NCC Construction Sweden
Heading for a stronger market position

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Nov 25, 2014  NCC AB
Strong position in the Swedish market

**NCC Construction Sweden**
- Sales of SEK 21.5 billion
- Operating profit SEK 637 M
- 7,500 employees
- Residentials, offices, industrial premises, other buildings, roads, civil-engineering structures and other infrastructure
- Thousands of projects, both large and small
Cutting-edge skills and local presence

New organization from January 2014

- Specialized in five segments
  - Land and Industrial Construction, Civil Engineering, Buildings, Residential and Partnering

- This will lead to:
  - Increased customer focus when meeting different business logics
  - The power of development work being moved closer to the business operations
  - Stronger local presence
Share of NCC in total

*NCC Construction Sweden, 2013*

- **37%** of consolidated sales
- **24%** of operating profit
- **41%** of number of employees
Well balanced product mix
*NCC Construction Sweden, 2013*

- Infrastructure, 18%
- Residential, 19%
- Industrial and processing plants, 16%
- Land works, 14%
- Office, 13%
- Shopping centers, 6%
- Other, 14%

Share of net sales 2013
Top three priorities

Workplace safety
Increase profitability
Sustainability
Downward trend in accident frequency

Number of accidents resulting in one day or more of absence from work per million worked hours
Safety at the worksite – the most important issues

Safety culture

Attitudes and behaviors

Prioritized high-risk areas
Increasing profitability
Operating margin – EBIT
NCC Construction Sweden

Percent


* Excl. NCC Housing
Key principles for increased profitability

- Specialization
- Pricing strategy
- Partnering

Market and sales

- NCC Project planning
- Ranking/Benchmark
- VDC
- Structured purchasing

Project engineering

Production

After-market
Actions for increasing profitability

*Short term*
Activities for improving earnings

Short term – examples

- Major projects 7-point program
- Support, analysis and actions for projects < SEK 50M
- Cash flow focus
- Immediate actions for units showing low profitability
Time from order to sale is longer today
Orders received better than market 2014

Orders received vs construction start volume in Sweden months

Gaining marketshare
NCC orders received +18%
Construction start volume +9%
Gives low volume 2014

Source: Sverige Bygger AB, volume rolling 12 months
Going forward with a stronger order backlog

MSEK

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<th>31 Oct 2013</th>
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<td>+3.3 Mdr</td>
<td>16 690</td>
<td>20 011</td>
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Cooperation across national borders
Nordic cooperation between Construction units

Purpose:
- Synergies between Construction units

Examples of areas of cooperation:
- Management systems and risk management
- VDC, Project studio
- IT management
- Large civil projects in cooperation
Market outlook for 2015
Construction investments

*Forecast from the Swedish Construction Federation*

![Graph showing construction investments from 2005 to 2015 in SEK billion, categorized into Total, Residential, Non-residential, and Civil engineering.](image-url)
Sweden - a consolidated market

Total construction market

Market share based on volume of construction cost for past 3 years until June 2014

Source: Sverige Bygger

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Stable demand for non-residentials construction

- High demand for hospitals
- Public investments (schools, swimming and sport facilities) are driving building construction
- Continued strong demand for new office projects
Expected 100% increase in infrastructure investments

Swedish Transport Administration's assessment of its own projects

Source: Swedish Transport Administration
Public sector drives demand 2015

Land works & civil engineering

- Civil engineering will continue to grow by 3-4% in 2015.
- The private sector is currently displaying high growth in:
  - Electricity, gas and thermal power stations
  - Waterworks and sewage works
  - Transport-related investments
- Swedish government's infrastructure investments will not recover until next year with more investments in both roads and railways

Summary civil engineering sector
Private sector: +1% (2015)
Public sector: +5% (2015)

Source: BI
Growth potential for residential production

Market share based on volume of construction cost for past 3 years until June 2014

Source: Sverige Bygger
Continued residential growth

- Continued growth, but at slightly lower rate
- Increase in number of building permits past 12 months
- Started housing units 40,000 (+8%) 2015
- Student housing is on the rise
- Continued low interest rates in 2015

Source: Swedish National Board of Housing, Building and Planning
Summary of trends in 2015

- Anticipated growth in 2015 ....................... 3.5%
- Continued growth in construction of residential, but at a lower rate .............. 3.9%
- Construction in the Health care segment will drive the building segment .................. 3.6%
- Rate of investment to increase in public-sector civil engineering ....................... 3.0%

Source: Forecast from the Swedish Construction Federation, change 2014 to 2015
A flexible residential portfolio
The base for a stronger market position
How do we build attractive homes for more people?

Cost efficiency
Quality homes
Sustainability

Standardized processes
Continuous repetition
Synergies and economies of scale
Residential products well received on the market

NCC Folkboende
1,300 apartments completed or in production since 2010

NCC Design
- Eight projects commenced in 2014
- 750 apartments since concept launched

NCC Urban
350 apartments in Stockholm suburbs as Sundbyberg, Aspudden and Botkyrka during the year
Meeting different market requirements

Four characteristic products

Urban Flex

Folkboende

Design Duo

Design Quattro
Heading for a stronger market position

Summary

- Short-term actions for increased profitability
- Gaining market share
- Strong residential products meet the market demand
- Value driven growth strategy