long-term profitability objectives are to achieve a return on equity of 15 percent after tax and an equity/assets ratio of 30 percent. NCC is not issuing an earnings forecast for 2003.

BUSINESS AREAS

NCC Construction

In Sweden, the economic slowdown has adversely affected demand in several segments. Demand for buildings and industrial construction declined during 2002, while uncertainty regarding housing demand increased. On the other hand, infrastructure programs and public-sector investments in the care and educational sectors rose during the year. Due to the weaker market conditions, orders received by *NCC Construction Sweden* decreased to SEK 15,927 M (21,333) during the year. Proprietary projects started up during 2002 decreased to SEK 2,343 M (4,170). Other reasons for the decrease in orders included the phase-out of certain operational units during the year, while the more selective project-tendering policy applied by NCC resulted in the Group abstaining from bidding for projects where the risk level was considered excessive in relation to the potential results. The order backlog on December 31, 2002 was SEK 9.5 billion (11.1).

The restructuring of Construction Sweden that began towards the end of 2001 has been implemented as planned, resulting in lower administrative costs and reduced business volumes, since unprofitable activities have been phased out. Operating profit (EBIT) for the year amounted to SEK 406 M (125), with the improvement due primarily to effects of the action program.

In Denmark, the market for building construction declined during the year, while civil engineering investments rose slightly. Demand for housing projects increased, as a result of low interest

rates combined with considerable housing needs. Orders received by *NCC Construction Denmark* amounted to SEK 5,377 M (7,915). Operating profit (EBIT) improved to SEK 144 M (loss: 26), mainly because of the reduction in administrative costs resulting from the action program implemented during 2002, the phase-out of unprofitable civil engineering operations in western Denmark and a more selective project-tendering policy.

In Finland, activity in the office construction sector declined during the year, while demand for housing remained strong, which had a favorable impact on *NCC Construction Finland*. Orders received during 2002 rose to SEK 4,954 M (4,255) and operating profit (EBIT) improved to SEK 226 M (149), as a result of the buoyant conditions in the housing market.

In Norway, demand for commercial premises declined during the year, while demand in the civil engineering market increased slightly. Orders received by *NCC Construction Norway* rose to SEK 4,658 M (4,036), mainly as a result of a number of major projects secured during the latter part of the year. The operating result (EBIT) was a loss of SEK 359 M (loss: 331). The reasons underlying the loss were inadequate calculation, poor project control and weak management, which resulted in write-downs of contracting and housing projects being charged against third-quarter earnings. A new management team appointed during the year focused on improving routines for following up projects, ensuring the realism of final-status forecasts and establishing procedures for applying a more selective tendering policy. Executives corresponding to two-thirds of the previous management team have left the company. In addition, the number of salaried employees has been reduced from about 850 to 650.

The German market remained weak in 2002, which adversely affected *NCC Construction Germany*, whose order backlog decreased to SEK 610 M (807). The decrease was due partly to the application of more stringent profitability requirements, combined with the Group's focus on reducing the capital tied up in ongoing projects. Operating profit (EBIT) of SEK 47 M (loss: 263) was reported for the year.

The operations of Construction Poland are being downsized as planned. As of January 1, 2003, the remaining operations are part of NCC International Projects. The orders received by *NCC Construction Poland* during 2002 pertained to the subsidiary Hydrobudowa. The operating profit (EBIT) of SEK 34 M (loss: 19) reported for the year was attributable to Hydrobudowa.

NCC International Projects

Orders received by *NCC International Projects* rose during 2002 to SEK 2,474 M (1,885). During the fourth quarter, orders were received for a further expansion of the Singapore subway system and for a bedrock tunnel for railway services in Trollhättan. The order backlog on December 31 was SEK 4,726 M (3,860). Operating profit (EBIT) amounted to SEK 66 M (loss: 191).

NCC Property Development

NCC Property Development's operating profit (EBIT) for 2002 amounted to SEK 700 M (714). The earnings were mainly attributable to the second-quarter sale of 40 properties (managed properties and projects) to Whitehall Funds, which are property funds managed by Goldman Sachs International. The total purchase price of SEK 3,950 M yielded a capital gain of SEK 430 M. NCC Property Development's sales during 2002 amounted to SEK 4,150 M (2,328).

Property development

The sales volume for the year amounted to SEK 3,895 M (1,989), resulting in operating profit of SEK 351 M (363). The second-quarter sale to Whitehall Funds comprised a sales volume of slightly more than SEK 1.2 billion that generated a capital gain of about SEK 170 M. The single largest transaction during the fourth quarter of 2002 was the sale of the West Gate project in Warsaw for SEK 588 M, which generated a healthy capital gain.

Project costs for construction-initiated projects totaled SEK 4.6 billion (6.9) on December 31, 2002. Costs incurred in all initiated projects amounted to SEK 3.3 billion (4.2), corresponding to 72 percent (61) of the total project costs. The leasing rate was 40 percent, compared with 45 percent at the end of 2001. The leasing rate including completed projects was 41 percent.

The portfolio of construction-initiated and planned projects totaled SEK 16.8 billion on December 31, 2002. A highly restrictive approach is being applied to the initiation of construction in new projects.

At the end of 2002, NCC and Vasakronan agreed that completion of their equally owned project Kista Science Tower would be postponed from mid-2003 to February 2004. As a result, the option agreement between the parties cannot be exercised until June 1, 2004, at the earliest. According to the agreement, the purchase consideration will be based on a market valuation conducted when the option is exercised. NCC has concluded that there is no need to write down the project.

Managed properties

Managed properties in an amount of SEK 3,025 M (943) were sold during the year, resulting in a total gain of SEK 253 M (161). The second-quarter sale to Whitehall Funds, which comprised a sales volume of approximately SEK 2.7 billion, accounted for most of the sales. Sales of managed properties during the fourth quarter were limited.

Rental revenues from managed properties totaled SEK 301 M (522) during the year. The operating net was SEK 134 M (301). The decline was due to the reduced portfolio of managed properties, combined with extensive maintenance work conducted during the second half of the year.

On December 31, the vacancy rate in terms of floor space in the portfolio of wholly owned properties was 8.5 percent (6.0). The increase was due to reduced leasing to Ericsson in Kista and the implemented sales of fully leased managed properties. Most of the vacancy rate derives from the Borgarfjord 2:1 and 2.2 properties in Kista, which have a major impact because the portfolio of managed properties has been reduced.

NCC Roads

NCC Roads' business performance in 2002 was better than in the preceding year. Net sales for 2002 increased as a result of growth in most units. Higher sales volumes for paving operations in Finland and New Markets (Poland and Baltic countries), combined with favorable weather conditions in southern Sweden and Denmark during the fourth quarter, accounted for most of the sales increase.

Operating profit (EBIT) during 2002 increased to SEK 373 M (242). Earnings in 2001 were charged with restructuring costs and write-downs. For comparable units (adjusted for nonrecurring items in 2002 and 2001), earnings improved by nearly 30 percent. Cost savings resulting from the integration of asphalt production and paving operations, as well as reduced overhead costs resulting from the new organization introduced at the beginning of 2002, were the main reasons for the earnings improvement. Earnings in Finland and New Markets were boosted by higher volumes within paving operations.

Altima

Altima is a wholly owned subsidiary in which all of the NCC Group's machinery-rental operations are concentrated. Altima's sales declined by 10 percent during the year to SEK 1,390 M (1,545), mainly as a consequence of the reduced sales within NCC Construction Sweden, Altima's largest customer. The reduced sales to NCC were partly offset by an increase in external sales. Despite the drop in sales, Altima's operating profit remained unchanged compared with the preceding year at SEK 158 M (158). NCC AB's Board of Directors proposes that the shares in Altima be spun off to NCC shareholders (see above).

Net sales and earnings by business area

SEK M	Net sales		Operating profit (EBIT)	
	2002	2001	2002	2001
NCC Construction Sweden	17,562	19,147	406	125
NCC Construction Denmark	5,689	7,058	144	-26
NCC Construction Finland	4,696	4,960	226	149
NCC Construction Norway	4,260	4,692	-359	-331
NCC Construction Germany	966	945	47	-263
NCC Construction Poland	433	612	34	-19
NCC International Projects	1,360	1,494	66	-191
NCC Property Development	4,150	2,328	700	714
NCC Roads	8,341	8,106	373	242
Altima	1,390	1,545	158	158
Total	48,847	50,887	1,795	558
Other and eliminations ¹⁾	-3,682	-5,347	-276	-421
	45,165	45,540	1,519	137
Items affecting comparability				
NVS ²⁾		2,069	301	67
Write-down of goodwill				-219
Changed accounting methods		-88		-329
Restructuring costs				-1,192
Group	45,165	47,521	1,820	-1,536

¹⁾ Including overhead expenses for the Head Office.

²⁾ 2002 includes a capital gain on NVS.

INCOME STATEMENTS

SEK M		Group		Parent Company	
		2002	2001	2002	2001
Net sales	Note 1	45,165	47,521	16,177	18,936
Production costs		-40,950	-43,711	-14,929	-17,412
Gross profit		4,215	3,810	1,248	1,524
Sales and administration costs		-3,157	-4,004	-1,071	-1,973
Result from property management	Note 2	103	254		
Result from sales of managed properties	Note 3	322	229	206	139
Write-downs/reversal of write-downs of properties		-10	-140	-3	-43
Result from participations in associated companies	Note 4	10	34		
Result from sales of participations in Group companies	Note 5	2	8		
Result from sales of participations in associated companies	Note 7	34	13		
Items affecting comparability ¹⁾		301	-1,740		-967
Operating profit/loss	Note 6	1,820	-1,536	380	-1,320
Result from participations in Group companies	Note 8			1,837	44
Result from participations in associated companies				-18	-7
Result from other financial fixed assets	Note 9	58	45	5	6
Result from financial current assets	Note 10	269	234	260	182
Interest expense and similar items	Note 11	-841	-873	-277	-532
Profit/loss after financial items		1,306	-2,130	2,187	-1,627
Appropriations	Note 12			-494	202
Tax on net profit for the year	Note 26	-461	-121	57	71
Minority interests		-24	-18		
NET PROFIT/LOSS FOR THE YEAR		821	-2,269	1,750	-1,354

¹⁾ 2002: Sale of NVS.

2001: Write-down of goodwill, charge of 219. Changed accounting methods, charge of 329. Restructuring costs, charge of 1,192.

Profit/loss per share

Before dilution

Profit/loss after full tax, SEK	7.95	-21.60
Profit/loss after full tax, excl. items affecting comparability, SEK	5.85	-5.25

After dilution

Profit/loss after full tax, SEK	7.60	-21.60
Profit/loss after full tax, excl. items affecting comparability, SEK	5.60	-5.25

Result from property management consists of the operating net from managed properties less depreciation according to plan. The managed properties are found mainly within NCC Property Development, although other units have minor holdings.

Result from sales of managed properties pertains mainly to sales of managed properties within NCC Property Development, although Construction units, Altima and the Parent Company also sold properties during the year.

Write-downs/reversals of write-downs of properties during the year were posted mainly by NCC Property Development, as well as Construction units and NCC Roads.

Result from sales of participations in associated companies pertains mainly to NCC Roads.

The Parent Company income statement consists in part of the Headquarters' overhead expenses. However, most of the revenues

and costs derive from NCC Construction Sweden AB, a company that conducts commission assignments on behalf of NCC AB. Parent Company income is recognized in accordance with the completed contract method. Also see accounting principles on pages 56–57.

Depreciation

	Group		Parent Company	
	2002	2001	2002	2001
Goodwill	222	234		
Other intangible assets	17	12	1	2
Buildings and land	80	77	4	17
Managed properties	29	54		4
Machinery and equipment	828	904	49	279
Total	1,176	1,281	54	302

CASH FLOW STATEMENTS

SEK M	Group		Parent Company	
	2002	2001	2002	2001
CONTINUING OPERATIONS				
Profit/loss after financial items	1,306	-2,130	2,187	-1,627
Adjustments for items not included in cash flow, etc.	741	1,776	192	2,049
Tax	-565	-230	-328	-276
Cash flow from continuing operations before changes in working capital	1,482	-584	2,051	146
Cash flow from changes in working capital				
Change in inventories	-151	111		144
Change in receivables	767	-632	935	321
Change in interest-free liabilities	-391	268	-306	45
Change in net work in progress			91	-377
Change in properties held for resale, net ¹⁾	Note 35	1,105	-181	-110
Cash flow from changes in working capital	1,330	1,500	539	23
CASH FLOW FROM CONTINUING OPERATIONS	2,812	916	2,590	169
INVESTING ACTIVITIES				
Acquisition of subsidiaries	Note 35	-79	-3,665	-100
Sale of subsidiaries	Note 35	261	103	144
Acquisition of buildings and land ¹⁾	Note 35	-478	-1,948	-12
Sale of buildings and land		3,163	212	210
Acquisition of other financial fixed assets		-165	-162	-152
Sale of other financial fixed assets		248	183	16
Acquisition of other fixed assets	Note 35	-1,107	-21	-329
Sale of other fixed assets		386	9	61
Cash flow from investing activities	2,308	-1,662	-1,221	-162
CASH FLOW BEFORE FINANCING	5,120	-746	1,369	7
FINANCING ACTIVITIES				
Dividend paid		-236	-236	-472
Other changes in shareholders' equity		-202	266	-216
Loans raised		1,565	17	1,780
Amortization of loans		-5,313	-2,153	-288
Change in long-term receivables		-302	626	260
Change in minority interests, etc.		-29		
Cash flow from financing activities	-4,517	1,617	-1,480	1,064
CASH FLOW DURING THE YEAR	603	871	-111	1,071
Liquid assets on January 1	3,164	2,207	3,358	2,287
Exchange-rate difference in liquid assets	-50	86		
Liquid assets on December 31	3,717	3,164	3,247	3,358

¹⁾ As of 2002, the accounting principle for properties held for resale has been changed. See accounting principles on pages 52–57.

Adjustment for items not included in cash flow pertains mainly to depreciation, write-downs and capital gains/losses, as well as accrued expenses, such as interest expenses, etc., which are charged against earnings but do not affect liquidity.

Sales of subsidiaries pertain mainly to the sale of NVS at the beginning of the year.

Other changes in shareholders' equity pertain to repurchases of NCC shares and, in the Parent Company, also Group contributions entered directly against unrestricted shareholders' equity.

BALANCE SHEETS

ASSETS

SEK M		Group		Parent Company	
		Dec 31, 2002	Dec 31, 2001	Dec 31, 2002	Dec 31, 2001
Intangible fixed assets	Note 13	2,668	2,933	16	32
Buildings and land		2,487	4,959	87	349
Machinery and equipment		3,055	3,242	69	831
New construction in progress		9	8		
Tangible fixed assets	Note 15	5,551	8,209	156	1,180
Participations in Group companies	Note 18			9,664	8,679
Receivables from Group companies				118	723
Participations in associated companies	Note 19	805	872	176	200
Receivables from associated companies		128	148	73	116
Other long-term holdings of securities		201	236	152	189
Other long-term receivables		1,125	522	191	331
Financial fixed assets	Note 20	2,259	1,778	10,374	10,238
FIXED ASSETS		10,478	12,920	10,546	11,450
Properties held for future development, directly owned	Note 21	7,572	8,812	1,044	864
Participations in associated companies	Note 19	132	120		
Properties held for future development		7,704	8,932	1,044	864
Materials and inventories	Note 22	727	669		155
Advances to suppliers		94	26		
Inventories, etc.		821	695		155
Accounts receivable		6,401	6,880	2,272	2,923
Receivables from Group companies				928	962
Current receivables from associated companies		266	566	66	20
Worked-up, non-invoiced revenues	Note 14	2,683	3,507		
Other current receivables		2,261	1,959	810	730
Prepaid expenses and accrued income		884	689	243	295
Current receivables		12,495	13,601	4,319	4,930
Short-term investments		1,071	530	2,258	2,385
Cash and bank balances		2,646	2,634	989	973
CURRENT ASSETS		24,737	26,392	8,610	9,307
TOTAL ASSETS	Note 16	35,215	39,312	19,156	20,757

Total assets decreased sharply between December 31, 2001 and December 31, 2002, mainly due to sales of property-development projects and managed properties to Whitehall Funds at the end of the second quarter of 2002.

Group goodwill relates mainly to the strategic acquisitions effected in 1995–2000 (see accounting principles). No write-downs were considered necessary in 2002, although write-downs were posted in 2001.

The equity/assets ratio at the end of 2002 was 22 percent. The Group's long-term objective is 30 percent. The main reason for the low equity/assets ratio was the loss reported for 2001.

The Parent Company balance sheet consists in part of NCC Construction Sweden AB, which conducts commission assignments on behalf of NCC AB, and in part of the Headquarters' assets and liabilities. The Parent Company's balance sheet is based on income recognized in accordance with the completed contract method (see accounting principles on pages 56–57). The Parent Company balance sheet also contains untaxed reserves, which are eliminated from the consolidated income statement where they are divided into shareholders' equity and deferred tax.

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M		Group		Parent Company	
		Dec 31, 2002	Dec 31, 2001	Dec 31, 2002	Dec 31, 2001
Share capital	Note 23	2,711	2,711	2,711	2,711
Restricted reserves		3,386	3,980	1,639	1,639
Restricted shareholders' equity		6,097	6,691	4,350	4,350
Unrestricted reserves		679	2,900	635	1,988
Net profit/loss for the year		821	-2,269	1,750	-1,354
Unrestricted shareholders' equity		1,500	631	2,385	634
SHAREHOLDERS' EQUITY	Note 24	7,597	7,322	6,735	4,984
Minority interests		83	94		
Untaxed reserves	Note 12			991	497
Provisions for pensions and similar obligations	Note 25	1,168	1,022	1,075	929
Provisions for taxes	Note 26	687	504		
Other provisions	Note 27	1,475	1,370	562	715
Provisions		3,330	2,896	1,637	1,644
Liabilities to credit institutions	Note 28, 29	4,923	4,748	40	43
Liabilities to Group companies				2,427	5,549
Liabilities to associated companies		1	3		
Other liabilities		20	99		
Long-term liabilities		4,944	4,850	2,467	5,592
Liabilities to credit institutions	Note 28, 29	4,098	8,868	311	30
Advances from customers		625	261	98	35
Project invoicing not yet worked up	Note 14	3,486	3,468		
Work in progress	Note 30			1,999	1,908
Accounts payable		4,460	4,890	1,641	2,134
Liabilities to Group companies,				1,238	324
Liabilities to associated companies		135	104	6	41
Tax liabilities		292	398	127	110
Other liabilities		3,162	2,613	698	1,475
Accrued expenses and prepaid revenues		3,003	3,548	1,208	1,983
Current liabilities		19,261	24,150	7,326	8,040
SHAREHOLDERS' EQUITY AND LIABILITIES	Note 17	35,215	39,312	19,156	20,757
Mortgages and other comparable collateral for own liabilities and provisions		2,641	1,333	68	55
Others assets pledged and comparable collateral		285	176	47	176
Assets pledged	Note 31	2,926	1,509	115	231
Contingent liabilities	Note 31	8,159	7,120	22,074	24,882

ACCOUNTING PRINCIPLES

The Group complies with the Annual Accounts Act and the Financial Accounting Standards Council's (RR) and the Swedish Industry and Commerce Stock Exchange Committee's (NBK) recommendations.

NEW ACCOUNTING PRINCIPLES

The following new accounting principles, which were introduced on January 1, 2002, are applied by the NCC Group as of the beginning of the 2002 fiscal year:

RR 1:00	Consolidated accounting
RR 15	Intangible assets
RR 16	Provisions
RR 17	Write-downs
RR 19	Operations under liquidation
RR 21	Loan expenses
RR 23	Information about close relatives

The new accounting principles had no impact on NCC's earnings and financial position.

RECLASSIFICATION OF PROPERTIES NCC PROPERTY DEVELOPMENT

Until December 31, 2001, NCC's property holdings and property projects within NCC Property Development were reported in the balance sheet as fixed assets, under the heading Buildings and land.

Buildings and land were divided into Properties used in NCC's operations, Managed properties and Properties held for future development

Until December 31, 2001, sales of properties and property projects were not included in NCC's net sales; they were reported as "result from sales of properties" within operating profit (after gross profit).

As of January 1, 2002, only managed properties are reported as fixed assets. Properties held for future development are reported as current assets, since NCC's intention is not to hold these properties permanently but to develop and sell them. New acquisitions of properties intended for development and sale will be classified as current assets.

In turn, properties held for development and sale (current assets) are divided into: Properties held for future development, Ongoing property projects and Completed property projects (new category). For commercial reasons, the capital gain/loss on completed sales of property projects – although not of managed properties – will no longer be reported separately for individual transactions.

Managed properties will continue to be reported as fixed assets. The intention is to divest these properties by the end of 2003 at the latest and no new projects will be added to this category.

Properties used in operations, meaning those used by the NCC Group in general, will continue to be classified as fixed assets.

Income statement

As of January 1, 2002, NCC's sales include revenues from sales of properties reported as current assets. Pro forma figures for 2001 have been re-computed accordingly. Gains/losses from sales of managed properties are reported in the same manner as before, meaning as "result from sales of properties" within operating profit (after gross profit). As before, NCC's sales will also include rental revenues from properties held for development and sale. However, as of January 1, 2002, rental revenues from managed properties are reported as a part of results from managed properties and are no longer included in NCC's sales. As in the past, results from property management consist of the operating net from the managed properties less depreciation according to plan and administrative costs related to property management.

Valuation of properties reported as current assets

Properties reported as current assets are not depreciated according to plan. On the other hand, the value of these properties is adjusted, where applicable, based on acquisition or market value, whichever is lower.

CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with the Swedish Accounting Standards Council's recommendation (RR 1:00) regarding consolidated accounts and include 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, based on the Swedish Accounting Standards Council's RR13 recommendation regarding associated companies. Associated companies are companies in which the Group controls between 20 and 50 percent of the voting rights, or in which the Group otherwise has a substantial influence. Notes 18 and 19 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 for an activity conducted for a limited period of time – are consolidated in accordance with the proportional accounting method, based on the Swedish Accounting Standards Council's RR14 recommendation regarding joint ventures.

- 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 value attributed to specific assets is amortized 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, an acquisition analysis is made. The resulting surplus value is amortized over its estimated life; this amortization also affects the book value of shares. The profits/losses from associated companies are reported in the income statement under the "Result from participations in associated companies" heading, among operating profit. This income statement item also includes surplus value in associated companies. Dividends from associated companies are reported among financial items under the "Result from participations in associated companies" heading.
- Acquired and divested companies are included in the consolidated income statement for the holding period.
- 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 been translated at year-end exchange rates and all income statement items at average exchange rates for the year. The translation difference arising in this connection has been transferred 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 gain/loss.
- Gains/losses arising when a Group company sells a product or service to another Group company are eliminated.

INTERNAL PRICING

Market prices are applied for deliveries between Group units.

DEPRECIATION

Depreciation according to plan of machinery and equipment, buildings and land improvements, patents, etc., and of those portions of surplus value related to goodwill and other assets, has been calculated on the basis of the Group's original acquisition value for the particular asset and its estimated economic life. A write-down is posted if the market value or useful value of an asset is lower than the book value.

The depreciation/amortization rates vary depending on the type of asset. For goodwill, the annual rate is from 5 to 20 percent, for 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 the goodwill in NCC Construction Norway related to the 1995 acquisition of EEG Henriksen is amortized according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Construction Finland (Puolimatka in 1996) and NCC Construction Denmark (Rasmussen & Schiøtz in 1995 and Superfos Construction in 1999) is amortized at a rate of 5 percent annually, as is the 2000 acquisition of Rieber Roads, which is now part of NCC Roads. These amortization 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 because technical and market 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 during 1997 is amortized 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. In cases where the book value of the goodwill is lower than the useful value, a write-down is posted.

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

Receivables and liabilities in foreign currencies have been translated at the year-end exchange rate. The difference between the acquisition value and the year-end value has been added to/charged against profit. Exchange-rate differences relating to loans undertaken to finance foreign contracts are entered in the result for the year in which the project was recognized as income.

In order to hedge a portion of net investments in foreign subsidiaries and in foreign associated companies consolidated in accordance with the

equity method, Group companies have assumed loans in corresponding foreign currencies. In the Parent Company and consolidated accounts, these loans are entered at values based on the year-end exchange rate. In the consolidated income statement, exchange-rate differences on these loans, after taking tax effects into account, are entered directly in shareholders' equity in an amount corresponding to the year's translation differences in shareholders' equity.

INVENTORIES

Inventories have been valued in accordance with the lowest-value principle. Raw materials have been valued at the acquisition or the replacement value, whichever was lower, while manufactured products are valued at the lower of manufacturing value and sales value less sales overheads. Provisions for obsolescence are posted where appropriate. The specific principles applying to properties classified as current assets are described below.

PROPERTIES CLASSIFIED AS FIXED OR CURRENT ASSETS

Classification of properties

In the balance sheet, properties classified as fixed assets are included in Buildings and land, while properties classified as current assets are included in Properties held for future development. Buildings and land are divided into the following categories:

- Managed properties and
- Properties used in operations.

Managed properties comprise the existing holding of completed property projects available for leasing at December 31, 2001, less the property sales completed during 2002. Although NCC does not intend to retain these properties long term but to sell them when business or market conditions are appropriate, the holding is still to be reported as properties classed as fixed assets. However, the value of this balance sheet item will gradually decline to zero as the properties are sold. No new managed properties will be added.

There are two reasons for not classifying managed properties as current assets. Firstly, NCC has decided to comply with IAS 40 Investment Property, an international accounting recommendation that has yet to be introduced in Sweden. Secondly, it is desirable, for follow-up purposes both internally and externally, to separate "old property projects" (managed properties) from the more streamlined property-development operations that NCC currently conducts.

The properties classified as current assets pertain to the properties held for development and sale within property-development operations (NCC Property Development) as well as undeveloped land and redevelopment properties intended for future development by construction operations. The properties classified as current assets are divided up as follows:

- Properties held for future development
- Ongoing property projects and
- Completed property projects

Properties held for future development consist of NCC's holding of land/development rights intended for future property development. Properties containing existing building/s that are leased out are classified as "Properties held for future development" in cases where the intention is to demolish or refurbish the existing building/s.

Properties held for future development are reclassified as ongoing property projects at the time a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. However, an actual building start on the property is not necessary. Since, in most cases, such activities have been initiated even before a definitive decision about a building start has been taken, the reclassification often coincides with the date of the decision.

As of the date of reclassification to ongoing property projects, interest expense is capitalized. The supporting data for capitalization also includes the book value of the property at the reclassification date.

Ongoing property projects consist of properties being built or extended or properties undergoing major refurbishment.

Ongoing property projects are reclassified as completed property projects as of the date when the property is ready for occupancy (excluding adjustments to tenant requirements), but not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Capitalization of interest expense should normally cease as of the date of reclassification as completed projects. In certain cases, however, capitalization ceases at an earlier date. If a part of the building has been taken over from the contractor (final inspection has been conducted) and/or occupancy has occurred, capitalization pertaining to this part is not permissible.

Completed property projects cannot be subject to reclassification, which means that a completed property project can only be removed from the balance sheet as a result of a sale.

Valuation of properties

The acquisition value of properties includes:

- Acquisition costs
- Planning costs
- Production costs for new buildings, extensions and renovations.

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. Most of the properties in Sweden are subject to independent valuations.

The market value of managed properties, in accordance with the internal valuation, is calculated in the form of a return value, according to the cash-flow method. Accordingly, the market value consists of the pres-

ent value of cash flow (operating net less any investments) over a ten-year period and the present value of the estimated sales price at the end of the computation period (year 10). This sales price is computed on the basis of the estimated operating net in year 11 divided by the estimated yield requirement.

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.

The market value of completed property projects is estimated on the basis of the return calculation for the project, that is, what is called the yield method. According to this method, the property's current yield (operating net) based on full occupancy is divided by the assumed yield requirement. Vacant space above and beyond normal vacancy is taken into account in the form of a deduction for rental guarantees.

The market value of ongoing property projects is calculated in two stages. In stage 1, the project is valued in its completed state, that is, at the close of the year of completion, in the manner described above for a completed property project. In stage 2, the market value is computed as follows: $\text{Costs incurred} / \text{Total project costs} \times \text{Estimated market value in the completed state}$.

The market value of properties held for future development, which are included in the project portfolio, meaning they are held for development and sale, is normally calculated in the manner described above for an ongoing property project. In certain other cases, properties held for future development are valued on the basis of a value per square meter of development rights or a value per square meter of land.

In assessing any write-down requirements for properties, the reported value is compared with the estimated market value. If the book value exceeds the market value, the book value is written down to this value.

If a property classified as a current asset is written down in one year's financial statements, a reversal to the lower of acquisition value or actual value is 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.

Properties in the income statement

As of January 1, 2002, NCC's sales include revenues from sales of properties reported as current assets. Pro forma figures for 2001 have been re-computed accordingly. NCC's sales also include rental revenues from properties held for development and sale.

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 property 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 a project – 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 property project, receipt of building permit and leasing to tenants. This accumulation of value is finally confirmed when the project is sold to an investor. The second transaction comprises the building contract, whereby income recognition within NCC Contracting is undertaken in accordance with the percentage of completion method.

Insofar as the signed leases on the sales date do not provide the buyer with a sufficient return (in accordance with the agreed initial return requirement), the differential must normally be covered by a rental guarantee provided by the seller. When calculating the capital gain, sufficient provision must be posted for such rental guarantees.

One of the prerequisites for being able to recognize profit from a property project is that the project's leasing rate is sufficiently high. Based on a calculation of the maximum risk associated with the granting of a rental guarantee, an assessment is made of the probable outcome. The probable outcome is assessed on the basis of the rental and market situation for each individual project, in accordance with the prudence principle. If the occupancy rate is less than about two thirds, a gain for the property project may only be recognized if the maximum risk is less than the calculated gain (before the provision for rental guarantees).

NCC Property Development – Result from sales of properties

The results of sales of properties classified as managed properties at the sales date are reported under the heading Result from sales of properties. In addition to external sales costs, the sales costs include costs for the unit's own sales activities. Profit is charged with overhead costs for both completed and non-completed transactions.

NCC Property Development – Result from property management

Results from property-management operations consist of the operating net less depreciation according to plan. 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, and also costs for adaptations of properties to tenant requirements and external rental fees, in addition to costs for the unit's own rental organization.

GROUP – CONSTRUCTION PROJECTS 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 revenues – 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 costs – 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. As soon as this is possible, the project switches to the percentage of completion method. For all projects exceeding SEK 100 M, NCC applies zero recognition as long as the work-up rate for the project corresponds to a degree of completion of less than 50 percent.

The result of proprietary housing projects is based on either the rate of completion or the rate of sale, whichever is lower (also see below regarding the percentage of completion method and the methods for reporting income within contracting operations). Applying this principle means that if the sales rate for a project is less than the work-up rate, revenues from the project are calculated on the basis of the sales rate.

Example: Sales rate of 25 percent

Work-up rate of 50 percent

In the following example, earnings based on the percentage of completion method during Year 1 would be only SEK 1.25 M, rather than the SEK 2.5 M based on the work-up rate.

The following examples illustrate how the percentage of completion method is applied. On January 1 of year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is 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 expect-

tations. 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. Income recognition on completion means that profit is not recognized until the end of year 2 or the beginning of year 3, depending on when the final financial settlement with the customer was agreed.

Income	Year 1	Year 2
Income recognition on completion	SEK 0 M	SEK 5 M
According to percentage of completion	SEK 2.5 M	SEK 2.5 M

The advantage of the 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. Provisions for losses are posted as soon as they become known.

NCC complies with the Financial Accounting Standards Council's RR10 recommendation, for the reporting of contracting assignments. One of the results of the recommendation is that balance-sheet items such as "worked up/non-invoiced" and "invoiced/not worked up" are booked in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are reported as current assets, while projects for which invoiced revenues exceed worked-up revenues are reported as a current interest-free liability.

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 “balance in work in progress.” This figure is affected both by the profitability of work in progress and the rate of invoicing on outgoing and incoming invoices. The invoicing rate 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. In accordance with the Financial Accounting Standards Council’s RR 9 Recommendation, Income Taxes, estimates are made of temporary taxable differences related to assets and liabilities. This means that a deferred tax liability has been calculated based on the temporary taxable differences that are to become liable for payment in the future. The deferred tax receivables represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carryforwards and other tax deductions.

In connection with changes in tax rates, the change in the tax liability is reported in Tax costs for the year.

REPORTING OF GROUP CONTRIBUTIONS

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 Emerging Issues Task Force. Accordingly, Group contributions are booked as equity and thus have no impact on Parent Company income.

REPURCHASES OF NCC SHARES

Repurchased NCC shares have been entered directly in unrestricted shareholders’ equity, including the costs resulting from the repurchases.

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 1997 in the Multi-year Review for the Group. 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).

As of January 1, 2002, NCC’s sales include revenues from sales of properties reported as current assets. The pro forma amount for 2001 has been recalculated in accordance with the new classification. Also see Re-classification of properties in NCC Property Development, on page 52.

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 between depreciation and interest expense. 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 paid during the year concerned.

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

ACQUISITION OF ABV

The goodwill totaling SEK 614 M that arose 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.

If the ABV acquisition had been 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, 2002 would have been an increase of SEK 154 M (184) in reported goodwill and an increase of SEK 154 M (184) in reported shareholders’ equity. The Group’s net profit for 2002 would have decreased by SEK 31 M (31), due to increases in amortization of goodwill by SEK 31 M (31). This corresponds to a negative amount of SEK 0.30 (neg: 0.29) per share.

NOTES

AMOUNT IN SEK M, UNLESS OTHERWISE SPECIFIED.

NOTE 1 NET SALES

OPERATING SECTORS	Group		Parent Company	
	2002	2001	2002	2001
Construction operations (Parent Company):				
Invoicing for the year			17,261	20,413
Invoiced but not recognized as income on January 1			15,816	14,339
Invoiced but not recognized as income on January 1 (transferred operations)			-1,462	
Less: Invoiced but not recognized as income on December 31			-15,438	-15,816
Total revenues in construction operations			16,177	18,936
NCC Construction Sweden	17,562	19,147	16,177	21,116
NCC Construction Denmark	5,689	7,058		
NCC Construction Finland	4,696	4,960		
NCC Construction Norway	4,260	4,692		
NCC Construction Germany	966	945		
NCC Construction Poland	433	612		
NCC International Projects	1,360	1,494		
NCC Roads	8,341	8,106		
Altima	1,390	1,545		
Total revenues in construction operations	44,697	48,559	16,177	21,116
Property development:				
Sale of property development projects	3,895	1,989		
Rental revenues, etc.	175	116		
Other invoicing	80	223		
Total property development	4,150	2,328		
NVS		2,069		
Other	64	67		
Eliminations	-3,746	-5,502		-2,180
Total other revenues	-3,682	3,366		-2,180
Total net sales	45,165	47,521	16,177	18,936
GEOGRAPHIC MARKETS				
Sweden	20,771	24,020	15,896	18,507
Denmark	8,605	8,833	3	10
Finland	5,191	4,752		6
Germany	1,718	981		3
Other EU countries	118	60		
Norway	5,615	6,465	278	404
Eastern Europe	898	198		
Poland	988	1,211		4
Russia	282	214		
Middle East	57	1		
South America	283	307		
Rest of world	639	479		2
Total net sales	45,165	47,521	16,177	18,936

Intra-Group purchases and sales

Other Group companies accounted for 8.5 percent (10.8) of total Parent Company purchases and 8 percent (11.6) of total sales.

NOTE 2 RESULT FROM PROPERTY MANAGEMENT

	Group	
	2002	2001
Rental revenues	302	522
Other revenues	21	4
Operation and maintenance costs	-191	-225
Operating net	132	301
Depreciation according to plan	-29	-47
Total result from property management	103	254

NOTE 3 RESULT FROM SALES OF MANAGED PROPERTIES

	Group		Parent Company	
	2002	2001	2002	2001
Sales value less sales expenses	3,104	1,051	374	272
Book value	-2,782	-822	-168	-133
Total result from sales of properties	322	229	206	139

NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2002		2001	
	Property development	Others	Property development	Others
Participation in results of associated companies	-4	17	14	50
Write-downs		-3	-45	-6
Reversal of write-downs			21	
Total result from participations in associated companies	-4	14	-10	44

NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

GROUP	2002	2001
Other Group companies	2	8
Total	2	8

NOTE 6 OPERATING PROFIT (EBIT)

OPERATING SECTORS	Group	
	2002	2001
NCC Construction Sweden	406	125
NCC Construction Denmark	144	-26
NCC Construction Finland	226	149
NCC Construction Norway	-359	-331
NCC Construction Germany	47	-263
NCC Construction Poland	34	-19
NCC International Projects	66	-191
NCC Property Development	700	714
NCC Roads	373	242
Altima	158	158
Total	1,795	558
Others and eliminations	-276	-421
	1,519	137
Items affecting comparability		
NVS	301	67
Write-down of goodwill		-219
Changed accounting methods		-329
Restructuring costs		-1,192
Total operating profit/loss	1,820	-1,536

Operating profit includes depreciation in an amount of -1,176 -1,281

NOTE 7 RESULT FROM SALES OF PARTICIPATIONS IN ASSOCIATED COMPANIES

GROUP	2002		2001	
	Property development	Others	Property development	Others
Capital gains/losses on sales	-3	37	13	
Total	-3	37	13	

NOTE 8 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	2002	2001
Dividend	2,120	653
Capital gain/loss on sales	73	72
Write-downs	-356	-681
Total result from participations in Group companies	1,837	44

NOTE 9 RESULT FROM OTHER FINANCIAL FIXED ASSETS

	Group		Parent Company	
	2002	2001	2002	2001
Dividends received	1	1	1	
Interest income, Group companies				1
Interest income, others	54	34	2	2
Exchange-rate differences	1		1	6
Capital gain/loss on sales	2	-3	1	-3
Write-downs		-2		
Reversal of write-downs		15		
Total result from other financial fixed assets	58	45	5	6

NOTE 10 RESULT FROM OTHER FINANCIAL CURRENT ASSETS

	Group		Parent Company	
	2002	2001	2002	2001
Interest income, Group companies			197	180
Interest income, others	270	281	42	24
Exchange-rate differences	-1	-47	21	-22
Total result from financial current assets	269	234	260	182

NOTE 11 INTEREST EXPENSE AND SIMILAR ITEMS

	Group		Parent Company	
	2002	2001	2002	2001
Interest expense, Group companies			-188	-246
Interest expense, others	-935	-1,007	-99	-55
Capitalization of interest expense	84	134		
Exchange-rate differences, etc.	25	10	11	-234
Other financial items	-15	-10	-1	3
Total interest expense and similar items	-841	-873	-277	-532

NOTE 12 UNTAXED RESERVES AND APPROPRIATIONS

PARENT COMPANY	Untaxed reserves		Appropriations	
	2002	2001	2002	2001
Accumulated depreciation in excess of plan				
- buildings and land	1	12	11	6
Other untaxed reserves	592	231	-361	127
Reserve in work in progress	398	254	-144	69
Total untaxed reserves and appropriations	991	497	-494	202

NOTE 13 INTANGIBLE FIXED ASSETS

	Group			Parent Company	
	Usufructs	Good-will	Other	Usufructs	Other
On January 1	73	3,857	121	22	20
New acquisitions	5	46	17		
Divestment and scrappage	-19	-127	-4		
Transferred operation				-22	
Reclassifications	-4	-8			
Translation difference		-10	-3		
Closing accumulated acquisition value	55	3,758	131		20
Opening amortization according to plan	-16	-820	-25	-7	-3
Divestment and scrappage		60	2		
Transferred operation				7	
Reclassifications		6			
Translation difference during the year		1			
Amortization according to plan during the year	-3	-221	-14		-1
Closing accumulated amortization according to plan	-19	-974	-37		-4
Opening write-downs		-250	-7		
Reclassifications		3			
Translation differences during the year		1	7		
Closing accumulated write-downs		-246			
Closing planned residual value	36	2,538	94		16

NOTE 14 CONTRACT ASSIGNMENTS

GROUP	2002	2001
Advance payments received	615	243
Amounts withheld by client (included in accounts receivable)	308	337

The method for calculating the work-up rate is described in Accounting Principles on pages 52-57.

NOTE 15 TANGIBLE FIXED ASSETS

	Group					Parent Company			
	Managed Properties	Properties used in operations	New construction in progress	Machinery and equipment	Total	Managed Properties	Properties used in operations	Machinery and equipment	Total
On January 1	5,401	1,351	8	8,300	15,060	102	419	3,158	3,679
New acquisitions	138	175	8	985	1,306		1	21	22
Via acquired companies		19		33	52				
Divestment and scrapping	-3,308	-85		-925	-4,318		-5	-193	-198
Via sold companies	-6	-44		-144	-194	-3			-3
Transfer within NCC Group								-2,695	-2,695
Reclassifications	16	122	-7	-97	34	-59	-339		-398
Translation difference	-11	-14		-85	-110				
Closing accumulated acquisition value¹⁾	2,230	1,524	9	8,067	11,830	40	76	291	407
Opening write-downs and depreciation	-1,509	-403		-5,119	-7,031	-25	-157	-2,321	-2,503
Via acquired companies		-6		-20	-26				
Divestment and scrapping	603	22		663	1,288		1	188	189
Via sold companies		15		81	96				
Transfer within NCC Group								1,960	1,960
Reclassifications	11	-7		108	112	24	129		153
Translation difference during the year	1	5		56	62				
Write-downs and depreciation during the year	-33	-82		-841	-956		-4	-49	-53
Closing accumulated write-downs and depreciation²⁾	-927	-456		-5,072	-6,455	-1	-31	-222	-254
Opening write-ups	3	116		61	180	4			4
Reclassifications						-1			-1
Translation difference during the year		-3		-1	-4				
Closing accumulated write-ups, net³⁾	3	113		60	176	3			3
Closing planned residual value	1,306	1,181	9	3,055	5,551	42	45	69	156
¹⁾ The acquisition value includes capitalized interest in an amount of	20				20				
²⁾ Accumulated write-downs at year-end	-116	-20			-136				
³⁾ The write-ups arose in 2000 via acquired companies.									
Tax assessment value	1,259	45			1,304	68	14		82
Book value of properties assigned tax assessment value	1,254	1,181			2,435	42	46		88

NOTE 16 INTEREST-BEARING/INTEREST-FREE ASSETS

SEK M	Group						Parent Company					
	Dec 31, 2002			Dec 31, 2001			Dec 31, 2002			Dec 31, 2001		
	Interest-bearing	Interest-free	Total									
Financial fixed assets	711	1,548	2,259	371	1,527	1,898	87	10,287	10,374	471	9,767	10,238
Current receivables	834	11,661	12,495	895	12,706	13,601	851	3,468	4,319	461	4,469	4,930
Short-term investments in NCC's internal bank							2,258		2,258	2,385		2,385
Short-term investments	1,068	3	1,071	530		530						
Cash and bank balances, NCC's internal bank							909		909	929		929
Cash and bank balances	2,646		2,646	2,634		2,634	80		80	44		44
Other current and fixed assets		16,744	16,744		20,649	20,649		1,216	1,216		2,231	2,231
TOTAL ASSETS	5,259	29,956	35,215	4,430	34,882	39,312	4,185	14,971	19,156	4,290	16,467	20,757

NOTE 17 INTEREST-BEARING/INTEREST-FREE LIABILITIES AND PROVISIONS

SEK M	Group						Parent Company					
	Dec 31, 2002			Dec 31, 2001			Dec 31, 2002			Dec 31, 2001		
	Interest-bearing	Interest-free	Total									
Liabilities to credit institutions	9,021		9,021	13,616		13,616	351		351	73		73
Other liabilities	889	14,295	15,184	114	15,270	15,384	1,806	7,636	9,442	3,344	10,215	13,559
Provisions	1,168	2,162	3,330	1,006	1,890	2,896	1,075	562	1,637	929	715	1,644
Minority interests		83	83		94	94						
Shareholders' equity and untaxed reserves		7,597	7,597		7,322	7,322		7,726	7,726		5,481	5,481
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,078	24,137	35,215	14,736	24,576	39,312	3,232	15,924	19,156	4,346	16,411	20,757

NOTE 18 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY Name, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of partici- pations ²⁾	Book value
Real estate companies:			
NCC Property Development AB, 556080-5631, Solna	100	84	5,224
Total participations in real estate companies			5,224
Other companies:			
Alsike Utvecklings AB, 556245-9542, Uppsala	100	16	2
Altima Group AB, 556223-6371, Solna	100	60	195
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1	2
Bostads AB Vägkarlen, 556420-5036, Uppsala	100	1	
Dansk Beton Teknik A/S, 62 47 01 19, Denmark	100		4
Det ljuva livet i Sverige AB, 556459-6988, Norrköping	100	1	
Drevwiken Fastighetsbolag, KB, 916623-1804, Stockholm	100		
Däldehöög AB, 556268-5700, Göteborg	100	9	41
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4
Fastighetsbolaget Fiskvik HB, 916671-2704, Enköping	100		
Fogden i Täby AB, 556058-2115, Täby	100		
Fresta Fastighets AB, 556584-6705, Solna	100	1	
Frösunda Exploaterings AB, 556430-1876, Stockholm	100	1	
Frösunda Exploaterings KB, 916636-6451, Stockholm	100		1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	34
Gasmotorselskabet ApS, 10 369 541, Denmark	100	2	
H-Tek Service i Eskilstuna AB, 556453-3072, Eskilstuna	100	50	8
Hercules Grundläggning AB, 556129-9800, Stockholm	100	1	59
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1	1
Jordskorpan Väst AB, 556171-7058, Halmstad	100	10	1
Kompri HB, 916765-5738, Malmö	100		2
Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg	100	1	
Luzern, AB, 556336-4727, Göteborg	100	1	3
Metodbyggen AB, 556085-3243, Stockholm	100	20	3
NCC Bau & Holding GmbH, FB-nr201178a, Austria	100		
NCC Bygg AS, 959 606 803, Norway	100	7	85
NCC Construction Sverige AB, 556613-4929, Solna	100	500	50
NCC Danmark A/S, 69894011, Denmark	100	10	115
NCC Finland Oy, 0988855-2, Finland	100	2	499
NCC Försäkrings AB, 516401-8151, Solna	100	500	78
NCC GmbH & Co. Deutsche Holding KG, HRA 1435FF, Germany	100		1
NCC Immobilien GmbH, HrB 59164, Germany	100		12
NCC Industries AB, 556001-8276, Stockholm	100	15	107
NCC International AB, 556033-5100, Solna	100	500	307
NCC Leasing Alfa AB, 556522-7724, Solna	100	1	
NCC Måleri i Uppsala AB, 556174-4078, Uppsala	100	3	4
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3 809	1 018
NCC Norge AS, 911 274 426, Norway	100	11 731	48
NCC Polska Sp. Z.o.o, KRS20513, Poland	100	64	
NCC Property Development Holding AB, 556145-1856, Uppsala	100	1	
NCC Reinsurance AG, CH-0203003243-9, Switzerland	100	3	77
NCC Roads Holding AB, 556144-6732, Solna	100	275	1 633
NCC TeleCom Espana S.L, B82732454, Spain	100		
NCC Treasury AB, 556030-7091, Solna	100	120	17
NCC Tunnelling AB, 556599-3413, Solna	100	10	
Nils P Lundh AB, 556062-7795, Solna	100	1	
Nordisk Ekoteknik AB, 556305-1191, Solna	100	1	
Norske Siab A/S, 918 355 367, Norway	100	5	
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	
Siab Trading AB, 556104-9932, Stockholm	100	2	1
Skene Bygg AB, 556083-0316, Mark	100		
Skurups Fjärrvärme AB, 556578-3312, Solna	100	1	
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2	2
Swappavaara Åkeri och Byggnads AB, 556111-3712, Kiruna	100	4	2
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1	
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100		10
Vindelbrinken AB, 556547-5638, Gothenburg	100	1	
Total participations in associated companies			4,440
Total participations in Group companies			9,664

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

²⁾ Number of shares in thousands.

Only directly owned subsidiaries are specified.

The number of indirectly owned subsidiaries is 242.

A complete specification may be ordered from NCC AB.

NOTE 19 PARTICIPATIONS IN ASSOCIATED COMPANIES

Name, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of partici- pations ²⁾	Parent Comp. Group	
			Book value	Book value
Aabenraa Granit I/S, 32870716, Denmark	50			1
Ankaret Invest SA, 526.209, Belgium	50			-1
Asfalt og Maskin Utleie AS, 960585593, Norway	50			2
A-Train AB, 556500-3745, Stockholm	45	2 214	46	42
BeTe Asfalt AS, 970907092, Norway	50			2
Betonelement A/S, 202.624, Denmark	50			61
Betongfabriken i E-tuna KB, 969639-5145, Eskilstuna	50			1
Björnö Mark KB, 916638-1419, Täby	50		2	2
Bolig Interessentskabet Tuborg Nord I/S, 25 62 84 70, Denmark	50			37
Dalkarlen, Byggnads AB, 556329-5251, Norrköping	50			1
Dansk Asfaltfabrik A/S, 52532213, Denmark	50			1
Däldehöög Miljö AB, 556587-9573, Gothenburg	50	3		
Ejendomsintressentskabet Hylkedalsvej, LEV229142, Denmark	50			2
Ejendomsintressentskabet Tuborg Nord B, LEV 225802, Denmark	15			66
Eskilstuna Betong AB, 556061-9826, Eskilstuna	50			1
Fabriksbetong AB, 556065-0599, Norrköping	50	1		1
Fastighets AB Strömstaden, 550651-7202, Norrköping	32	2	2	2
Gladökrossen HB, 969615-7914, Uppsala	50			4
Glösisvallen AB, 556315-5125, Hudiksvall	25			1
Holmenbyggarna Dalkarlen KB, 916693-1783, Norrköping	50			50
Holst Shipping Agency I/S, 14372407, Denmark	50			2
International Marking Systems GmbH, HRB 13604, Germany	37			2
Järnvägsparken HB, 916618-3310, Norrtälje	49			4
Kiinteistö OY Allonpelto, 0616543-9, Finland	50			5
Kiinteistö OY Tarvonlinna, 0746077-1, Finland	50			4
Kiinteistö OY Tarvonvieri, 0701118-3, Finland	50			12
Kista Science Tower KB, 969660-7820, Stockholm	50			45
NCC Fegda, 1080175, Latvia	43			44
NCC-kral, KRS0000135789, Poland	50	4		9
PRInz (Przedsiębiorstwo Robot Inżynieryjnych Spolka Akcyjna Holding), KRS44078, Poland	47	240		131
Projektformidling Nord A/S, 191726, Denmark	50			1
PULS Planerad Underhålls Service, 556379-1259, Malmö	50	15	8	11
Rakentäjien Ekopark Oy, 1579367-2, Finland	33	10		3
Rydbokrossen HB, 916609-3956, Solna	50			2
Sicione SA, A-48265169, Spain	31			7
Sollentuna Centrum AB, 556393-1046, Sollentuna	50			14
Storvreta C HB, 916514-6029, Uppsala	50			14
Talter AS, 10.114.029, Estonia	50	4		16
Tipton Brown Stockholm AB, 556615-8159, Stockholm	33	125	15	15
Ursvik Exploaterings KB, 969679-3172, Stockholm	50		100	100
Valtatie OY, 323.470, Finland	50	468		145
Västra Hamnporten KB, 969667-0976, Malmö	50			26
Återvinnarna i Sverige AB, 556560-7883, Stockholm	50	10	2	2
Östhammarkrossen KB, 916673-1365, Uppsala	50			2
Other, 52 ³⁾			1	45
Participations in associated companies			176	937

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 52 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 is available from NCC AB.

NOTE 20 FINANCIAL FIXED ASSETS

GROUP	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Acquisition value on January 1	1,367	148	400	522	2,437
Assets added	175		150	603	928
Assets removed	-326	-20	-185		-531
Translation difference during the year	-34		1		-33
Closing accumulated acquisition value	1,182	128	366	1,125	2,801
Opening write-downs of acquisition value	-375		-164		-539
Write-downs during the year	-3				-3
Translation difference during the year	1		-1		0
Closing accumulated write-downs	-377		-165		-542
Closing planned residual value	805	128	201	1,125	2,259

THE SECURITIES ABOVE INCLUDE:	Book value	Market capitalization
Sea Container Ltd. ¹⁾	143	87
OM-gruppen	3	1
Other unlisted shares	55	
Total	201	

¹⁾ NCC intends to sell its holding in Sea Containers Ltd. In accordance with an agreement with Sea Containers Ltd, NCC may not sell more than 25 percent of the holding in a single quarter.

PARENT COMPANY	Participations in Group companies	Receivables, Group companies	Participations in associated companies	Receivables, associated companies	Other long-term securities	Other long-term receivables	Total
Opening acquisition value	11,800	723	362	116	311	331	13,643
Assets added	3,663		35		144		3,842
Reclassifications					-122		-122
Assets removed	-2,434	-605	-3	-43	-181	-140	-3,406
Closing accumulated acquisition value	13,029	118	394	73	152	191	13,957
Opening write-ups	273						273
Assets removed	-3						-3
Closing accumulated write-ups, net	270						270
Opening write-downs of acquisition value	-3,394		-162		-122		-3,678
Assets removed	115		-38				77
Write-downs during the year	-356		-18				-374
Reclassifications					122		122
Closing accumulated write-downs	-3,635		-218				-3,853
Closing planned residual value	9,664	118	176	73	152	191	10,374

NOTE 21 PROPERTIES HELD FOR FUTURE DEVELOPMENT

GROUP	Properties held for future development		Ongoing property projects	Completed property projects	Total
	2002	2001	2002	2001	
On January 1	4,186	4,028	894	9,108	
New acquisitions	1,550	1,209	204	2,963	
Via acquired companies	46			46	
Divestment and scrapping	-93	-870	-1,761	-2,724	
Via sold companies	-1,245		-13	-1,258	
Reclassifications	-438	-3,046	3,333	-151	
Closing accumulated acquisition value¹⁾	3,958	1,231	2,639	7,828	
Opening depreciation and write-downs	-311	14		-297	
Divestment and scrapping	5		3	8	
Via sold companies			9	9	
Reclassifications	34	-15		19	
Translation difference during the year	9			9	
Write-downs and depreciation during the year	-4			-4	
Closing accumulated depreciation and write-downs²⁾	-267	-1	12	-256	
Closing planned residual value	3,691	1,230	2,651	7,572	
Tax assessment value	760	291		1,051	
Book value of properties assigned tax assessment value	3,691	1,220		4,911	

¹⁾ Acquisition value includes

capitalized interest in an amount of

²⁾ Accumulated write-downs at year-end

NOTE 23 SHARE CAPITAL

CHANGES		Number of shares	Share capital
1988	Start of year,	6,720,000	672
	Split 1:4	20,160,000	-
	Directed placement, in connection with the acquisition of ABV	16,259,454	407
1991	Conversions of debentures	1,449,111	36
1993	Conversions of debentures	468,928	11
	Directed placement in connection with purchase of minority-held NK shares	1,838,437	46
1994	New issue	19,841,991	496
	Conversions of debentures	13,394,804	335
1997	Directed placement, in connection with the acquisition of Siab	28,303,097	708
2002	Year end	108,435,822	2,711

A total of 2,775,289 Series B shares were repurchased during 2000, 699,300 during 2001 and 2,560,800 during 2002, making a sum total of 6,035,389 repurchased Series B shares.

The share capital is divided into 108,435,822 shares with a par value of SEK 25 each. On December 31, 2002, the shares were distributed as follows by series:

	Series A	Series B	Total
Number of shares	60,932,121	47,503,701	108,435,822

NOTE 24 SHAREHOLDERS' EQUITY

GROUP	Restricted equity		Unrestricted shareholders' equity	
	Share capital	Restricted reserves	Unrestricted reserves	Net result for the year
Opening balance, January 1, 2002	2,711	3,980	2,900	-2,269
Other profit allocations			-2,269	2,269
Repurchase of Company shares			-202	
Transfer between restricted and unrestricted equity		-469	469	
Dividend			-236	
Translation differences, etc.		-116	1	
Hedging of equity in foreign subsidiaries		-9	16	
Net result for the year				821
Closing balance on December 31, 2002	2,711	3,386	679	821

PARENT COMPANY	Restricted equity		Unrestricted shareholders' equity	
	Share capital	Legal reserves	Unrestricted reserves	Net result for the year
Opening balance, January 1, 2002	2,711	1,639	1,988	-1,354
Other profit allocations			-1,354	1,354
Repurchase of Company shares			-202	
Dividend			-236	
Group/capital contributions ¹⁾			439	
Net result for the year				1,750
Closing balance on December 31, 2002	2,711	1,639	635	1,750

¹⁾ In accordance with a statement from the Financial Accounting Standards Council's Emerging Issues Task Force. See the Reporting of Group Contributions section of the accounting principles, pages 52-57.

NOTE 22 MATERIALS AND INVENTORIES

GROUP	Group		Parent Company	
	2002	2001	2002	2001
Aggregates	408	345		125
Building materials	71	83		
Other	248	241	0	30
Total materials and inventories	727	669	0	155

NOTE 25 PROVISIONS FOR PENSIONS

GROUP	Group		Parent Company	
	2002	2001	2002	2001
Provisions for FPG/PRI pensions	1,109	947	1,057	908
Provisions for other pensions	59	75	18	21
Total provisions for pensions	1,168	1,022	1,075	929

NOTE 26 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES

TAX ON NET PROFIT FOR THE YEAR	Group				Parent Company			
	2002		2001		2002		2001	
	Tax, %	Profit	Tax, %	Loss	Tax, %	Profit	Tax, %	Loss
Reconciliation of effective tax rate								
Pretax profit/loss		1,306		-2,130		1,694		-1,644
Tax according to Company's current tax rate	28	-366	28	596	28	-474	28	460
Effect of other tax rates for non-Swedish companies	2	-22	2	43				
Amortization of Group goodwill	4	-53	-6	-131				
Other non-tax-deductible costs	1	-10	-5	-99	8	-141	-20	-336
Unutilized tax-loss carryforwards in Norway	4	-56						
Non-taxable revenues					-33	565	8	124
Tax effect resulting from utilization of non-capitalized tax loss carryforwards	-4	56			-5	88		
Tax on Group contributions received/granted							-3	-50
Tax attributable to prior years	1	-10	-23	-480	-1	19	-8	-125
Other			-2	-50			0	-2
Reported tax¹⁾	35	-461	-6	-121	-3	57	5	71
Current tax		-504		-448		165		-192
Deferred tax		43		327		-108		263
Reported tax		-461		-121		57		71
¹⁾ of which, tax on items affecting comparability and tax affecting comparability	28	-84		76				

DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES

GROUP	Assets		Liabilities		Net	
	2002	2001	2002	2001	2002	2001
Reported deferred tax receivables and liabilities derive from the following:						
Tangible fixed assets			-8	-15	-8	-15
Financial fixed assets		3	-35		-35	3
Non-completed projects			-607	-512	-607	-512
Properties held for future development			-78	-25	-78	-25
Accounts receivable		5				5
Provisions	485	396	-328	-360	157	36
Personnel benefits/pension provisions	8	13			8	13
Interest-bearing liabilities			-2		-2	
Other	66		-86		-20	
Tax loss carryforwards	305	122			305	122
Deferred tax receivable/deferred tax liability	864	539	-1,144	-912	-280	-373
Offsetting	-457	-408	457	408		
Net tax receivable/deferred tax liability	407	131	-687	-504	-280	-373

DEFERRED TAX RECEIVABLES AND DEFERRED TAX LIABILITIES

PARENT COMPANY	Assets		Liabilities		Net	
	2002	2001	2002	2001	2002	2001
Buildings and land		8				8
Machinery and equipment		4				4
Financial fixed assets		2	-1	-1	-1	1
Provisions	174	294			174	294
Personnel benefits/pension provisions	8	13			8	13
Deferred tax receivable/deferred tax liability	182	321	-1	-1	181	320
Offsetting	-1	-1	1	1		
Net tax receivable/deferred tax liability	181	320			181	320

Deferred tax of SEK 512 M has been charged directly against shareholders' equity. The amount pertains to Group contributions received.

TEMPORARY DIFFERENCE BETWEEN REPORTED AND TAXABLE VALUE OF DIRECTLY OWNED SHAREHOLDINGS:

	2002	2001
Participations in Group companies	-	5
Participations in associated companies	-	-9
	-	-4

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. Provisions for the estimated tax consequences of the rejected deduction were posted in prior years. Also see Note 31.

NOTE 27 OTHER PROVISIONS

	Group		Parent Company	
	2002	2001	2002	2001
Guarantees	911	497	354	302
Reserve for projects with a work-up rate exceeding the sales rate	145			
Restoration reserve	121			
Accrued costs	99			
Relocation costs	33			
Other provisions	166	873	208	413
Total other provisions	1,475	1,370	562	715

NOTE 28 LIABILITIES TO CREDIT INSTITUTIONS

	Group		Parent Company	
	2002	2001	2002	2001
Overdraft facility (Limit)	1	336		
	(308)	(699)		
Other liabilities to credit institutions	9,020	13,280	351	73
Total liabilities to credit institutions	9,021	13,616	351	73
Pledged collateral	2,641	1,007	64	55

NOTE 29 INTEREST-BEARING LIABILITIES

GROUP	2002	2001
Provision for pensions	1,168	1,006
Loans with credit institutions, long-term	4,923	4,748
Other interest-bearing liabilities		78
Total long-term interest-bearing liabilities	4,923	4,826
Loans with credit institutions, current	4,098	8,868
Owed to associated companies		10
Other interest-bearing liabilities		33
Total current interest-bearing liabilities	4,987	8,904
Total interest-bearing liabilities	11,078	14,736

CURRENCY	2002		2001		
	Amount	SEK M	Amount	SEK M	
Swedish kronor	SEK M	4,711	4,711	7,873	7,873
US dollar	USD M	43	377		
Norwegian kronor	NOK M	424	533	717	849
Danish kronor	DKK M	1,603	1,981	2,154	2,738
Euro	EUR M	376	3,451	339	3,204
Other currencies		11	25		72
Total		11,078		14,736	
Of which, current liabilities		4,987		8,904	
Total long-term liabilities		6,091		5,832	

REPAYMENT PLAN	2002		2001	
	2004	2,776	2003	1,128
	2005	633	2004	1,885
	2006	496	2005	432
	2007	329	2006	434
	2008–	1,857	2007–	1,953
Total long-term liabilities		6,091		5,832

NOTE 30 WORK IN PROGRESS

PARENT COMPANY	2002	2001
Invoiced sales	15,438	15,816
Costs incurred	–13,439	–13,908
Total work in progress on the account of others	1,999	1,908

NOTE 31 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2002	2001	2002	2001
Pledged collateral				
<i>For own liabilities:</i>				
Property mortgages	1,941	1,173		
Chattel mortgages	82	55		
Assets with attached liens, etc.		99	68	55
Restricted bank deposits	618	6		
Total	2,641	1,333	68	55
Other pledged collateral:				
Shares in associated companies	285	176	47	176
Total	285	176	47	176
Total pledged collateral	2,926	1,509	115	231
Contingent liabilities				
<i>Own contingent liabilities:</i>				
Guarantees on behalf of Group companies			15,857	21,481
Discounted bills				
Other guarantees and contingent liabilities ¹⁾	6,368	5,812	5,713	3,307
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, partnerships and limited partnership	1,791	1,308	504	94
Total	8,159	7,120	22,074	24,882

¹⁾ Other guarantees and contingent liabilities also include tax demands in an amount of SEK 386 M 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 and NCC is of the opinion that the tax authorities' demand for SEK 436 M is inaccurate and that the final tax demand will be approximately SEK 50 M, an amount for which a provision has been posted.

NOTE 32 AVERAGE NUMBER OF EMPLOYEES

	2002		2001	
	No. of employees	Of whom, men	No. of employees	Of whom, men
Parent Company				
Sweden	8,329	7,786	11,608	10,810
Subsidiaries				
Sweden	3,325	3,036	2,466	2,306
Austria	3	3	11	11
Belgium	11	7	11	6
China	17	11		
Cyprus			51	48
Czech Republic	8	8	8	7
Denmark	4,304	3,658	4,818	4,243
Dominican Republic	153	143		
Estonia	51	41	32	29
Finland	2,423	2,136	2,474	2,208
Faeroe Islands	28	25	28	26
Germany	535	469	591	519
Hungary	9	5	9	5
Latvia	93	83	94	86
Libya	1	1		
Lithuania	220	191	106	93
Malaysia	1	1		
Netherlands	16	12	2	1
Nicaragua	365	305	453	435
Norway	3,097	2,770	3,570	2,099
Poland	980	770	784	666
Russia	181	84	82	65
Singapore	115	100		
Swaziland	321	309	171	159
Tanzania	488	446	212	197
United Kingdom	2	1	1	1
Zambia	478	437	588	563
Total in subsidiaries	17,225	15,052	16,562	13,773
Group total	25,554	22,838	28,170	24,583

NOTE 33 PERSONNEL EXPENSES
Wages, salaries and other remuneration distributed by board of directors and presidents and other employees

	2002			2001		
	Board of Directors and Presidents (of which bonuses)	Other employees	Total	Board of Directors and Presidents (of which bonuses)	Other employees	Total
Parent Company						
Sweden	12	2,825	2,837	12	3,386	3,398
Total						
Parent Company	12	2,825	2,837	12	3,386	3,398
(of which bonuses)	(1.8)		(1.8)	(2.2)		(2.2)
Subsidiaries						
Sweden	17	971	988	15	712	727
(of which bonuses)	(2.3)		(2.3)	(1.8)		(1.8)
Austria	1	1	2			
Belgium		5	5	1	4	5
China		2	2			
Cyprus					31	31
Czech Republic		2	2		2	2
Denmark	28	1,848	1,876	25	2,311	2,336
(of which bonuses)	(4.1)		(4.1)	(3.7)		(3.7)
Dominican Republic		11	11			
Estonia		3	3		5	5
Finland	5	872	877	9	889	898
(of which bonuses)	(0.1)		(0.1)	(1.1)		(1.1)
Faeroe Islands		4	4		4	4
Germany	3	140	143	2	150	152
Hungary					1	1
Latvia		8	8		8	8
Lithuania		6	6		7	7
Netherlands		1	1		1	1
Nicaragua		15	15		44	44
Norway	7	1,332	1,339	5	1,436	1,441
(of which bonuses)	(0.5)		(0.5)	(0.7)		(0.7)
Poland	6	285	291	6	126	132
(of which bonuses)	(2.8)		(2.8)	(0.6)		(0.6)
Russia		13	13		11	11
Singapore		12	12			
Swaziland		13	13		15	15
Tanzania		15	15		9	9
United Kingdom		1	1		1	1
Zambia		13	13		15	15
Other countries					1	1
Total in subsidiaries	67	5,573	5,640	63	5,783	5,846
(of which bonuses)	(9.8)		(9.8)	(7.8)		(7.8)
Group total	79	8,398	8,477	75	9,169	9,244
(of which bonuses)	(11.6)		(11.6)	(10.0)		(10.0)

NOTE 33 Cont.
Wages, salaries, other remuneration and social security costs

	2002			2001		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs ¹⁾	Wages, salaries and other remuneration	Social security costs	Of which, pension costs ¹⁾
Parent Company	2,837	1,454	412	3,398	1,573	374
Subsidiaries	5,640	1,079	375	5,846	1,005	331
Group total	8,477	2,533	787	9,244	2,578	705

¹⁾ Of the Parent Company's pension costs, the Board of Directors and Presidents category accounts for SEK 15 M (22). The Company's outstanding pension commitments to this category amount to SEK 47 M (52). The reported pension costs include contributions to the pension foundation.

Of the Group's pension costs, the Board of Directors and Presidents category, including current and former members, accounts for SEK 20 M (29). The Group's outstanding pension commitments to this category amount to SEK 48 M (59). The reported pension costs include contributions to the pension foundation.

Senior executives' employment conditions and remuneration
Principles

The Chairman of the Board and other Board members elected by the Annual General Meeting, excluding the CEO, receive director fees in an amount decided by the Annual General Meeting.

Remuneration to the CEO is decided by the Board. Remuneration to other senior executives is decided by the CEO and the Chairman of the Board.

Remuneration to the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pensions, etc. The term "other senior executives" pertains to the eleven persons who, together with the CEO, comprise Group Management. For information about the composition of Group Management, see pages 76–77.

Bonus

The maximum bonus payable to the CEO in 2002 amounted to 35 percent of his basic salary. The bonus was based on financial targets established by the Board. The bonus provision posted during 2002 corresponded to 25 percent of the CEO's basic salary.

The principle for other senior executives was that 20 to 40 percent of the bonus for 2002 related to basic salary was based on operating profit and 5 percent was based on individual goals, making a maximum bonus of 25 to 45 percent. The provision posted for bonus payments to other senior executives during 2002 corresponded to 0 to 32 percent of their basic salary.

For 2002, the CEO and other members of Group Management also had an opportunity to receive a turnaround bonus of a maximum of 50 percent of their basic salary based on the achievement of financial goals. No bonus was paid based on this parameter.

Remuneration and other benefits during the year

SEK thousands	Total salary, compensation and other benefits	of which, variable compensation – bonus	Pension costs
Chairman of the Board	400		
Other Board members	1,050		
CEO	6,139	1,125	991
Other senior executives (Eleven persons)	19,898	1,395	
Total	27,487	2,520	991

Pensions and severance payments

The CEO is subject to a 12-month period of notice and is entitled to receive 12 months of severance payment, if his employment is terminated by the employer. Such payment will be adjustable against remuneration received from other employment or another form of assignment. The CEO's retirement age is 60 years, with annual pension premiums corresponding to 25 percent of the fixed annual salary.

Other senior executives may retire at the age of 60 to 62 and are subject to a 6 to 12-month period of notice and are entitled to up to 18 months of severance payment, if their employment is terminated by the employer. As of age 65, a pension in Sweden corresponding to the ITP plan is generally payable, plus a supplementary pension based on straight-line earnings. The temporary pension payable at age 60 and the supplementary pension payable at age 65 are fee based. The temporary pension payable at age 60 includes survivor's cover. A three-year average of paid-out bonuses also forms the basis for pensions under the ITP plan.

Pensions payable to other senior executives in other countries are subject to similar terms and conditions.

Options program

For information about the rolling options program in effect during 1999–2001, see pages 76–77.

NOTE 34 FEES AND REMUNERATION TO AUDITORS AND AUDIT FIRMS

	Group		Parent Company	
	2002	2001	2002	2001
Audit firms				
KPMG				
Auditing assignments	16	14	2	5
Other assignments	28	21	11	7
Other auditors				
Auditing assignments	1	1		
Other assignments	3	2		
Total fees and remuneration to auditors and audit firms	48	38	13	12

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 35 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared in accordance with the RR7 indirect method, with the following modifications:

The change in long-term receivables is reported under financing activities.

Acquisition of subsidiaries

The value of acquired assets and liabilities based on established acquisition analyses was as follows::

GROUP	2002	2001
Intangible fixed assets		-196
Buildings and land		-18
Tangible fixed assets		-90
Financial fixed assets		-9
Properties held for resale		
Inventories		-54
Accounts receivable and other current receivables		-325
Liquid assets		-75
Long-term liabilities		45
Accounts payable and other current liabilities		265
Current interest-bearing liabilities		
Minority interest		49
Deferred tax liability		13
Purchase considerations paid		-395
Purchase considerations settled in a manner other than cash payment	241	
Acquired liquid assets	75	
Impact on the Group's liquid assets		-79

NOTE 35 Cont.

Sales of subsidiaries		
GROUP	2002	2001
Intangible fixed assets	63	99
Buildings and land	29	4
Tangible fixed assets	32	7
Financial fixed assets	5	
Accounts receivable and other current assets	443	20
Liquid assets	182	10
Long-term liabilities	-8	
Accounts payable and other current liabilities	-570	-24
Deferred tax liability	-36	
Capital gains/losses	303	-3
Purchase considerations	443	113
Sold liquid assets	-182	-10
Impact on the Group's liquid assets	261	103

Acquisition of tangible fixed assets*Group*

Acquisitions of tangible fixed assets during the year amounted to SEK 1,585 M (4,235), of which SEK 20 M (16) was financed through loans.

Parent Company

Acquisitions of tangible fixed assets during the year amounted to SEK 21 M (559), of which SEK 0 M (58) was financed through loans.

LIQUID ASSETS	Group		Parent Company	
	2002	2001	2002	2001
Cash and bank balances	2,646	2,634	989	973
Short-term investments	1,071	530	2,258	2,385
Amount at year-end	3,717	3,164	3,247	3,358

At year-end, short-term investments in the balance sheet amounted to SEK 1,071 M (530), of which SEK 828 M (20) consisted of financial instruments with maturities of up to three months. The Group's unutilized credit facilities at year-end amounted to SEK 3.8 billion (2.8).

EXCHANGE-RATE DIFFERENCES IN LIQUID ASSETS

GROUP	2002	2001
Cash flow was affected by exchange-rate differences in liquid assets, estimated at		
Exchange-rate differences in liquid assets	-50	86
Exchange-rate differences in liquid assets were attributable to		
Liquid assets on January 1	-23	30
Cash flow during the year	-27	56

Acquisitions of companies amounted to SEK 0 M (395), of which SEK 0 M (316) had no effect on cash flow. Sales of subsidiaries amounted to SEK 443 M (113), of which SEK 182 M (10) 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 130 M (273). Interest payments made during the year amounted to SEK 807 M (929).

Parent Company

Interest payments received during the year amounted to SEK 238 M (119). Interest payments made during the year amounted to SEK 265 M (216).

NOTE 36 LEASING

FINANCIAL LEASING	Machinery and equipment	Buildings
Acquisition value		
On January 1	259	14
New acquisitions	102	
Divestments and scrappage	-124	
	237	14
Accumulated depreciation		
On January 1	-80	
Divestments and scrappage	70	
Depreciation according to plan during the year	-46	-1
	-56	-1
Closing planned residual value	181	13
Interest-bearing liability	181	13

FUTURE MINIMUM LEASING FEES	Machinery and equipment	Buildings
2003	46	
2004	29	14
2005	17	
2006	1	
2007 and later		

VARIABLE FEES INCLUDED IN PROFIT/LOSS FOR THE YEAR

	Depreciation	Interest
Leased machinery and equipment	46	7
Leased buildings		1
Total	46	8

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 184 M.

Operational leasing

Future minimum leasing fees – lessor (leased premises)

Distributed by maturity period:

– Within one year	224
– Within more than one year	
but less than five years	362
– Later than five years	–

Future minimum leasing fees – lessor (leased machinery)

Rental contracts that expire within one year 542

Leasing costs

The Group's future payment obligations for operational leasing contracts are distributed as follows in terms of time:

Leasing contracts that expire:

– Within one year	140
– Within more than one year	
but less than five years	405
– Later than five years	95

Costs for operational leasing during the year amounted to SEK 90 M.

NOTE 37 EXCHANGE RATES

Country	SEK	Currency	Average exchange rate		Year-end exchange rate	
			Jan–Dec 2002	Jan–Dec 2001	Dec 31 2002	Dec 31 2001
Denmark	100	DKK	123.28	124.15	123.48	127.11
EU	1	EUR	9.16	9.25	9.17	9.45
Norway	100	NOK	1.22	114.99	1.26	118.48
Poland	1	PLN	2.38	2.52	2.29	2.69
United Kingdom	1	GBP	14.57	14.87	14.10	15.53
US	1	USD	9.73	10.33	8.79	10.71

NOTE 38 TRANSACTIONS WITH CLOSELY RELATED COMPANIES

The main companies that are closely related to NCC are Nordstjernen, companies in the Lundberg sphere and associated companies.

The transactions involving these companies that were implemented during the year were conducted on a purely commercial basis.

PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

The Group's unrestricted shareholders' equity amounts to SEK 1,500 M. No transfer to restricted shareholders' equity is proposed.

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

Any options exercised for share purchases as part of the 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.

Unappropriated earnings in the Parent Company at the disposal of the Annual General Meeting:	2,385,732,581
To be distributed as follows:	
Dividend of SEK 2.75 per share to shareholders	281,601,191
To be carried forward	2,104,131,390
	SEK 2,385,732,581

In addition to the above cash dividend, the Board proposes a spin-off of all of the shares in Altima Group AB to NCC shareholders, whereby each multiple of ten NCC shares will qualify for one share in Altima Group AB. As a result of the spin-off of Altima Group AB, unrestricted shareholders' equity in NCC AB will be reduced by a maximum of SEK 550 M. Following this cash-in-kind dividend, at least SEK 1,554,131,390 will be carried forward.

Solna, February 11, 2003

Antonia Ax:son Johnson

Fredrik Lundberg

Tomas Billing

Carl Wilhelm Ros

Marcus Storch

Lars Bergqvist

Kosti Markkanen

Sven Frisk

Alf Göransson
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 2002 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 26, 2003

Bo Ribers
Authorized Public Accountant

Carl Lindgren
Authorized Public Accountant
Deputy auditor

MULTI-YEAR REVIEW

INCOME STATEMENT, SEK M	Pro forma ¹⁾				Pro forma ²⁾	
	1997	1998	1999	2000	2001	2002
Net sales	32,077	34,160	37,460	38,728	47,521	45,165
Production costs	-29,026	-30,832	-33,446	-34,641	-43,711	-40,950
Gross profit	3,051	3,328	4,014	4,087	3,810	4,215
Selling and administrative expenses	-2,502	-2,587	-3,062	-3,457	-4,004	-3,157
Result from property management					254	103
Result from sales of properties	-63	323	163	640	229	322
Result from participations in associated companies	20	-158	66	23	34	10
Result from sales of Group companies	105	1	7	-1	8	2
Result from sales of associated companies	-2	194	50	271	13	34
Write-downs/reversal of write-downs of properties			31	-60	-140	-10
Items affecting comparability ³⁾	-449		201	912	-1,740	301
Operating profit/loss	160	1,101	1,470	2,415	-1,536	1,820
Net financial items	-535	-371	-219	-262	-594	-514
Profit/loss after net financial items	-375	730	1,251	2,153	-2,130	1,306
Tax	79	-184	-408	-655	-121	-461
Minority interests	-4	-3	-5	-4	-18	-24
Net profit/loss	-300	543	838	1,494	-2,269	821

BALANCE SHEET, SEK M						
Goodwill	1,394	1,313	2,193	3,210	2,787	2,538
Managed properties	8,526	7,557	5,950	4,570	3,895	1,306
Buildings and land	1,736	1,593	2,041	2,361	1,071	1,190
Tangible and intangible fixed assets	1,356	1,471	2,002	3,360	3,388	3,186
Shares and participations	2,222	2,090	1,354	1,217	1,228	1,137
Investments in progress	856	1,060	1,958	2,677	5,477	4,215
Properties held for future development	899	1,154	1,870	3,152	3,335	3,358
Interest-bearing receivables	1,412	1,618	1,138	1,389	1,266	1,545
Interest-free receivables	6,334	7,468	8,153	12,550	13,701	13,023
Liquid assets	3,609	3,135	2,371	2,207	3,164	3,717
Total assets	28,344	28,459	29,030	36,693	39,312	35,215
Shareholders' equity	9,237	9,671	9,795	9,922	7,322	7,597
Minority interests	25	25	30	20	94	83
Interest-bearing liabilities and provisions etc.	8,956	8,381	8,803	11,714	14,736	11,078
Interest-free liabilities and provisions	10,126	10,382	10,402	15,037	17,160	16,457
Total equity and liabilities	28,344	28,459	29,030	36,693	39,312	35,215

RATIOS						
Return on equity, % ⁴⁾	2	6	7	9	neg	8
Return on capital employed, % ⁴⁾	4	7	8	9	2	9
Equity/assets ratio, %	33	34	34	27	19	22
Interest-bearing liabilities/total assets, %	32	29	30	32	37	31

OTHER						
Average number employees	22,434	21,645	24,122	25,192	28,170	25,554

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

²⁾ Changed accounting principles regarding NCC Property Development, see page 52.

³⁾ 1997: costs related to the merger of NCC and Siab. 1999: sale of shares in Silja Abp and BPA. 2000: Refund from Alecta. 2001: restructuring costs. 2002: sale of NVS.

⁴⁾ Excluding items affecting comparability.

KEY FIGURES, SEK M	Pro forma				Pro forma	
	1997	1998	1999	2000	2001	2002
Operating profit/loss (EBIT)	160	1,101	1,470	2,415	-1,536	1,820
Operating profit/loss (EBIT), excl. items affecting comparability	609	1,101	1,269	1,503	137	1,519
Profit/loss after net financial items (EBT)	-375	730	1,251	2,153	-2,130	1,306
Profit/loss after net financial items (EBT), excl. items affecting comparability	74	730	1,050	1,241	-465	1,005
Shareholders' equity	9,237	9,671	9,795	9,971	7,322	7,597
Capital employed at year-end	18,218	18,077	18,628	21,705	22,153	18,759
Capital employed, average	20,430	17,745	18,974	19,797	22,998	20,770
Net debt	3,935	3,627	5,296	8,118	10,306	5,819
Gross investments in properties, Property Development	694	1,135	1,853	3,056	3,055	1,604
Sales of properties, Property Development, book value	6,227	2,219	2,142	3,845	1,965	6,786
Gross investments in other fixed assets	569	1,001	2,365	3,493	1,943	1,332

DATA PER SHARE						
Shareholders' equity, SEK	85.20	89.20	90.30	93.90 ¹⁾	69.75	74.20
Profit/loss after full tax before dilution effects, SEK ²⁾	-2.80	5.00	7.70	14.00	-21.60	7.95
Profit/loss after full tax excl. items affecting comparability, SEK	1.40	5.00	6.40	8.00	-5.25	5.85
Profit/loss after full tax after dilution effect, SEK	-2.80	5.00	7.70	13.80	-21.60	7.60
Profit/loss after full tax excl. items affecting comparability, SEK	1.40	5.00	6.40	7.90	-5.25	5.60
Market price, NCC series B shares, SEK	83.50	61.50	98.00	69.00	70.00	53.00
Dividend, SEK	1.50	2.50 ³⁾	4.00 ⁴⁾	4.50	2.25	2.75 ⁵⁾
Cash flow before financing, SEK	38.94	5.46	-5.58	-22.00	-7.11	49.43
P/E ratio after full tax	neg	12	13	5	neg	7
P/E ratio after full tax, excl. items affecting comparability	61	12	15	9	neg	9
Direct return, %	1.8	8.9	11.2	6.5	3.2	
Direct return, excl. extra dividend, %	1.8	4.1	4.1	6.5	3.2	5.2
Stock exchange price/shareholders' equity, %	98	69	108	73	100	71
Number of shares						
total, millions	108.4	108.4	108.4	108.4	108.4	108.4
average during the year, millions	108.4	108.4	108.4	107.0	105.0	103.6
at year-end, millions	108.4	108.4	108.4	105.7	105.0	102.4
Market value, SEK M	8,960	6,669	10,564	7,353	7,347	5,366

¹⁾ Adjustments have been made in accordance with the Financial Accounting Standards Council's RR9 recommendation regarding income tax.

²⁾ Dilution effect taking options programs into account.

³⁾ In addition, Hufvudstaden shares with a value of SEK 3 per NCC share were spun off.

⁴⁾ In addition, an extraordinary dividend of SEK 7 per share was paid.

⁵⁾ The Board of Directors' proposal to the Annual General Meeting. The Board also proposes a spin-off of all shares in Altima Group AB, where each multiple of ten NCC AB shares will qualify for one share in Altima Group AB.

For accounting principles, see pages 52-57.

Financial objectives

Objectives	Actual					Average 5 years
	1998	1999	2000	2001	2002	
Return on shareholders' equity after full tax, % ¹⁾	15 ²⁾	6	7	9	neg	8
Equity/assets ratio, %	At least 30	34	34	27	19	22
Cash flow, SEK M	Positive	592	-605	-2,356	-746	5,120

¹⁾ Excluding items affecting comparability.

²⁾ The target through 2001 was 12%.

Up to and including 2001, NCC's profitability target was a return on equity of 12 percent after full tax. Since this target was never achieved, a comprehensive process of change was initiated during autumn 2001 in an effort to enhance the Group's profitability. As of 2002, the profitability target is a return on equity of 15 percent after full tax.

The multi-year review shows NCC's consolidated income statement and balance sheets, as well as key figures and share data, for six years. The objective is that the review be supplemented over time, so that it will cover at least seven years in the future, which NCC regards as a reasonable period for a business cycle. A review for the period prior to 1997 is not regarded as meaningful because the Group's structure and operations have undergone major changes since then.

The increases in sales and the number of employees during the six years were mainly due to acquisitions: Siab (1997), Superfos (1999) and Rieber Roads (2000). NCC regards all of these acquisitions as strategic.

The equity/assets target has been changed from 35 to 30 percent. As a result, an extra dividend was paid in 2000, which explains the decreases during that year. The low equity/assets ratios in 2001 and 2002 were due to the loss reported for 2001.

Net indebtedness rose during 1999, 2000 and 2001, mainly due to the companies acquired during that period. Investments were also made in land and properties during these years.

QUARTERLY DATA

	Quarterly amounts, 2002				Jan-Dec 2002	Quarterly amounts, 2001				Jan-Dec 2001
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Group										
Orders received, SEK M	9,613	10,309	11,748	11,428	43,098	12,599	12,644	11,623	13,781	50,647
Net sales, SEK M	8,675	12,331	11,113	13,046	45,165	9,111	11,752	12,695	13,963	47,521
Operating profit/loss (EBIT), SEK M ¹⁾	-205	883	258	583	1,519	-175	510	516	-714	137
Profit/loss after financial items (EBT), SEK M ¹⁾	-301	730	139	437	1,005	-338	431	308	-866	-465
Earnings per share, SEK ¹⁾	-2.15	4.55	0.65	2.80	5.85	-2.25	2.75	1.50	-7.25	-5.25
NCC Construction Sweden										
Orders received, SEK M	3,980	3,767	4,199	3,981	15,927	5,908	5,645	3,963	5,817	21,333
Order backlog, SEK M	11,237	10,303	10,706	9,532	9,532	10,793	12,074	11,754	11,142	11,142
Net sales, SEK M	3,890	4,688	3,801	5,183	17,562	4,171	4,795	4,195	5,986	19,147
Operating profit (EBIT), SEK M	9	146	54	197	406	14	17	8	86	125
Operating margin (EBIT), %	0.2	3.1	1.4	3.8	2.3	0.3	0.4	0.2	1.4	0.7
NCC Construction Denmark										
Orders received, SEK M	1,060	1,603	1,250	1,464	5,377	2,070	1,719	1,416	2,710	7,915
Order backlog, SEK M	4,212	4,440	4,421	4,348	4,348	4,577	4,549	4,198	4,820	4,820
Net sales, SEK M	1,434	1,379	1,295	1,581	5,689	1,337	1,717	2,014	1,990	7,058
Operating profit/loss (EBIT), SEK M	35	27	12	70	144	-25	37	31	-69	-26
Operating margin (EBIT), %	2.4	2.0	0.9	4.4	2.5	-1.9	2.2	1.5	-3.5	-0.4
NCC Construction Finland										
Orders received, SEK M	1,478	1,251	1,015	1,210	4,954	1,473	1,042	680	1,060	4,255
Order backlog, SEK M	3,061	3,124	3,072	2,888	2,888	3,615	3,381	3,048	2,667	2,667
Net sales, SEK M	963	1,210	1,086	1,437	4,696	1,144	1,280	1,196	1,340	4,960
Operating profit/loss (EBIT), SEK M	43	70	71	42	226	50	35	68	-4	149
Operating margin (EBIT), %	4.5	5.8	6.5	2.9	4.8	4.4	2.7	5.7	-0.3	3.0
NCC Construction Norway										
Orders received, SEK M	1,287	263	1,683	1,425	4,658	1,200	1,725	1,120	-9	4,036
Order backlog, SEK M	3,598	2,756	3,797	4,115	4,115	3,738	4,597	4,590	3,670	3,670
Net sales, SEK M	1,128	1,254	712	1,166	4,260	1,034	1,121	1,151	1,386	4,692
Operating profit/loss (EBIT), SEK M	-28	-78	-266	13	-359	-8	-24	2	-301	-331
Operating margin (EBIT), %	-2.5	-6.2	-37.4	1.1	-8.4	-0.8	-2.1	0.2	-21.7	-7.1
NCC Construction Germany										
Orders received, SEK M	209	200	285	112	806	285	-18	364	-290	341
Order backlog, SEK M	724	671	720	610	610	1,447	1,165	1,354	807	807
Net sales, SEK M	243	262	237	224	966	207	262	260	216	945
Operating profit/loss (EBIT), SEK M	11	18	-30	48	47	-5	21	12	-291	-263
Operating margin (EBIT), %	4.5	6.9	-12.7	21.4	4.9	-2.4	8.0	4.6	-134.7	-27.8
NCC Construction Poland										
Orders received, SEK M	1	69	399	364	833	2	313	219	13	547
Order backlog, SEK M	466	378	620	860	860	99	469	343	758	758
Net sales, SEK M	95	146	110	82	433	26	30	236	320	612
Operating profit/loss (EBIT), SEK M	-7	14	16	11	34	-13	7	-4	-9	-19
Operating margin (EBIT), %	-7.4	9.6	14.5	13.4	7.9	-50.0	23.3	-1.7	-2.8	-3.1
NCC International Projects										
Orders received, SEK M	638	119	502	1,215	2,474	103	150	655	977	1,885
Order backlog, SEK M	4,056	3,994	4,117	4,726	4,726	3,240	2,935	3,412	3,860	3,860
Net sales, SEK M	332	128	392	508	1,360	237	459	348	450	1,494
Operating profit/loss (EBIT), SEK M	7	18	2	39	66	-15	-14	-1	-161	-191
Operating margin (EBIT), %	2.1	14.1	0.5	7.7	4.9	-6.3	-3.1	-0.3	-35.8	-12.8
NCC Property Development										
Net sales, SEK M	294	1,719	908	1,229	4,150	389	458	576	905	2,328
Operating profit/loss (EBIT), SEK M	82	517	-54	155	700	193	307	159	55	714
NCC Roads										
Orders received, SEK M	1,013	3,122	2,540	1,754	8,429	1,069	2,601	2,429	2,232	8,331
Order backlog, SEK M	981	1,566	1,198	908	908	919	1,401	988	839	839
Net sales, SEK M	836	2,327	2,919	2,259	8,341	740	2,121	2,864	2,381	8,106
Operating profit/loss (EBIT), SEK M	-345	242	451	25	373	-335	228	390	-4.1	242
Operating margin (EBIT), %	-41.3	10.4	15.5	1.1	4.5	-45.3	10.7	13.6	-1.7	3.0
Altima										
Orders received, SEK M	345	350	328	367	1,390	366	407	371	401	1,545
Net sales, SEK M	345	350	328	367	1,390	366	407	371	401	1,545
Operating profit (EBIT), SEK M	34	34	41	49	158	38	56	64	0	158
Operating margin (EBIT), %	9.9	9.7	12.5	13.4	11.4	10.4	13.8	17.3	0	10.2

¹⁾ Excluding items affecting comparability.

DEFINITIONS

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.

Beta value: Volatility in the price of NCC shares in relation to the entire stock market.

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.

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

Earnings per share after full tax: Net profit for the year as a percentage of the number of shares at the end of the year.

EBIT: Profit before financial items, operating profit.

EBT: Profit after financial items.

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

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

Exchange-rate effect: The impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

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. 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.

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 shareholders' equity.

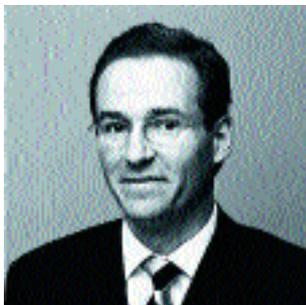
Return on capital employed: Profit after net financial items including participations in associated companies, following reversal of interest expenses, as a percentage of average capital employed.

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.

Total return: The real return on an investment in shares, meaning the dividend received plus the change in the share price.

BOARD OF DIRECTORS AND AUDITORS

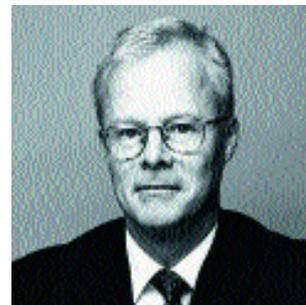
ELECTED BY THE ANNUAL GENERAL MEETING



Tomas Billing



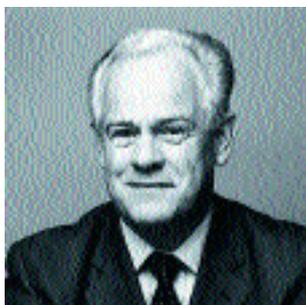
Fredrik Lundberg



Alf Göransson



Antonia Ax:son Johnson



Carl Wilhelm Ros



Marcus Storch

TOMAS BILLING

Chairman. Born 1963. Member since 1999 and Chairman since 2001. President of Nordstjernan AB. Chairman of Karolin Machine Tool AB and Vålinge Holding AB. Board member of Q-Med AB and Mydata Automation AB. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other executive positions. Shareholding in NCC AB: 10,000 Series A shares, 11,000 Series B shares and call options corresponding to 380,000 Series A shares.

ANTONIA AX:SON JOHNSON

Born 1943. NCC Board member since 1999. Chairman of Axel Johnson Group and Stockholms Stadsmission. Board member of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation, Axfood AB, Åhléns AB, and Xerox Corporation, USA. Shareholding in NCC AB: 166,000 Series A shares and 29,702 Series B shares via companies, plus a private holding of 23,985 Series B shares.

FREDRIK LUNDBERG

Deputy Chairman. 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, Svenska Handelsbanken and Stadium AB. Shareholding in NCC AB: 301,540 Series A shares and 74,464 Series B shares via private companies.

CARL WILHELM ROS

Born 1941. NCC Board member since 1994. Chairman of Dahl International AB. Board member of INGKA (Ikea) Holding, SEB AB, Bonnier AB, Profilgruppen AB and LKAB, among other companies. Previous experience: Astra, Alfa-Laval, ABB Fläkt and LM Ericsson (Senior Vice President at Ericsson during 1995–99), among other positions. Shareholding in NCC AB: 1,000 Series B shares.

ALF GÖRANSSON

Born 1957. President and CEO. NCC Board member since 2002. Chairman of A-Train AB. Previous experience: CEO of Svedala Industri AB 2000–2001, Business Area Manager Cardo Rail 1998–2000, and President of Swedish Rail Systems AB, contracting company in the Scancem Group, 1993–1998, among other positions. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 95,000 Series A shares.

MARCUS STORCH

Born 1942. NCC Board member since 1998. Deputy Chairman of Axel Johnson AB, Axfood AB and the Nobel Foundation. Board member of Dagens Industri AB, AB Hannells Industrier, Nordstjernan AB, Stockholmsbörsen AB, Crane AB, the Royal Academy of Sciences and the Royal Academy of Engineering Sciences. Previous experience: President of AGA AB during 1981–1997, among other positions. Shareholding in NCC AB: 0.

The details regarding shareholdings in NCC pertain to holdings at December 31, 2002.

BOARD OF DIRECTORS' WORK DURING 2002

During 2002, the Board of Directors consisted of six members elected by the Annual General Meeting – Tomas Billing (Chairman), Fredrik Lundberg (Deputy Chairman), Antonia Ax:son Johnson, Carl Wilhelm Ros, Marcus Storch and Alf Göransson (NCC's CEO). Alf Göransson was elected to the Board by the Annual General Meeting in 2002. The Board also has three deputy members, representing the employees.

Other senior executives within NCC attended Board meetings to present various issues and to serve as Board secretary. The Board of Directors conducted seven meetings in 2002 at which minutes were recorded, which complied with an established schedule.

The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, in addition to other decisions

that, in accordance with the NCC's decision-making procedures, 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 CEO, as well as for financial reporting to the Board of Directors.

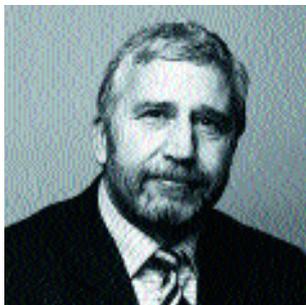
Due to the limited size of the Board (six members including the President), the Board has concluded that matters that in certain companies are delegated to audit and remuneration committees should be addressed within the confines of regular Board work. Work related to nominations to the Board is conducted in the Nomination Committee. Auditors are elected for four years. The Annual General Meeting in 2004 will address the issue of the election of auditors.

APPOINTED BY EMPLOYEE ORGANIZATIONS



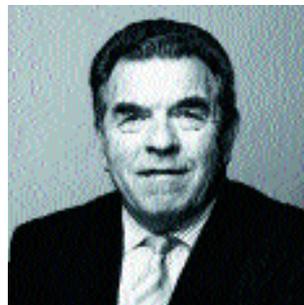
LARS BERGQVIST

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



SVEN FRISK

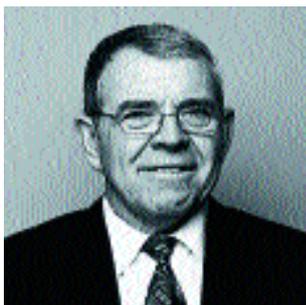
Born 1946. NCC Board member since 1999. Employee representative of the Swedish Building Workers' Union. Shareholding in NCC AB: 0.



KOSTI MARKKANEN

Born 1938. NCC Board member since 1996. Representative of the Swedish Building Workers' Union. Member of Department 2 (in Malmö) of the Union. Shareholding in NCC AB: 115 Series A shares.

DEPUTY MEMBERS



KARL-OLOF FRANSSON

Born 1941. Deputy NCC Board member since 1993. Employee representative of 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.

SECRETARY

ULFWALLIN

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary since 1996. Shareholding in NCC AB: call options corresponding to 32,833 Series B shares.



SVEN-ROLAND JANSSON

Born 1942. Deputy NCC Board member since 2002. Employee representative of the Swedish Metal Workers' Union. Board member of the Swedish Metal Workers' Union, dep 1, Stockholm. Shareholding in NCC AB: 205 Series A shares and 136 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.

BO RIBERS

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



MARITA MANNERFJORD

Born 1944. Deputy NCC Board member since 1998. Employee representative of SIF (Swedish Industrial Salaried Employees' Association). Shareholding in NCC AB: 100 Series B shares.

Deputy auditors

CARL LINDGREN

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

ANDERS LINÉR

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

Nomination Committee and director fees

At the Annual General Meeting on April 3, 2002, the following persons were elected members of the Nomination Committee: Viveca Ax:son Johnson, Erik Åsbrink and chairman Johan Björkman. Chairman of the Board Tomas Billing serves as 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, as well as nominating auditors. At the Annual General Meeting in April 2002, it was decided that the director fees for Board work in 2002 would total SEK 1,450,000 to be distributed among the Board Members elected by the Annual General Meeting, with the exception of Alf Göransson, who does not receive any director fees. The Chairman received SEK 400,000, the Deputy Chairman SEK 300,000 and the three other Board Members SEK 250,000 each.

The Nomination Committee's proposal to the Annual General Meeting for 2003 is that Antonia Ax:son Johnson, Tomas Billing, Alf Göransson, Fredrik Lundberg and Marcus Storch be reelected to the Board and that Anders Rydin be newly elected to the Board. Anders Rydin was previously Executive Vice President and Chief Financial Officer at AGA AB, Investor AB and Skandinaviska Enskilda Banken AB, and Board member at Frontville AB (Chairman), Cardo AB, Enskilda Securities AB, SEB Trygg Liv, Kapitalmarknadsgruppen and the Swedish Association for Share Promotion. It is proposed that the Board of Directors receive an unchanged amount of SEK 1,450,000 to be allocated by the Board as fees to those members of the Board who are elected by the Annual General Meeting and are not employees of the Company.

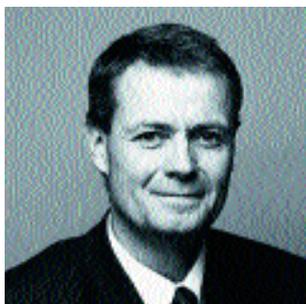
EXECUTIVE MANAGEMENT

MANAGEMENT GROUP WITH A NORDIC FOCUS

GROUP MANAGEMENT



Alf Göransson



Björn Andersson



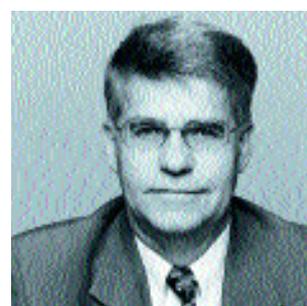
Olle Ehrlén



Hans Gormsen



Marita Hellberg



Hans-Olof Karlsson

ALF GÖRANSSON

Born 1957. Chief Executive Officer. Employed since 2001. Previous experience: CEO of Svedala Industri AB 2000–2001, Business Area Manager Cardo Rail 1998–2000, and President of Swedish Rail Systems AB, contracting company in the Scancem Group, 1993–1998, among other positions. Other assignments: Chairman of A-Train AB. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 95,000 Series A shares.

HANS GORMSEN

Born 1951. President of NCC Roads. Employed since 1989 (in Superfos). Previous experience: President of Industry business area, Deputy President of NCC Denmark, President of Superfos, 1991–1999, and Vice President Technology at Chem Crete International, Brussels. Other assignments: President of European Asphalt Pavement Association (EAPA). Shareholding in NCC AB: call options corresponding to 102,719 Series B shares.

BJÖRN ANDERSSON

Born 1959. Chief Financial Officer; with responsibility for financial control, finance, business development and IT. Employed since 1999. Previous experience: Head of Finance and Control at AB Svenska Shell, and various international and Swedish executive positions within Shell. Shareholding in NCC AB: call options corresponding to 100,000 Series A shares and 38,572 Series B shares.

MARITA HELLBERG

Born 1955. Senior Vice President Human Resources. Employed since 2002. Previous experience: responsible for human resources within various segments of the Ericsson Group since 1978, most recently Vice President Human Resources and Vice President of EMEA Ericsson (the Europe, Middle East and Africa market area) 1999–2002 and Vice President Human Resources at Ericsson Radio 1996–1998. Shareholding in NCC AB: call options corresponding to 58,850 Series B shares.

OLLE EHRLÉN

Born 1949. Vice President and President of NCC Construction Sweden. Employed since 1973. Previous experience: Regional Manager at NCC Building Stockholm, Construction Staff Manager within civil engineering operations, Business & Technological Development Manager within construction operations and Department Manager within rebuilding operations. Shareholding in NCC AB: 145 Series A shares, 2,400 Series B shares and call options corresponding to 15,000 Series A shares and 28,699 Series B shares.

HANS-OLOF KARLSSON

Born 1946. Senior Vice President Corporate Communications. Employed since 1989. Previous experience: journalist, information officer, including position at Volvo Aero during 1975–1989. Other assignments: Board member at Byggförlaget. Shareholding in NCC AB: 1,000 Series B shares and call options corresponding to 31,176 Series B shares.

The details regarding shareholdings in NCC pertain to holdings at December 31, 2002.

During 2002, NCC's Group Management consisted of the Chief Executive Officer, the Chief Financial Officer, the Senior Adviser, the presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Norway and NCC Construction Finland and the presidents of the NCC International Projects, NCC Roads and NCC Property Development business areas. As of August 2002, Group Management was complemented through the addition of the heads of staff of Corporate Human Resources,

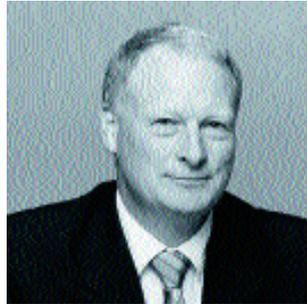
Corporate Communications and Corporate Legal Affairs. As of 2003, the Management Group does not include a Senior Adviser.

Group Management, which focuses mainly on strategic matters, meets on a monthly basis as of 2002.

For information about remuneration paid to senior executives during 2002, see Note 33 on page 66.



Timo U. Korhonen



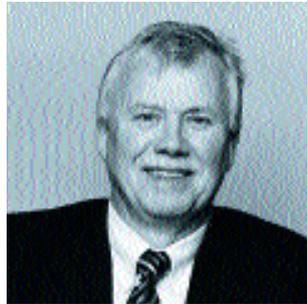
Per Nielsen



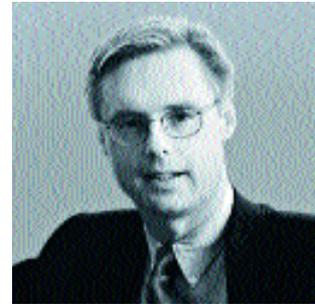
Jan Svensson



Søren Ulslev



Ulf Wallin



Mats Wåppling

TIMO U. KORHONEN

Born 1952. President of NCC Construction Finland. Employed during 1988–1993 and since 1998. Previous experience: Regional Manager at Puolimatka, Business Area President at Lemminkäinen Construction and President of NCC International. Other assignments: Board member of Finnish Federation of Building Industries. Shareholding in NCC AB: call options corresponding to 27,000 Series A shares and 90,915 Series B shares.

PER NIELSEN

Born 1948. President of NCC International Projects. Employed since 1976. Previous experience: Business Area President, head of international projects, Project Director for Øresund Tunnel Contractors and various senior executive positions in civil engineering sector; among other positions. Shareholding in NCC AB: call options corresponding to 50,582 Series B shares.

JAN SVENSSON

Born 1946. Acting President of NCC Construction Norway. Employed since 1970. Previous experience: Operations Development Manager within civil engineering operations 1997–2001, various positions within Siab 1990–1997, such as Head of Civil Engineering Business Area, and Head of Stockholm region 1972–1990 Armerad Betong/ABV, among other positions. Shareholding in NCC AB: call options corresponding to 22,860 Series B shares.

SØREN ULSLEV

Born 1955. President of NCC Construction Denmark. Employed since 1980. Previous experience: Vice President at NCC Rasmussen & Schiøtz Byg A/S. Other assignments: Chairman of Betonelement A/S and board member of Dansk Byggeri. Shareholding in NCC AB: call options corresponding to 30,000 Series A shares and 132,595 Series B shares.

ULF WALLIN

Born 1949. Senior legal counsel in NCC AB. NCC AB's Board Secretary. Employed since 1994. Previous experience: Senior legal counsel at Teli AB 1990–1994, banking lawyer at SEB, Skaraborgsbanken 1987–1990, corporate lawyer at Svenska Varv (Celsius) 1981–1987 and positions in Swedish court system 1978–1981, among other positions. Shareholding in NCC AB: call options corresponding to 32,833 Series B shares.

MATS WÅPPLING

Born 1956. Executive Vice President and President of NCC Property Development. Employed by NCC since March 17, 2003. Previous experience: mainly various senior positions within the Skanska Group during 1979–2002, including President of the Skanska Project Development and Real Estate business areas and, most recently, Executive Vice President during 2001–2002. Shareholding in NCC AB: 0.

A rolling options program was introduced for senior NCC executives (about 200) during 1999. Allotment of options was based on two conditions – the return on equity and the NCC share's performance in relation to a comparative index comprising shares in Nordic construction companies. The intention was to use repurchased shares to cover allotments of options. The options program was discontinued as of 2002.

For 1999, options corresponding to 1,366,708 Series B shares were allotted, which carry entitlement to purchases of shares during the period

May 31, 2000 to February 28, 2005 at an exercise price of SEK 102.50 per share. For 2000, options corresponding to 3,135,172 Series B shares were allotted, which carry entitlement to purchases of shares during the period May 31, 2001 to February 28, 2006 at an exercise price of SEK 88.00 per share. For 2001, options corresponding to 2,533,500 Series B shares were allotted, which carry entitlement to purchases of shares during the period May 31, 2002 to February 28, 2007 at an exercise price of SEK 85.00 per share.

NCC's HISTORY

- 1875** Nya Asfalt is established
- 1890** Nordstjernen is formed
- 1916** AB Armerad Betong is established
- 1917** AB Vägförbättringar is formed
- 1930** Svenska Väg AB is established
- 1944** Siab is formed
- 1977** Armerad Betong and Vägförbättringar merge to form ABV
- 1982** Nya Asfalt and Svenska Väg merge to form JCC
- 1988** JCC and ABV merge to form NCC, Nordic Construction Company
Nordstjernen shares are listed on Stockholm Exchange
- 1990** Siab acquires Diös AB
- 1991** Nordstjernen and NCC merge and choose the NCC name
Trading in NCC shares commences on Stockholm Exchange
Siab acquires Industriebau Fürstenwalde GmbH in eastern Germany
- 1992** Siab acquires NPL
- 1992** Avesta and British Steel merge to form Avesta Sheffield, in which NCC holds 25 percent
NCC sells 90 percent of its Linjebuss holding
- 1993** Jan Sjöqvist succeeds Torsten Eriksson as NCC's Chief Executive Officer
NCC acquires NK
NCC sells its 25-percent interest in Scandiaconsult
NCC sells its 20-percent interest in real estate company Andersons
- 1994** NCC issues new shares totaling SEK 546 M
NCC sells its Avesta Sheffield shareholding
- 1994** Siab acquires Lundberg's construction operations
- 1995** NCC acquires Eeg-Henriksen of Norway
- 1995** Siab acquires Kraftbyggarna
- 1996** NCC acquires Rasmussen & Schiøtz of Denmark and Puolimatka of Finland
NCC Fastigheter sells its interest in Granit & Beton
- 1997** NCC and Siab merge and retain the NCC name
NCC lists NK Cityfastigheter-AB shares on stock exchange
NCC sells Stråbruken and NCC Prefab
- 1998** NCC sells Hedemora Diesel
- 1999** NCC acquires Superfos Construction, GH Beton and GH Element, Bülow & Nielsen of Denmark
NCC sells most of its holding in Neptun Maritime (Silja)
NCC spins off its holding of Hufvudstaden shares to its shareholders
- 2000** NCC acquires Statkraft Anlegg and Rieber & Sons' Roads business area, both of Norway, and Prinz of Poland
- 2001** NCC acquires Hydrobudowa of Poland
Alf Göransson succeeds Jan Sjöqvist as NCC's Chief Executive Officer
- 2002** NCC sells NVS Nordiska Värme Sana AB

GLOSSARY

Aggregates Rock materials resulting from the disintegration of rock through crushing; also called macadam.

Assessment of tenders Internal process conducted in connection with all forms of tenders, in order to reduce the risks associated with various projects.

Ballast Normal term for disintegrated materials, mainly rock materials, used for construction and civil engineering purposes.

BOT Build-Operate-Transfer. Privately financed infrastructure investments.

Buildings/other buildings In descriptions of operations, this term pertains to commercial buildings, mainly offices, retail outlets, shopping malls and garages.

Civil engineering In descriptions of operations, civil engineering refers to work on roads, railways, bridges and tunnels.

Concrete A material based on rock materials, cement and water, that is used in the forming of building and civil-engineering structures. It can be purchased either as ready-mixed concrete or prefabricated concrete.

Ready-mixed concrete = Liquid concrete mix produced at a plant, from which vehicles equipped with rotating containers deliver the mix to construction sites for on-site forming work.

Prefabricated concrete = Concrete elements formed in a plant and then transported to construction sites for assembly.

Construction costs The cost of constructing a building, including building accessories, utility-connection fees, other contractor-related costs and VAT. Construction costs do not include the cost of land.

Contract forms

Negotiated contract/mutual-trust contract. When NCC cooperates on an exclusive basis with the customer throughout the construction process – from planning to final inspection.

General contract/implementation contract. When NCC conducts construction work on behalf of a client who has conducted the project-design work. NCC appoints and is responsible for the subcontractors.

Turnkey contract/design and build contract. When NCC has turnkey responsibility for a project, from the concept and project-design stage right through to completion.

Development right A development right carries a right to develop a site. With respect to housing, a development right corresponds to a home (apartment or detached house) with an average of approximately 90 square meters of floor space. Ownership, or an option on ownership, of the site concerned is a prerequisite for being granted access to a development right.

Macadam Rock materials resulting from the disintegration of rock through crushing; also called aggregates.

Partnering A structured form of cooperation applied in the construction industry, whereby the client, consultants and contractor jointly resolve a construction assignment based on a trusting form of cooperation in which all partners work with open books and each partner has professional skills that supplement those of the other partners throughout the construction process.

Project development (properties) Identifying properties (land) and developing them into finished projects.

Properties In descriptions of operations, "properties" refers to buildings, housing or land.

Proprietary project When NCC, on its own behalf, acquires land, designs a project, conducts construction work and then sells the project.

Rock materials Rock that has disintegrated either naturally, through erosion, whereby sand, gravel or moraine is formed, or through mechanical impact, whereby aggregates, such as macadam, are produced.

Total-package project When NCC is responsible for the entire chain of services, from concept to project sale.

3G/UMTS IT-infrastructure systems pertaining to the standard for third-generation mobile telecommunications.

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FINANCIAL INFORMATION

NCC will publish financial information regarding the 2003 fiscal year on the following dates:

April 10	Annual General Meeting
May 8	Interim report, January–March
August 21	Interim report, January–June
November 11	Interim report, January–September
February 2004	Year-end report 2003

NCC's interim reports are downloadable from NCC's Internet website, www.ncc.info, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 1997 and an archive of annual reports dating back to 1996, as well as a real-estate specification that is updated on a quarterly basis. As of 2003, NCC does not print and distribute its interim reports.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are key financial figures. All press releases issued by NCC since 1997, sorted by year, and a search function are also available on www.ncc.info.

NCC's financial information can be ordered either by using the order form available on the www.ncc.info website or by e-mailing NCC AB at info@ncc.se, writing to NCC AB, SE-170 80 Solna, calling NCC AB at +46 8 585 510 00 or faxing NCC AB at +46 8 85 77 75.

The person within the NCC Group responsible for shareholder-related issues and financial information is Annica Gerentz, Investor Relations Manager at Corporate Communications (Tel: +46-585 522 04; e-mail: annica.gerentz@ncc.se).

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