

Imagine

NCC annual report 1999

...being able to create a

...a model for solving infrastructure problems

Read Case Study #1 on page 13

...construction methods that reduce wear on the body

Read Case Study #2 on page 21

...launching underwater solutions tailor-made on dry land

Read Case Study #3 on page 31

small town in a big city

Read Case Study #4 on page 35

...if you could reclaim contaminated industrial land

Read Case Study #5 on page 21

...if builders could concentrate on building

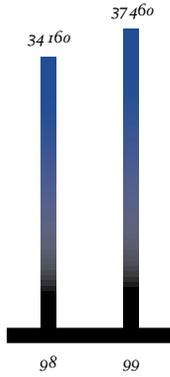
Read Case Study #6 on page 43

...just having to turn the key

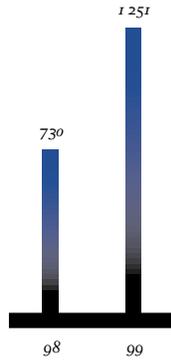
Read Case Study #7 on page 49

BRIEF STATISTICS ON 1999

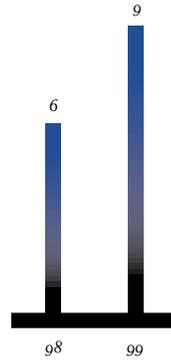
NET SALES
SEK M



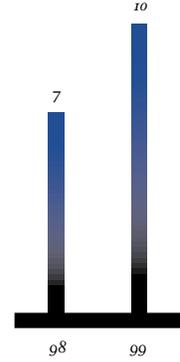
INCOME AFTER NET FINANCIAL ITEMS
SEK M



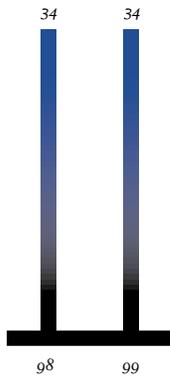
RETURN ON EQUITY
PERCENT



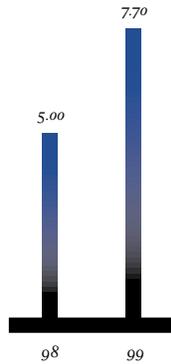
RETURN ON CAPITAL EMPLOYED
PERCENT



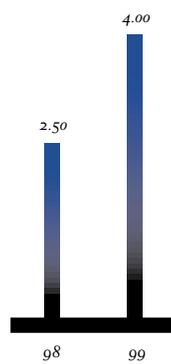
EQUITY/ASSETS RATIO
PERCENT



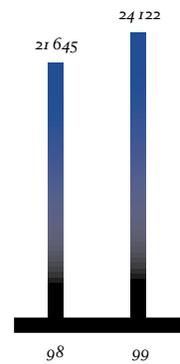
EARNINGS PER SHARE AFTER FULL TAX
SEK



DIVIDEND
SEK



AVERAGE NUMBER OF EMPLOYEES



HIGHLIGHTS OF 1999

- Consolidated income after net financial items amounted to SEK 1 251 M. (730). The corresponding pro forma figure, which also includes Superfos Construction during 1998, was income of SEK 1 245 M. (782).
- Consolidated income after full tax amounted to SEK 838 M. (543), equal to SEK 7.70 per share (5.00). The Board of Directors proposes a dividend of SEK 4.00 (2.50) per share, an increase of 60 percent. In addition, the Board proposes an extraordinary dividend of SEK 7.00 per share.
- Total net sales rose by 10 percent to SEK 37.5 billion (34.2). NCC's strategy of generating growth through acquisitions in the Nordic and Baltic Sea region has resulted in average annual growth of approximately 20¹⁾ percent in the past five years.
- Fourth quarter income after net financial items amounted to SEK 341 (31) M.
- Following fiscal year-end, real estate assets were sold for SEK 1 250 M, generating capital gains of SEK 180 M. Following these sales, the book value of the portfolio of managed properties is SEK 5.3 billion.
- NCC is continuing its forceful focus on real estate development in expansive locations in the Nordic region and other parts of Europe. The project portfolio amounted to SEK 10.5 billion on December 31, 1999. Construction has been initiated on projects with a value of SEK 2.4 billion, with half of this volume already worked up.

- NCC Invest was discontinued at the end of 1999, following its successful liquidation of most of NCC's non-core assets.

During the year, NCC expanded in the Baltic Sea region, with a focus on specialized operations, in accordance with the Group's strategy.

Market conditions for real estate development and housing production on a total-package basis were favorable and NCC built up an attractive project portfolio during 1999. At the same time, the portfolio of managed properties was reduced substantially during the year, which changed NCC's risk profile. In line with this, the Group's equity/assets target has been reduced and, accordingly, the Board proposes that the Annual General Meeting approve an extraordinary dividend.

KEY DATA IN BRIEF

| | 1997 | 1998 | 1999 |
|---|------------------|--------------------|--------------------|
| Income after net financial items, SEK M | 74 ²⁾ | 730 | 1 251 |
| Equity/assets ratio, % | 33 | 34 | 34 |
| Income/loss after full tax, SEK | -1.60 | 5.00 | 7.70 |
| Dividend, SEK | 1.50 | 2.50 ³⁾ | 4.00 ⁴⁾ |

1) In the Report of operations for 1999, this figure was erroneously stated as 27.

2) Pro forma, excluding merger costs of SEK 449 M.

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

4) The Board of Directors' proposal to the Annual General Meeting. In addition, an extraordinary dividend of SEK 7.00 per share is proposed.

NCC IN BRIEF

NCC, the leading construction and real estate company in the Nordic and Baltic Sea region, has annual sales of slightly more than SEK 37 billion, with 24,000 employees.

The Group is organized in five business areas: Civil Engineering, Housing, Building, Industry and Real Estate. NCC shares are listed on the Stockholm Stock Exchange and had a market value of approximately SEK 11 billion at year-end.

In the Group's domestic markets – Sweden, Denmark, Finland, Norway and Poland – NCC builds and develops roads and civil engineering facilities, residences, industrial premises, hospitals, offices and other buildings. NCC also produces building materials and is one of the leading suppliers of crushed and asphalt products and ready-mixed

concrete in the Nordic region. In Germany, NCC builds houses in the Berlin-Brandenburg area and Hannover, through the subsidiary NCC Germany.

In other, selected markets outside the Nordic region, NCC engages in large-scale, technologically advanced civil engineering projects either independently or in cooperation with strategic partners.

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

INNOVATIVENESS HAS TURNED NCC INTO A GROWTH COMPANY



Dear shareholders, 1999 was a good year for owners of shares. I am pleased that this also applies to NCC's shareholders. The value of an NCC share appreciated by 57 percent during the year. The dividend per share for 1998 was raised from SEK 1.50 to SEK 2.50 in line with our new dividend policy of distributing approximately half of after-tax income to shareholders. The 1999 Annual General Meeting will address a dividend proposal of SEK 4.00 per share for 1999, an increase of 60 percent. In addition, an extraordinary dividend of SEK 7.00 per share is being proposed.

Our long-term objective is to achieve a return on shareholders' equity of at least 12 percent. In 1999, the ROE rose from 6 to 9 percent, or from 8 to 11 percent if the appreciation of the real estate portfolio is included. This was a step in the right direction, but the target remains some distance away.

PROJECT PORTFOLIO WITH DEVELOPMENT PROPERTIES WORTH SEK 10 BILLION

Despite the gradual phase-out of managed properties, NCC still has a considerable real estate portfolio, which is a major balance-sheet item. The value of portfolio of managed properties was less than SEK 6 billion at the end of 1999, a sharp decrease compared with its peak of about SEK 14 billion. The remaining real estate portfolio appreciated by 5 percent during the year and the hidden reserve is now SEK 650 M. Our goal is to reduce the portfolio to approximately SEK 4 billion.

The downsizing of the real estate portfolio is changing NCC's capital mix, thus resulting in a relative increase in the proportion of contracting operations, which have a lower risk profile. This has enabled us to reduce the equity/assets target from 35 percent to 30 percent, while facilitating a higher return on equity.

The capital released by the sale of managed properties can be reinvested in real estate development, used for acquisitions or distributed to shareholders. During 1999, SEK 3.2 billion was invested in projects, housing and offices, and SEK 2 billion in acquisitions within our core businesses.

Our portfolio of properties for project development amounts to slightly more than SEK 10 billion. Although these projects pass through the balance sheet during the production phase, they will never enter property management. The development properties are sold as soon as they are ready, sometimes long before. In certain cases, we actually sell a project before we have broken the ground.

Conscious efforts to boost shareholder value have been assigned top priority at NCC, as exemplified by the many

measures implemented in 1999 to accelerate value growth. The rate of turnover of NCC shares has increased by 85 percent, at the same time as the percentage of non-Swedish shareholders has risen from 2.7 to 4.4 percent, as a result of such measures as active marketing of the share, particularly in capital markets in the Nordic region and London. The rolling options program for approximately 200 senior executives, which is linked to the performance of NCC shares and the return on shareholders' equity, also sharpens the focus on value generation.

INCREASED SPECIALIZATION AND PROGRAMS TO PENETRATE HIGH-MARGIN SEGMENTS

In the final analysis, however, it is the skilled manner in which we conduct our business that is the key to any increase in share value. In the 1998 Annual Report, I emphasized that increased specialization within NCC, a focus on high-margin segments and new structural transactions that provide the potential for synergistic gains were particularly important value generators.

Our focus on infrastructure for the telecom sector, where we are developing services and functions that meet customer demands for punctuality, good organization and quality, is a notable example of NCC's specialization efforts.

NCC's acquisition of Superfos Construction at the beginning of 1999 clearly illustrates the gains that can be derived from structural transactions. Superfos' asphalt and ballast operations in Denmark complemented our existing operations in segments where we previously had low market shares, enabling us to capitalize on revenue and cost synergies. The purchase of Superfos satisfied our expectations regarding added value during the year and its contribution to 1999 profit exceeded the estimate made at the acquisition date.

ACTIVE PARTICIPATION IN CONSOLIDATION OF THE NORDIC MARKET

In 1999, we also acquired a Danish concrete company. A merger with Selmer, Norway's leading building contractor, would have generated considerable synergistic gains. Accordingly, it is unfortunate that Selmer's board of directors and executive management decided not to support the transaction, despite a positive response by the company's main shareholders. Management support is a prerequisite for the successful implementation of such a far-reaching merger. I remain convinced that a merger would have been an excellent measure for both parties.

The Nordic region has a mature construction market and

we intend to participate actively in its continued consolidation through acquisitions and structural rationalizations. This will enable the realization of values for all stakeholders, not least our shareholders. Concurrently, we will be active in growth markets on the other side of the Baltic Sea, where we will take balanced risks in order to exploit major business potential.

CONTINUED GROWTH AND EXPANDED VALUE CHAIN BOOST PROFITABILITY

In the past five years, NCC has grown by an average of 20 percent annually. This growth has been based on our corporate vision of being the sector leader in the Baltic Sea region from the viewpoint of profitability, market position and a number of quality criteria. Today, NCC is the market leader in the Nordic region. We have also made considerable progress in efforts to establish a strong presence in several growth markets in the Baltic Sea region, particularly Poland, which we

In order to boost profitability in a mature industry, a new approach to roles and work processes is essential. This business model is based on being active throughout the value chain, from project concept to sales and operation.

view as a domestic market. An important step towards this end was taken in December 1999, when we acquired 25 percent of the shares in PRInz, a Polish construction company.

In order to boost profitability in a mature industry, a new approach to roles and work processes is essential. We have defined real estate development as one of our core businesses, with real estate sales and management as supporting activities. This business model is based on being active throughout the value chain. A traditional construction and real estate company operates in a narrower manner, with the main focus

on project planning, production and management. We have expanded our coverage of the value chain from the very earliest stages. As a result, we are deeply involved in concept development, pre-project planning, land acquisition, contacts with authorities and financing, while also engaging in sales and after-market activities at the other end of the chain.

Since we have to possess knowledge about the entire structure of a project, considerable demands are imposed on our R&D resources and supply of expertise.

NEW SKILLS TO INCREASE VALUE GROWTH

Financial know-how and the ability to participate actively in financial solutions is becoming an increasingly important tool in competition for large-scale international projects. Our participation in the Arlanda Link project provided us with considerable experience of BOT (build, own/operate and transfer) projects, which require financial involvement during both the project phase and operation. NCC is a member of a highway

All of the Group's Swedish operations have now received ISO 9001 quality certification. Our quality assurance system is a powerful tool for systematically controlling, measuring and following up both individual projects and operations as a whole.

consortium in Poland, and is again responsible for the financing solution. To facilitate work in this area, NCC has established a specialist department unit for BOT solutions.

Our focus on proprietary housing construction involves selling accommodation directly to the end customer. The consumer market has its own specific conditions which, naturally, also require completely different work methods. Our German company has developed innovative methods that make it possible to profitably capture market shares in a stagnating market.

GROUP R&D WORK CORRESPONDS TO FOUR PERCENT OF PROCESSING VALUE

Innovativeness is one of our core values. This applies to everything, from how we conduct business and organize our work to how we design our services and implement R&D (research and development) projects. A large number of Group-wide R&D projects are currently under way. Although we regard these R&D activities as an investment, they are expensed, instead of being entered in the balance sheet. Our R&D work features a special priority on environmental solutions, "intelligent" buildings, increasing the efficiency of the construction process and techniques for meticulous renovation.

Introducing functional IT systems at all levels of the construction process has been an important strategy that we have pursued for the past few years. The development of hardware and applications for new IT platforms was completed throughout NCC in 1999 and work has now switched to a Group-wide training and implementation phase. Now that most workplaces are connected to the IT system, we have an excellent foundation for coordinating and integrating operations in the same manner as pure process companies. Today, NCC is a sector leader in terms of the use of state-of-the-art IT tools throughout its operations. Although some of the results of our IT efforts are already noticeable, most of the benefits will be realized in the next few years.

NEW SYSTEMS ENHANCE QUALITY AND SHARPEN EFFICIENCY

NCC has never conducted as many in-house development projects as in 1999. Periodically, the work required for quality assurance of the Company entailed a major workload for many employees during the year. All of the Group's Swedish operations have now received ISO 9001 quality certification, which will give us a competitive edge in the future. Our quality assurance system is a powerful tool for systematically controlling individual projects and operations as a whole in order to satisfy customer expectations. At NCC, quality work does not center exclusively on end products but also on the process that leads to their completion.

The environmental certification process, which will be completed in the Swedish parts of the Group during the current year, can also benefit from quality assurance work. Firstly, the basis for the environmental management system is incorporated in the quality assurance system; secondly, it is easier to relate to environmental matters that are discussed on a daily basis in the community at large.

Our new IT infrastructure is also enabling us to rationalize purchasing activities within the Group. Purchasing accounts for two thirds of our costs. We are now building up a new segment-based purchasing organization with clearly defined powers and procedures that will increase the efficiency of the entire process. In Sweden, the proportion of purchases made in accordance with this work method rose from 18 percent to 28 percent in 1999.

Today, nearly half of the Group's operations are conducted outside Sweden and the profit trends of the foreign subsidiaries were strong during 1999. However, a great deal of work remains before we can capitalize on the Group's full potential.

MANAGEMENT ORGANIZATION FOR SUSTAINABLE PROGRESS

Cooperation across national borders was intensified during 1999. In the real estate development field, we have managed to combine the expertise of corporate functions with the local knowledge of national companies. In the housing sector, distinct knowledge synergies are becoming noticeable. For example, the total-package approach to housing development is now being introduced in virtually all markets. Our German and Finnish operations have successfully worked along these lines for many years and serve as models for such operations in other markets.

The management body has also been reorganized to reflect and direct a fully international organization. All operational duties have been removed from Group Management, which now concentrates on strategy and development matters. Operational matters are addressed by the Executive Committee, which consists of members of Group Management and heads of Group staff functions. The Central Group Council, which focuses on the international coordination of operations, consists of presidents of operating companies, business areas and foreign subsidiaries.

We also introduced a new control model based on the "Balanced Scorecard" concept during the year. This means operations are controlled in accordance with important criteria in four areas of focus: customers, employees, processes and owners. The purpose is to ensure that our strategies are implemented and that the Group attains its established objectives.

If innovativeness is the first of our core values, then accepting responsibility is the second. In many cases, the items we produce will be used by many generations ahead. This entails considerable responsibility for NCC. The environmental

properties of the products we leave behind are an important factor, particularly in the long term. Nevertheless, our responsibility has many other dimensions. It is an undeniable fact that the Nordic region's leading construction company play an important role in society and have obligations to many stakeholders. These include customers, suppliers, partners, the local communities in which we operate, authorities, mass media, environmental and other interest groups and, not least, our principals – NCC's shareholders.

BRIGHT PROSPECTS BOTH INTERNALLY AND EXTERNALLY

The market conditions for 2000 appear to be better than those for 1999 and we are well positioned to capitalize on them. Accordingly, prospects are bright, from both an internal and external viewpoint, and I promise that we will make the most of them.

There is every reason to hope that NCC will achieve its goal of at least a 12-percent return on equity during 2001.

Solna, February 9, 2000



JAN SJÖQVIST
President and Chief Executive Officer

THE NCC SHARE

During 1999, 26.0 million (13.8) NCC shares were traded on the Stockholm Stock Exchange. The shares traded corresponded to 24 percent (13) of the total number of NCC shares issued. At year-end, the stock market price per NCC Series B share was SEK 98.00 (61.50). The highest price paid for Series B shares during the year was SEK 101, and the lowest SEK 61.

SHARE DATA

| | 1999 | 1998 |
|--|--------------------|--------------------|
| Income after full tax, SEK | 7.70 | 5.00 |
| Visible shareholders' equity, SEK | 90.30 | 89.20 |
| Dividend, SEK | 4.00 ¹⁾ | 2.50 ²⁾ |
| Extraordinary dividend, SEK | 7.00 ¹⁾ | |
| Market price/visible shareholders' equity, % | 108 | 69 |

1) The Board of Directors' proposal to the Annual General Meeting.
 2) In addition, Hufvudstaden shares with a value of SEK 3 each were spun off to shareholders.

MARKET CAPITALIZATION

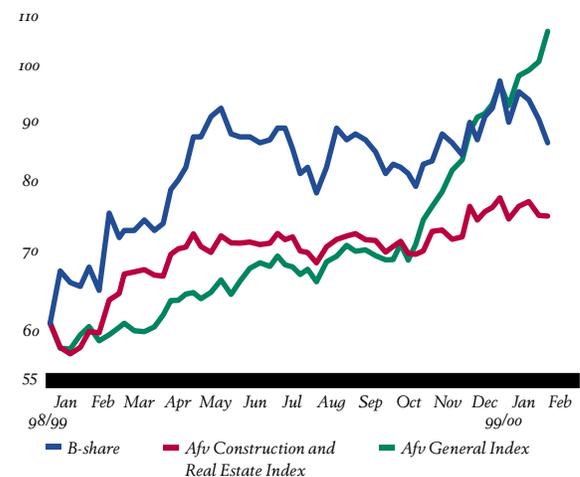
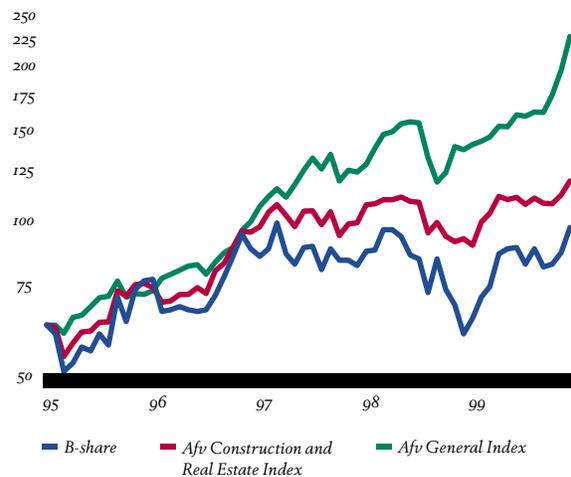
| SEK M | Number of shares | Market capitalization | | Change |
|-----------------|------------------|-----------------------|--------------|--------|
| | | Dec 31, 1999 | Dec 31, 1998 | |
| Series A shares | 63 111 682 | 6 122 | 3 881 | 2 241 |
| Series B shares | 45 324 140 | 4 442 | 2 788 | 1 654 |
| | 108 435 822 | 10 564 | 6 669 | 3 895 |

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

OWNERSHIP STRUCTURE, DECEMBER 31, 1999

| PERCENT | Share capital, % | Votes, % |
|--|------------------|--------------|
| Nordstjernen | 32.2 | 47.8 |
| Robur's mutual funds | 13.7 | 10.8 |
| LE Lundbergföretagen | 12.9 | 16.3 |
| Nordbanken's mutual funds | 6.8 | 1.6 |
| Fourth AP Fund | 3.2 | 4.1 |
| Försäkringsbolaget Skandia | 2.6 | 2.2 |
| Försäkringsbolaget SPP | 2.4 | 1.9 |
| SEB's mutual funds | 2.0 | 0.3 |
| SEB-Trygg Försäkring | 1.7 | 0.4 |
| Svenska Handelsbanken's Pension Foundation | 1.5 | 2.4 |
| Swedish Industrial Salaried Employees | 1.1 | 1.5 |
| Franklin-Tempelton funds | 1.0 | 0.2 |
| Sixth AP Fund | 0.6 | 0.1 |
| Stiftelsen Kunskap och Kompetens | 0.6 | 0.6 |
| Odin Fondene Oslo | 0.5 | 0.3 |
| Fredrik Lundberg and companies | 0.3 | 0.5 |
| Hagströmer & Qviberg's mutual funds | 0.3 | 0.1 |
| Nordbanken's Pension Foundation | 0.3 | 0.3 |
| Svenska Handelsbanken's mutual funds | 0.3 | 0.5 |
| AMF Försäkring | 0.3 | 0.2 |
| Others | 15.7 | 7.9 |
| Total | 100.0 | 100.0 |

SHARE DEVELOPMENT 1995-99 AND 1999



TEN LARGEST CHANGES

| PERCENTAGE POINTS | Share capital, % | Votes, % |
|--------------------------------------|------------------|----------|
| Försäkringsbolaget Skandia | +1.7 | +1.2 |
| Franklin-Tempelton funds | +1.0 | +0.2 |
| Nordbanken's mutual funds | +0.8 | +0.2 |
| Robur's mutual funds | +0.7 | +0.3 |
| Sixth AP Fund | +0.6 | +0.1 |
| Odin Fondene Oslo | +0.5 | +0.3 |
| SEB's mutual funds | +0.4 | +0.1 |
| Försäkringsbolaget SPP | -1.7 | -0.3 |
| AMF Försäkring | -1.9 | -0.3 |
| Svenska Handelsbanken's mutual funds | -2.4 | -1.2 |

DISTRIBUTION OF SHARES, DECEMBER 31, 1999

| Holding, no. | Number of shares | Percent of share-holders, | Number of shares held | Percent of share capital | Average no. shares per share-holder |
|--------------|------------------|---------------------------|-----------------------|--------------------------|-------------------------------------|
| 1-1000 | 19 694 | 90.2 | 4 445 869 | 4.1 | 226 |
| 1001-10000 | 1 905 | 8.7 | 5 096 484 | 4.7 | 2 675 |
| 10001-100000 | 149 | 0.7 | 4 771 176 | 4.4 | 32 021 |
| 100001- | 79 | 0.4 | 94 122 293 | 86.8 | 1 191 421 |
| | 21 827 | 100.0 | 108 435 822 | 100.0 | 4 968 |

CONCENTRATION OF SHARE CAPITAL

| PERCENT | Holding, % | Change ¹⁾ |
|--------------------------|------------|----------------------|
| 10 largest shareholders | 78.7 | -0.3 |
| 25 largest shareholders | 85.0 | -1.3 |
| 100 largest shareholders | 88.7 | -1.6 |

1) Percentage points

SHARE CAPITAL BY CATEGORY

| PERCENT | Holding, % | Change ¹⁾ |
|---|------------|----------------------|
| Foreign shareholders | 4.4 | +1.7 |
| Swedish shareholders, of whom | 95.6 | -1.7 |
| Institutions | 30.6 | -2.5 |
| Mutual funds | 23.2 | -0.4 |
| private individuals, including closely held companies | 41.8 | +1.2 |

1) Percentage points

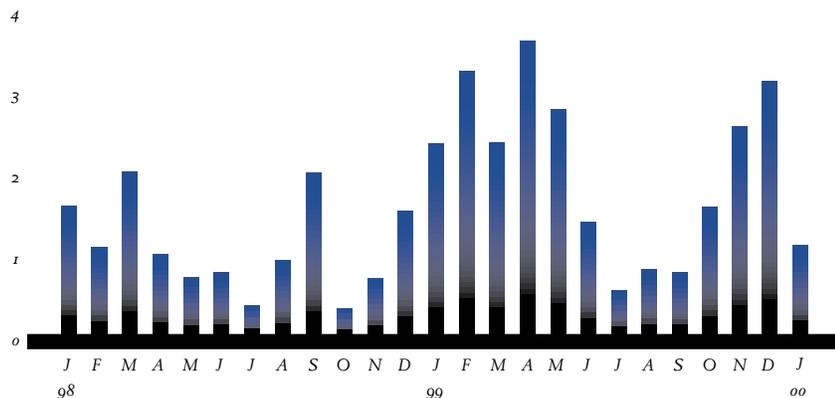
FIVE LARGEST COUNTRIES, SHARE CAPITAL

| PERCENT | Holding, % | Change ¹⁾ |
|------------|------------|----------------------|
| Sweden | 95.6 | -1.7 |
| US | 1.9 | +1.1 |
| Norway | 0.6 | +0.4 |
| Luxembourg | 0.5 | -0.1 |
| UK | 0.5 | 0.0 |

1) Percentage points

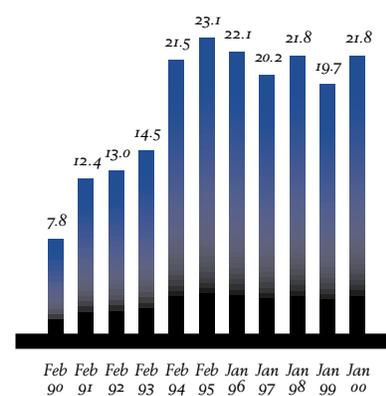
NUMBER OF SERIES B SHARES TRADED

MILLIONS



NUMBER OF SHAREHOLDERS

THOUSANDS



INDUSTRY LEADER IN TERMS OF QUALITY, THE ENVIRONMENT, EFFICIENCY AND DEVELOPMENT POWER

NCC GROUP

NCC is the leading construction and real estate company in the Nordic and Baltic Sea region. The Group's domestic markets are Sweden, Denmark, Finland and Norway, as well as Poland, where operations are in the build-up phase. NCC is organized in five business areas: Civil Engineering, Housing, Building, Industry and Real Estate. The Group's five wholly owned foreign subsidiaries have individual earnings and market responsibility in their respective countries.

CORPORATE VISION

NCC's corporate vision is to:

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

THE GROUP'S STRATEGIC FOCUS

Continued geographic expansion

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

NCC's strategy is based on the conviction that a strong market position is a prerequisite for competitiveness in mature low-growth markets. NCC currently has a strong position in its domestic markets, Sweden, Denmark, Finland and Norway.

In Poland, several steps have been taken towards the goal of establishing a strong position in this important emerging market. These strong market positions enable the Group to balance economic fluctuations by transferring resources from one country to another.

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

The Group's ongoing expansion in the Baltic countries and the St. Petersburg area primarily takes the form of acquisitions of local companies with extensive knowledge of the market concerned.

In Germany, NCC focuses on project development, particularly of housing, in Berlin-Brandenburg and Hannover, through the subsidiary NCC Germany.

Increased competitiveness in the international project market

NCC's international project operations are to grow through organic expansion, as well as acquisitions and alliances. Project activities are concentrated on product areas where the Group's advanced technological and financial expertise enables it to compete successfully with other major players and facilitates operations in areas that encompass a large proportion of the value chain.

Major civil engineering projects are conducted through the NCC International unit which, organizationally speaking, is part of NCC Civil Engineering. International project operations focus primarily on the Baltic countries, Central Europe, Russia, the Middle East and Southeast Asia. NCC cooperates with, among others, the Italian company Impregilo, in two alliances: the INS alliance, which involves cooperation in major

NCC'S CONSTRUCTION AND PROJECT DEVELOPMENT CONCEPT



NCC is active throughout the value chain, from the project concept through operation, service and management to sales. There is substantial synergistic potential between civil engineering, housing, building and real estate development operations and in the development and production of building materials.

projects in Southeast Asia, and the IGL-NCC Contractors alliance, which focuses on Russian and Baltic markets.

Increased specialization: focus on segments with high added value and control over several links in the value chain

NCC's operations focus on customers, technology, development and skills. The reason for the Group's specialization efforts is to ensure that NCC's customers are offered state-of-the-art skills and the best range of services in the market. In 1999, specialized units were formed for, among other activities, housing development based on a total package approach and NCC's industrial concept was established in all domestic markets.

In order to boost its profitability, NCC must control several links in the value chain. A concentration on segments with a high degree of added value and a reduction in "general-purpose building" with poor profitability will help to increase margins. A few examples of this approach:

- Real estate operations focused on project development, with real estate management and property sales as supporting businesses.
- Total-package housing production, which yields a considerably better margin than traditional contracts.
- Participation in BOT (build, own/operate and transfer) projects, whereby NCC takes part in privately financed infrastructure projects (read more on page 13).
- The Group's expertise in the telecommunications segment has been concentrated in a separate company, Telecom A/S, to strengthen NCC's offering in this expansive market area.

Installations

Installations are accounting for a progressively larger proportion of building projects, particularly in the renovation segment, where existing systems have to be renewed and upgraded. The installations have also become more complex, since the number of technical systems is increasing.

Expertise and resources that ensure that technical installation systems in building and other facilities provide the best customer value from a functional and economic viewpoint have become a matter of strategic importance.

A Group-wide installation strategy was formulated during 1999 in order to provide NCC with unique systems know-how and leading-edge expertise. In accordance with this aim, highly qualified installation supervisors were recruited to NCC Building's regional operations. Concurrently, NCC Technology honed its state-of-the-art skills in the installation area.



PRIORITIZED DEVELOPMENT ISSUES

The development of NCC's intangible values is a prerequisite for realizing the corporate vision and is thus assigned high priority. On pages 16–26, you can read more about NCC's work to advance its IT, purchasing, R&D, human resources, quality and environmental activities.

SUMMARY

Active participation in the continued restructuring of the industry, while maintaining the focus on being the industry leader in selected markets. Growth through

- Geographic expansion in growth regions in the Baltic Sea region, subject to demands for good profitability and high market shares.
 - Strengthening international project operations through organic growth, combined with acquisitions and alliances.
 - Control over several links in the value chain through BOT and total-package housing assignments.
 - Increased focus on segments with high added value and a reduction in "general-purpose building" with poor profitability.
 - Real estate development as a core business, with real estate sales and management as supporting activities.
-

FINANCIAL OBJECTIVES

The NCC Group's financial objective is to provide shareholders with a return – in the form of dividends and appreciation in the value of their invested capital – that is competitive in the sector. The dividend objective is that half of annual profit after full tax is to be distributed to shareholders.

The principal profitability measurement is the return on shareholders' equity. The profitability objective set by the Group is based on such factors as the stock market's required return on the NCC share. The required return consists of the risk-free interest rate on a long-term investment, which is currently 5.5 percent, plus a risk premium.

According to assessments based on NCC's risk profile, the stock market currently requires a risk premium of approximately 4 percent in addition to the interest rate on a risk-free long-term investment. This means the required return on NCC's shareholders' equity after full tax is 9.5 percent. NCC's ambition is to exceed the capital markets' required return, and the objective is to achieve a return on equity of at least 12 percent. The profitability target is adjusted continuously in line with general market interest rates. In 1999, a return on equity of 9 percent (6) was reported after full tax.

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

For construction operations, the net margin is the key control parameter. In 1999, this increased to 3.0 percent (2.6). Margins in the construction sector are generally lower than those in other industries, mainly due to a lower level of capital

tied up in operations. NCC aims to additionally raise the net margin on construction operations.

The principal control parameter for real estate operations is the return on capital employed. In 1999, this amounted to 6 percent (8) before tax. To this should be added appreciation in the value of the real estate portfolio, which amounted to SEK 300 M during the year, according to independent appraisals (see page 51). Including value appreciation, the return on capital employed was 11 percent (9). The aim is to increase the visible return, mainly by sharpening the focus on real estate development, raising the turnover rate in the portfolio of managed properties and concentrating the real estate portfolio in locations where distinct synergies with real estate development can be achieved.

The equity/assets ratio is an expression of the Group's financial strength. NCC has concluded that an equity/assets ratio of approximately 30 percent over a business cycle would reflect a strong financial position and risk level. The equity/assets target was reduced from approximately 35 percent to approximately 30 percent in February 2000, since the downsizing of the real estate portfolio is changing NCC's capital mix, thus resulting in a relative increase in the proportion of contracting operations, which have a lower risk profile. In 1999, the equity/assets ratio was 34 percent (34). The Board proposes that the Annual General Meeting approve an extraordinary dividend of SEK 7.00 per share to reduce the equity base and enable achievement of the new equity/assets target.

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

FINANCIAL OBJECTIVES

| | Corporate objective | Outcome | | | | |
|--|---------------------|--------------------|----------------------|---------------------|-------------------|--------------------|
| | | 1995 | 1996 | 1997 | 1998 | 1999 |
| Profitability goals | | | | | | |
| Return on shareholders' equity ¹⁾ , % | 12 | 4 | 2 | 3 ²⁾ | 6 | 9 |
| Return on capital employed, % | 12 | 8 | 5 | 5 | 7 | 10 |
| Financial goals | | | | | | |
| Equity/assets ratio, % | 30 | 31 | 30 | 33 | 34 | 34 |
| Cash flow, SEK m 2) | positive | -709 ³⁾ | -1 331 ³⁾ | 4 223 ⁴⁾ | 592 ⁴⁾ | -605 ⁴⁾ |

1) After full tax. 2) Excl. merger costs. 3) Computed in accordance with the traditional method. 4) Computed in accordance with RR7.



Imagine a model for solving infrastructure problems

Whether the final destination for your trip is Vilnius, Tallinn or Tromsø, it's nice to know that you can save 30 minutes of travel time before you even leave home. That's why flight attendant Ingrid Lockowandt now takes the Arlanda Express train to work.

"I save nearly half an hour in travel time, and the trains stop at terminals 2 and 3, from which our flights depart," says Ingrid. "Before, when I took the bus, there was always a wait at terminal 5 while all the international passengers took their luggage off the bus. Now I don't have to worry about either that waiting time or the queues for the bus in central Stockholm. I find the Arlanda Express fast and very convenient when I'm going to the airport."

Ingrid is a flight attendant with SAS Commuter, a company within the SAS group that operates smaller planes to destinations within the Nordic region and around the Baltic Sea. Ingrid takes a local bus from her home in central Stockholm and arrives at City Terminal ten minutes later. Taking the Arlanda Express means she is at Arlanda 20 minutes later and can begin welcoming the day's first passengers.

The Arlanda Link, which is the first major example of a Swedish

BOT (build, own/operate and transfer) project, serves as a model for how private companies can participate in the financing and operation of infrastructural projects. NCC was involved in the construction of the Arlanda Link railway line and, as a member of the A-Train consortium, is now also participating in Arlanda Express train operations.

"A BOT project should pay for itself over the concession period, after which it is handed over to the government," says Anders Claesson, who works with project financing for NCC's Nordic market. "This changes our risk profile, since it places us in an ownership situation, which is different from taking production responsibility. As a result, we as a company gain new expertise about both financing and operating infrastructure projects."

Everyone agrees that using the BOT model as a new solution for large-scale projects will become more common in coming years. One such project is the major A2 highway construction project being planned in Poland. In Sweden, the National Road Administration has requested that it also be permitted to test this form of financing for several major highway projects.

ACTIVE MANAGEMENT OF FINANCIAL RISKS

NCC's growth strategy and aggressive investments in real estate development and total-package residential construction require highly specialized business-support processes, as well as sound management and control of financial risks.

SPECIALIZED BUSINESS SUPPORT

Specialist financial expertise within NCC is concentrated in a central finance function. These operations are regulated by the Group's financial policy, which is determined by NCC's Board of Directors. The guiding principle is active management of financial risks. The Finance function consists of NCC Treasury, NCC Project Finance and NCC Insurance.

NCC Treasury

NCC's financial flows and associated risks are coordinated and managed actively by NCC Treasury AB, which also acts as the Group's internal bank. The internal bank manages the financial risks of all Group companies and business areas on market terms. This unit is also responsible for managing NCC's total borrowing. In order to reach new markets and sources of financing, a Medium Term Note (MTN) program

totaling SEK 2 billion was offered to the Nordic investment market in 1999.

The yield on this operation's liquidity management is measured against Handelsbanken's money market index, which it outperformed in 1999.

Customers increasingly demand turnkey solutions that include financing.

NCC Project Finance

To an ever-greater extent, NCC's customers are demanding various types of turnkey solutions that include financing of the products and services offered by the Group's core operations.

A specialized unit for the development of customized financing solutions has been in operation for several years. The services offered include private financing of major infrastructure projects, such as the Arlanda Link, rental agreements for customers who do not want to own their own premises or facilities and leasing solutions or credits for the development of residential areas.

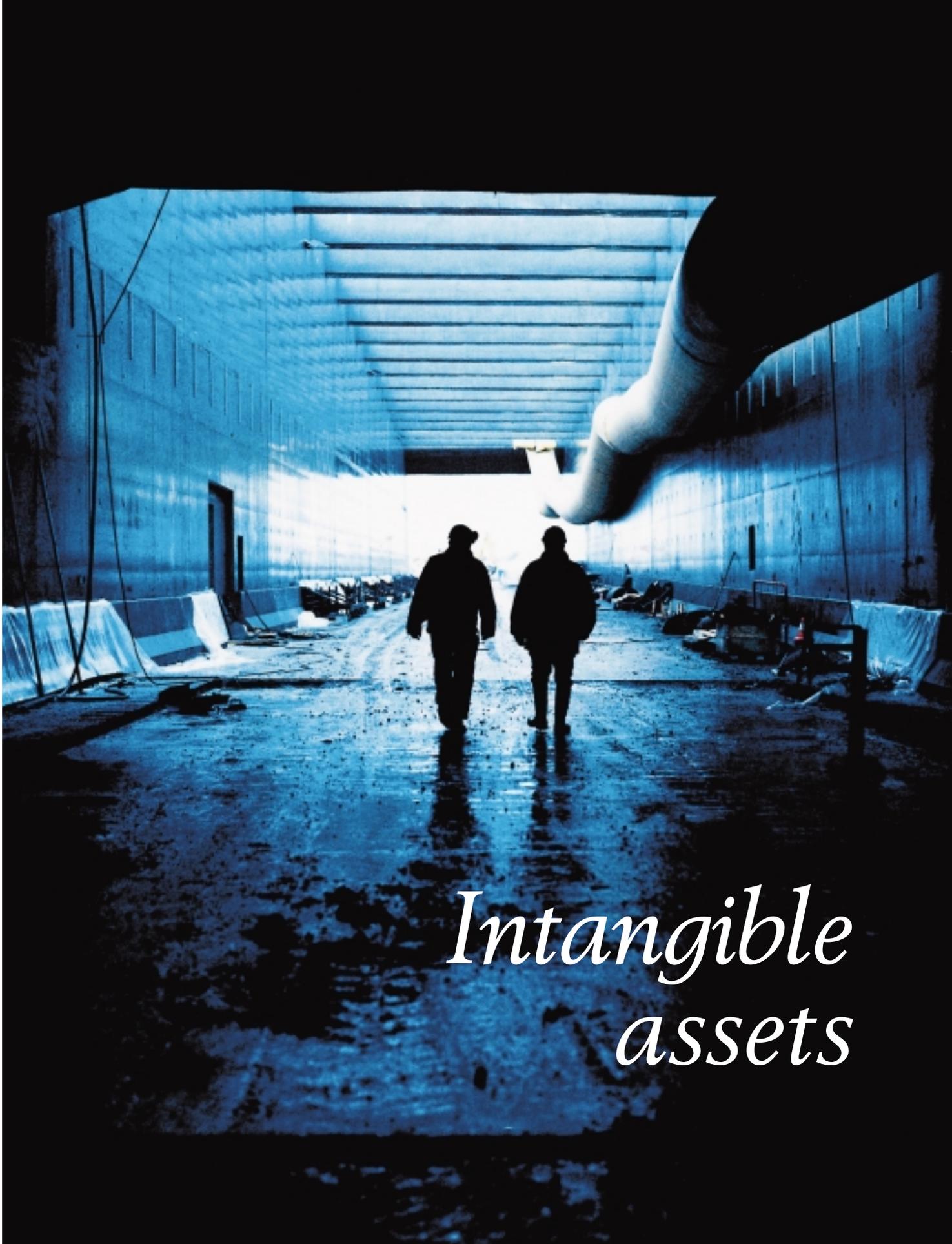
NCC Insurance

NCC currently operates two strong and well-consolidated captive insurance companies. The objective for these companies is to enable NCC to manage its own insurable risks through active damage protection at continuously reduced costs.

These operations, which have been built up over many years, offer NCC's internal customers a wide range of programs and products on market terms. One example is the legal requirement to rectify construction faults, coverage of which is now provided by NCC's own captive companies.

NCC Insurance AB has a concession to conduct direct insurance operations in Sweden, while NCC Re Ag, based in Zurich, Switzerland, is the Group's reinsurance company. A program of damage-prevention measures has been developed in order to reduce costs for quality defects.





*Intangible
assets*

INTANGIBLE RESOURCES ARE INCREASINGLY IMPORTANT VALUE GENERATORS

Since 1994, NCC's sales have increased by approximately 20 percent per year. A gradual transformation has occurred from a mid-size Swedish construction company into an international Group with a leading position in the Nordic and Baltic Sea region.

During the same period, NCC's business model has also been transformed gradually from one based on the needs of a traditional construction and real estate company to one that enables NCC to actively control the entire value chain, from project concepts to sales.

Compared with the past, the current strategic focus demands a somewhat different resource mix in which intangible

assets are increasingly important. Such assets as the organization's collective expertise, a strong brand and tools and systems for management and control are not visible in the balance sheet but are nonetheless of the utmost importance to NCC's ability to generate profits.

Eventually, the same will apply to research and development programs designed to create new customer solutions, reduce costs, increase revenues or produce environmental improvements.

The following pages describe the intangible resources in NCC that play a major role in the Group's development.

NCC'S BALANCED SCORECARDS

Systematic development of NCC's intangible assets creates value for customers, owners, employees and society as a whole. During 1999, NCC supplemented its established operational control measures by introducing a control model based on balanced scorecards.

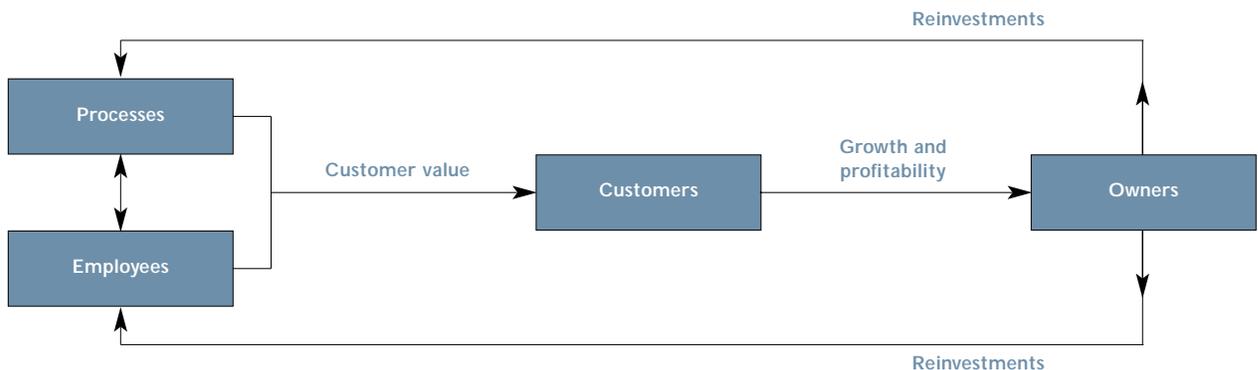
These scorecards are a very appropriate tool for process-oriented operations of the type conducted by NCC, since they adopt a holistic approach. In addition, the control focus shifts from cost-based to value-oriented parameters. Fundamentally, this involves a change from a backward-oriented to a future-motivated control model for operations. NCC's balanced scorecards include measurements, analyses and actions that ensure implementation of adopted strategies.

A number of control parameters measure the progress that has been made in operations in relation to established strategic goals and ensure that value is being created for NCC's stakeholders. Follow-ups of these control parameters should result in continuous development of the Group's processes and provide support for appropriate activities.

NCC's balanced scorecards include four perspectives:

- THE PERSONNEL PERSPECTIVE, which focuses on how NCC's employees perceive their jobs, their own development and NCC as an employer. This also includes composition of the workforce.
- THE PROCESS PERSPECTIVE, which focuses on both productivity (doing things right) and continuous improvement such as renewal (doing the right thing).
- THE CUSTOMER PERSPECTIVE, which focuses on how NCC is perceived by its customers, as well as the Group's position in various customer and product segments.
- THE OWNER PERSPECTIVE, which focuses on value growth for NCC's shareholders.

Ultimately, the reporting of control data showing NCC's value creation in relation to important stakeholders will become so comprehensive that external parties will be able to easily monitor the Group's performance in several dimensions, such as financial position, customer value, efficiency, environmental impact and effects on society as a whole.



TOOLS FOR CREATING VALUE

A prerequisite for NCC's decentralized organization, with thousands of workplaces and operations in several countries, is a strong business culture with well-functioning systems that hold together operations. Continuous development of structural capital is designed to increase cost efficiency, improve customer offerings and sharpen competitiveness. Group-wide work methods and terminology are other prerequisites for fully exploiting synergies across business area and national borders.

SYSTEMS FOR BUSINESS INTELLIGENCE

NCC's strategic work is based on extensive business intelligence and competitor analyses. NCC Future, which involves the use of scenario technology to identify factors considered to have the greatest impact on developments within the industry, is an important part of this work. Scenario technology takes a more long-term perspective than the Group's annual strategy work and is intended to fully exploit the profit potential in current and prospective business projects and to create a realistic approach to future opportunities.

The identified development trends are updated in pace with changes in general business conditions. Systematic compilation and analysis of information in prioritized areas provides management with relevant facts for decisions and increases their preparedness for action. During 1999, a new corporate staff unit was created for Business Development, which is responsible for the Group's strategic planning, business intelligence, future scenarios and resources for mergers and acquisitions.

QUALITY SYSTEMS AND CERTIFICATION

On average, quality deficiencies in the construction industry result in cost overruns of 5 to 10 percent of the total production cost per project. Analyses also show that 80 percent of these deficiencies are the result of recurring faults, which indicates considerable potential for systematic improvement programs.

A well-functioning quality system is a powerful tool for control and development of operations. Documented procedures also facilitate rational and effective work that contributes to both customer satisfaction and increased profitability.

NCC's vision includes an ambition to become the industry leader in terms of quality. Accordingly, Group management set the objective that all Swedish operations were to be quality-certified by year-end 1999. This goal has been achieved. Other parts of Group operations are partially certified and work on implementing quality systems in other markets continues.

Quality work can be briefly described as an improvement spiral consisting of planning, implementation and follow-ups combined with performance evaluation and analysis aimed at providing a basis for continuous improvement.



ENVIRONMENTAL MANAGEMENT SYSTEMS AND CERTIFICATION

Construction is one of the industries that have the greatest impact on the environment. Customers and other stakeholders are increasingly demanding that operations be conducted in an environmentally compatible manner.

NCC's aim is to be the sector leader from an environmental viewpoint. Environmental management systems are being introduced in order to integrate environmental issues into all facets of operations. Environmental management systems with clearly defined targets are driving the development of NCC's products and production towards greater energy efficiency and reductions in the use of harmful substances and the environmental impact of transports. These are also the areas in which NCC's customers are demanding superior environmental performance.

One example of environment-related business development within NCC is site remediation and ecological treatment of leachate from landfills. The market for such services is expected to increase as a result of new environmental legislation.

During 1999, environmental work focused primarily on training aimed at achieving ISO 14001 environmental certification of Swedish and German operations by year-end 2000. The time plan for other Group units will be established during 2000.

More information on NCC's environmental work is available in a separate environmental report, which can be ordered from NCC, or directly via the Internet at www.ncc.se.

EFFICIENT IT SUPPORT FOR THE ENTIRE GROUP

NCC's growth strategy demands an efficient IT infrastructure that provides rational support and communication channels for all parts of the organization. A functional IT infrastructure is also a prerequisite for enabling state-of-the-art and efficient cooperation within NCC's strongly decentralized organization. This generates distinct economies of scale and, as a result of the Group's size, development costs for information systems can be distributed over a large number of units.

In addition to infrastructure, the Group's IT systems include support systems that provide construction sites and offices with tools that enhance the efficiency of production, administrative and sales activities. These systems interact in a common structure that features an exchange of information via Group-wide databases. The IT infrastructure and administrative systems constitute the basis for IT support throughout the Group.

During 1999, new project management tools were introduced that were developed specifically for contracting operations. These new IT tools facilitate a radical change in work methods, since they enable integration of all the parties involved in a project, from initiation to completion. The rationalization potential is considerable and should be realized in the next few years. In addition, the development of e-business systems and systems for "experience recycling" will enable further efficiency gains.

NCC's Intranet was expanded during 1999 to include all of the Group's markets. The Intranet service plays a major role in making the Group's collective expertise available to all employees and in creating a Group-wide business culture.

while capitalizing on NCC's size, will have a major impact on the Group's costs, profit margin and competitiveness.

The most important measures for sharpening purchasing efficiency are control of purchasing authority and purchasing behavior, skills development, purchasing coordination between business areas and Group companies and development of administrative support for NCC's purchasers.

NCC Sourcing Committee was formed in 1999 with the aim of internationalizing the Group's purchasing activities and establishing coordinated purchasing across national borders. At the same time, the purchasing function was made more professional through the recruitment of strategic purchasers with responsibility for various product areas. A comprehensive training program was arranged for purchasers during 1998 and 1999, in order to boost the Group's purchasing skills (see page 23). A new IT structure for purchasing was introduced in 1999, comprising systems for purchasing, supplier ratings and purchasing statistics, as well as test operation of e-commerce.

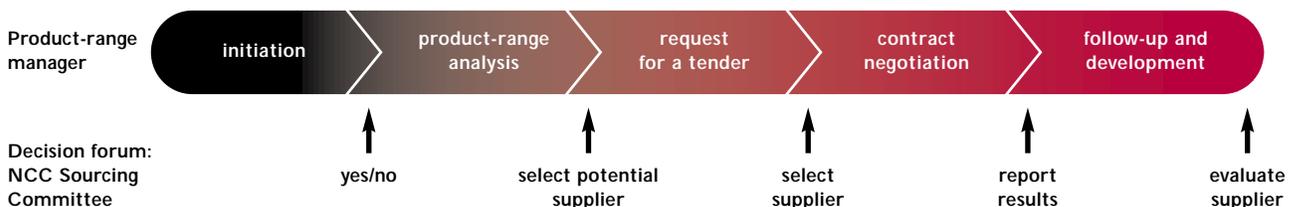
In general, purchasing work within NCC is conducted in accordance with NCC Sourcing Process, which consists of five sub-processes (see illustration). Until now, coordinating purchases across national borders has been unusual in the construction industry. On a Group-wide basis, NCC Sourcing Committee covers about 30 product-range areas that represent a considerable purchasing volume. International agreements have been concluded in approximately half of these areas, resulting in major cost reductions.

In the Swedish purchasing organization, which is based on the same segment-divided structure, the proportion of purchases made in accordance with the new work method rose to 28 percent (18), corresponding to a purchasing volume of more than SEK 4 billion.

SYSTEMS AND PROCEDURES FOR MORE EFFICIENT PURCHASING

Considerable economies of scale can be generated in the purchasing area. Accordingly, increased purchasing efficiency,

NCC'S PURCHASING PROCESS



INNOVATIVENESS PLACES THE FOCUS ON IDEAS

“Innovation” is one of NCC’s key concepts and a driving force for the Group’s development, with respect to both operations in general and individual projects. Since the quality of ideas has become an increasingly powerful competitive tool, research and development (R&D) plays an active role in value-creating processes.

NEW DEVELOPMENT PORTFOLIO

NCC makes systematic and long-term investments in R&D in order to ensure constant availability of knowledge and competence of the highest standard. R&D operations are conducted in two ways:

- Internal R&D work, meaning product and method development in which cooperation with customers and suppliers is prioritized.
- Participation in external R&D projects, primarily in the form of national and international R&D programs.

A large portion of development work is conducted as part of construction projects. This work, however, is often perceived as being directly linked to operations and not as development in the conventional sense. A good example of such work is the development of prefabricated tunnel elements for the Öresund tunnel. (See page 31.)

More long-term development work is conducted in NCC’s five business areas and within the Corporate R&D unit. NCC Technology, the in-house technology unit, is an important internal R&D resource. The Group’s in-house research, in combination with an extensive network of contacts with Swedish universities, is designed to ensure that NCC’s service offering and production methods are the best in the industry.

R&D work is led and coordinated by the Group’s R&D Council in which all business areas are represented. Work is conducted in a project form, often in cooperation with customers and suppliers. NCC leads or participates in several national research programs, such as Competitive Building and IT Construction and Real Estate, as well as several EU projects. Participation in these projects is often mediated through NCC’s industrial doctorate programs. NCC also sponsors several professorships at universities/institutes of technology and participates in various steering committees at universities/institutes of technology and research institutes. The following research areas are prioritized:

- Environment with particular emphasis on energy issues
- IT
- Intelligent buildings
- Increased construction efficiency
- “Neighborhood-friendly” restoration and renovation

ENVIRONMENTAL RESEARCH

NCC has created three different research programs in the environmental area: increased energy efficiency in buildings, the interior environment and the site environment. The focus of this research includes the buildings’ design and energy supply systems, such as solar power. NCC participates in the national solar electricity program Solel 97–99, the results of which will be presented at the Boor Housing Exhibition in Malmö in summer 2001, and in Stockholm’s Hammarby Sjöstad project.

Environment-related development work is also being conducted for the recycling of construction waste. At the Gruvön paper mill, 8 000 tons of crushed cement was re-used as road construction material. In Lilleborg in Oslo, Norway, renovation of factory buildings is in progress in which the re-use of bricks is being applied.

The need for treatment of leachate and wastewater is increasing constantly. NCC applies the latest research results from so-called EO (ecological obstruction) technology, and conducts R&D in collaboration with the Royal Institute of Technology in Stockholm and the Agricultural University of Warsaw.



MAJOR INVESTMENT IN INFORMATION TECHNOLOGY

NCC's largest development investment relates to the application of information technology in Group operations. In addition to this corporate IT project, NCC is also conducting a number of other IT-focused R&D projects.

One example is the use of 3D modeling, primarily in the planning phase. Another project is being conducted in cooperation with the Royal Institute of Technology and MoPo (Models for the construction process). This focuses on the development of IT-based tools and methods for the analysis and planning of construction projects from a process perspective. NCC and Chalmers Technical University are jointly conducting a study into how virtual reality (VR) can be used to support the design, construction, functional analysis and administration of complex buildings.

NCC is also participating in a Nordic project to create communication standards for construction information that can be used throughout the lifetime of a building.

FOCUS ON INTELLIGENT BUILDINGS

Intensive development in the field of intelligent buildings is under way. By integrating information technology into buildings, it is possible to create intelligent buildings with IT systems that can monitor the building's operation and adapt the interior climate to individual preferences. Monitoring, security and other service functions can be controlled via the Internet. During 1999, an agreement was concluded with the telecom company Ericsson regarding R&D collaboration in such areas as telecommunications and buildings. This agreement has already resulted in NCC being able to offer properties equipped with IT communications in connection with occupancy. A concept for broadband solutions for tenant-owner associations is also under development.

BOOSTING EFFICIENCY IN THE CONSTRUCTION PROCESS

NCC is constantly working to enhance the efficiency of the construction process through increased industrialization. IT is creating an excellent foundation for more efficient coordination among the parties involved in the construction process. Work at the construction site also needs to be industrialized.

NCC is one of the world's leading companies in the development of self-compacting concrete, which enables industrial on-site concrete forming, which significantly improves the working environment for concrete workers. This development

is being conducted as part of a major EU project, which is led by NCC.

Within Sweden's Road Bridge Tunnel program, one of NCC's students in the industrial doctorate program is working on the development of industrial bridge construction at Chalmers Technical University.

NCC also participates in development partnerships with several suppliers, as exemplified by the collaboration between NCC, Danogips and Isover with respect to rationalizing construction featuring light walls made of plasterboard and steel rods.

NEW METHODS FOR "FRIENDLY" RENOVATION

NCC is involved in a major EU project led by the housing company Kalmarhem. This aim of the project is to develop methods that enable renovation of multi-unit dwellings while having as little impact as possible on the tenants and the environment. In cooperation with Vasakronan, a study is also being conducted of communication and feedback of experience in the renovation of commercial properties.

FOCUS ON INDUSTRIAL DOCTORATES ATTRACTS STUDENTS

In order to strengthen the Group's long-term supply of skills, NCC invests in industrial doctorates that enable employees to gain a licentiate or doctor's degree by conducting research at a university. The area of research is linked to NCC's prioritized development areas or core technologies.

DISSEMINATION AND PRACTICAL APPLICATION OF R&D RESULTS

An important part of R&D work is to introduce the results into NCC's operations. Several different methods are applied within the Group, such as:

- networks and specialist units as receivers of R&D results
- channeling via the Group's technical unit NCC Technology
- training through seminars, in cooperation with NCC University
- technical implementers; that is, personnel who are specially appointed to introduce R&D results and new technology
- state-of-the-art IT tools

NCC's aggressive R&D investments are an important part of its work to increase the Group's attractiveness as a supplier, partner, investment object and employer.



Imagine construction methods that reduce wear on the body

“What I noticed first was the silence. Usually, pouring concrete makes a lot of noise. Now you hardly need ear protectors,” says Anders Sörberg, who has been a concrete worker for 15 years.

Last autumn, he tested the use of self-compacting concrete for the first time when a railway bridge was being built north of Motala, Sweden. Only Anders and the pump operator were required to mold the nine-meter-high bridge foundation across the two tracks. “Normally, we would have needed six men,” observes Anders.

Vibrating rods are usually used to ensure that the concrete properly fills out the molding forms, but the vibrations from this method are also absorbed by the concrete workers’ bodies. “It causes injuries. It wears out your back, your fingers go white and you lose feeling in your hands,” explains Anders Sörberg. Most concrete workers suffer such vibration-related injuries and are forced to leave their jobs prematurely.

To improve the working environment, NCC began work three

years ago on a project involving self-compacting concrete. A number of European industry institutes and universities are participating in this EU-supported project. After development work and tests on a small scale, NCC has been able to conduct several full-scale tests with self-compacting concrete, including the railway bridge outside Motala.

“The concrete workers who have tested the new concrete definitely do not want to revert to the old technology. Even if it costs more per cubic meter than conventional concrete, it saves time and boosts productivity. Above all, it eliminates vibration-related injuries among employees,” says Marianne Grauers, NCC’s project coordinator.

“My experiences are exclusively positive. There is less wear on the body and the concrete is much easier to work with. This must be the future,” concludes Anders Sörberg, concrete worker, in Motala.

INCREASINGLY A KNOWLEDGE COMPANY

NCC's corporate vision of being the leading construction and real estate company with respect to the environment, efficiency and development power demands an advanced and powerful process for supplying human resources. The service content in NCC's operations is increasing constantly and becoming more complex. This makes the development of human resources a crucial success factor.

WELL-DEVELOPED PROCESS FOR SKILLS SUPPLY

NCC's work to ensure the supply of human resources has four dimensions: recruitment, training, on-the-job learning and integration of leading-edge expertise. The development of human resources is one of the areas that was followed up during 1999 through the introduction of balanced scorecards. (See page 16.)

RECRUITMENT

During 1999, NCC's skills were enhanced through the recruitment of specialists in the areas of finance, the environment, purchasing and IT. At the same time, a broad recruitment base was assured. Two key groups for NCC's operations are engineers, including civil engineers and others with engineering degrees, and recent senior high school graduates from construction engineering programs.

Each year, some 280 students graduate from university-level civil engineering programs, and some 550 students from other university programs focused on construction. NCC needs to recruit about 100 engineering graduates each year. Recruitment takes place primarily through the trainee engineer program. During 1999, 80 trainee engineers were recruited.

In total, NCC's Swedish operations comprise slightly more than 700 persons with engineering degrees, of whom about half are aged under 35. The proportion of engineers with university degrees has increased in recent years as a result of recruitment to the trainee engineer program.

A successful recruitment process demands that NCC is perceived in the labor market as an excellent employer. NCC conducted a number of activities at universities during 1999 to stimulate interest in the company, including a recruitment campaign aimed at all final-year engineering students.

Another very important channel for providing information about NCC as an attractive employer is the Building Competence program through which engineering students are offered summer jobs and training under the auspices of NCC

University. During 1999, 80 engineering students participated in this program, which will become an increasingly important base for recruitment of engineers.

Recruitment of skilled workers takes place within the framework of an apprenticeship program in which senior high school courses are integrated with practical work at NCC workplaces. Currently, the Group's Swedish operations have 295 apprentices.

TRAINING AND ON-THE-JOB LEARNING

The starting points for both of these forms of skills development are annual performance reviews, combined with follow-ups conducted through NCC's training system and the Human Resources Index (HRI) employee survey. Since 1996, NCC has been conducting annual surveys among all employees. These surveys provide a valuable tool for developing leadership, competence and organizational skills. The results for Swedish operations are presented on the following pages. As of autumn 2000, the survey will also include NCC's operations outside Sweden.

Performance reviews are one of the most important means for developing NCC's personnel. The goal is for all salaried workers to participate in a high-quality performance review each year, followed by implementation of the development measures resulting from these talks. Eventually, this goal will be extended to cover all employees.

GOAL ATTAINMENT - PERFORMANCE REVIEWS

| | 1997 | 1998 | 1999 |
|--|------|------|------|
| Participated in performance reviews, % | 72 | 82 | 81 |
| Regarded the performance review as positive, % | 66 | 66 | 68 |
| Implementation of decided activities, % | - | - | 36 |

The employee survey shows that the vast majority of salaried employees participated in a performance review during 1999 and that the perceived quality of the reviews had increased. However, decided training activities were not implemented to a sufficient extent. Measures in the form of training and leadership development will be implemented in order to improve the results, based on established goals.

During the performance review, the supervisor and the employee jointly determine suitable training and other development activities. During 1999, 18 000 training days were held with the following distribution of subject areas:



Investments in industrial doctorates generate new knowledge that contributes to systematic development of NCC's operations.

- Working environment, 12 percent
- Computer skills and economics, 22 percent
- Legal issues and administration, 6 percent
- Leadership development, 7 percent
- Marketing and purchasing, 7 percent
- Production management, 26 percent
- Technology, 20 percent

Most of these training measures relate to core skills in technology and production, as well as computer skills and economics. The systematic nature of the training system is beginning to generate results in the HRI employee survey. As the table on page 24 shows, the trend of the skills development index is clearly improving, particularly for salaried employees. The current challenge is to determinedly develop training and on-the-job learning measures for skilled workers.

During the year, a number of important specialist training programs were implemented to support prioritized programs of changes. The principal and most extensive was the course for purchasers that was started in 1998 and concluded in 1999. All 170 purchasers in Sweden have now completed a program that is intended to contribute to establishing a modern purchasing culture at NCC. Purchasers in other Nordic countries will gradually receive the same training.

The most important source of skills development lies in conscious on-the-job learning, meaning the opportunity to develop through trying new work assignments. The difference between salaried and skilled workers is evident in the employee

survey. On-the-job input is the most important source of learning for both groups, but is much more important for skilled workers than salaried employees. A more goal-oriented skills development program for skilled workers must therefore be based on training that is integrated into daily work.

INTEGRATION OF LEADING-EDGE EXPERTISE

Important leading-edge expertise is developed in research programs conducted jointly by NCC and universities/technical colleges. Investments in industrial doctorates generate new knowledge that contributes to systematic development of NCC's operations. Current industrial doctorate programs cover a wide spectrum of research ranging from temperature-induced cracks in concrete to computer models of the construction process.

The challenge in the construction industry is to disseminate this leading-edge expertise to the executives who have operational responsibility for production. To achieve this, NCC's R&D unit and NCC University initiated a training program in 1999 on the Leading Edge Technology theme, which included 160 participants during its initial phase.

SUPPLYING SKILLS AND LEADERSHIP

The supply of skills is based on a division of responsibility between supervisors and employees. The supervisor’s role in this process is also measured in the HRI employee survey, through the index for Leadership style and Influence. Leadership style includes taking an interest in employees and their development. The index for Influence reflects the employee’s perception of opportunities for influencing work assignments and the supervisor’s willingness to consider the employee’s views. NCC’s high index scores for Leadership style and Influence are characteristics of a learning organization.

The indices for both Leadership style and Influence are

increasing. A trend in this direction is an indication of a progressively stronger corporate culture that supports the supply of skills and that NCC is moving in the right direction with regard to employee skills. The survey also reveals that the index for Motivation is trending in a negative direction, which is a serious indication that measures must be implemented to reverse the trend. The lower index is due to the fact that production supervisors, in particular, expressed dissatisfaction at the heavy workloads experienced during 1999, because of the high rate of change within NCC. The introduction of IT and quality systems in the organization initially resulted in increased workloads.



NCC’S EMPLOYEE SURVEY – HRI

| SWEDISH INDEX | 1997 | 1998 | 1999 |
|---------------------|------|------|------|
| Performance | 73 | 72 | 72 |
| Motivation | 62 | 60 | 58 |
| Leadership style | 58 | 58 | 59 |
| Management | 60 | 60 | 60 |
| Skills development | 40 | 41 | 42 |
| Influence | 58 | 60 | 61 |
| Cooperation/support | 54 | 54 | 53 |

The index values in the table range from 0–100. Each value has been calculated on the basis of several survey questions.

Performance – being aware of customer requirements and doing a quality job.
Motivation – the energy that employees devote to their work, their willingness to make an effort.
Leadership style – the manager’s ability to develop relationships, be honest and take care of individual employees.

Management – the manager’s ability to establish definite objectives and plans, and then implement and organize them.
Skills development – ability to learn something new.
Influence – potential to influence.
Cooperation/support – support provided by established procedures.

NCC’s high index scores for Leadership style and Influence are characteristics of a learning organization.

BUILDING A TRADEMARK IS A MATTER OF KEEPING PROMISES

NCC's relations with customers, owners, public authorities, employees, the media and other important stakeholders are of vital importance to the Group's growth and profitability. The balanced scorecards that were recently introduced will allow the development of relations with important groups to be measured.

THE TRADEMARK AS A STRATEGIC COMPETITIVE TOOL

NCC's strategic focus on geographic expansion, strong market positions and a high degree of added value require a strong trademark.

During 1999, a new logotype was established that will be used in all markets to symbolize the values that NCC represents. Today, the strength of the trademark lies primarily in a high recognition value and high credibility in the construction and real estate industries. The goal is to further strengthen the common Nordic/Baltic Sea region profile and to secure a leading position by being perceived as the most innovative and responsible company. As part of this effort, NCC is making the following promises:

- We shall be open, provide information and take the opinions of others into consideration before construction commences, during the entire production period and after completion.
- We shall set a good example by showing concern for people and the environment that extends over many generations.
- We shall use construction materials and methods that are as environmentally compatible as possible.
- We shall complete projects on time and keep the promises we make.

These promises are of fundamental importance to NCC's ambitions of making a positive contribution to the development of society and strengthening relations with important stakeholders.

CUSTOMERS

The customer relationship is of crucial importance and one of the four criteria that will be monitored through the balanced scorecards.

Examples are provided below of how NCC is working to improve relations with customers and how this work is followed up.

NCC Building

NCC Building established a system in 1997 for measuring customer satisfaction in completed construction projects. When a construction project is handed over, NCC Building's per-

formance is assessed using a survey. The results provide regional and business area managers with an excellent foundation for improving relations with the customer in question.

NCC Building also has a system for measuring repeat purchasing during the preceding 36 months. Together with details available in the total customer database, this information is valuable for developing relations with key customers.

Collaboration with key customers aimed at the joint creation of business that is profitable for both parties was intensified during 1999, in part through the appointment of business managers. (See page 37.)

NCC Real Estate

Customer satisfaction has been measured for many years within NCC Real Estate for the purpose of developing customer relations with identified key customers. The business area uses a Satisfied Customer Index for this purpose.

The SCI is a weighted index ranging from 1 to 100 that reflects the customers' overall perception of NCC Real Estate. The index reflects the answers to three questions: "How satisfied is the customer with NCC Real Estate from a total perspective?", "How well does NCC Real Estate meet the customer's expectations?" and "How close is NCC Real Estate to being a perfect landlord?" The SCI was unchanged in 1999.

NCC Real Estate also measures propensity for repeat purchasing, the index for which shows how probable it is that a customer will remain with NCC Real Estate in the event of changed or unchanged needs. This index improved in 1999, particularly with regard to unchanged needs.

The customers' propensity to recommend NCC Real Estate is also measured. Reputation is the term used to provide a measurement of how favorably the customer speaks about NCC Real Estate in contacts with colleagues, friends and others persons. This index also increased in 1999.

NCC REAL ESTATE

| | 1997 | 1998 | 1999 |
|---|------|------|------|
| Satisfied Customer Index | 71 | 69 | 69 |
| Repurchase propensity, unchanged needs, % | 68 | 77 | 82 |
| Repurchase propensity, changed needs, % | 68 | 76 | 79 |
| Reputation | 65 | 64 | 66 |

Source: CFI-Group

NCC HOUSING

When tenants move into their new home, a “moving-in survey” is conducted to measure the customers’ perception of contacts with NCC’s sales and construction site organizations from the time of the first contact until moving in. Experience gained from these surveys is documented and transferred to new projects.

The moving-in survey is followed up a year later with a resident survey. This survey is intended to measure the customers’ perception of their new home and how well it meets their expectations.

OWNERS

The relationship with NCC’s owners is one of the dimensions that is measured with the balanced scorecards. NCC also participates each year in image analyses that are conducted immediately after the publication of the interim first-quarter report. More than 100 telephone interviews are conducted among major institutional investors, brokers, market analysts, journalists and active shareholders. The model includes ten evaluation criteria for measurement:

- Interest in NCC as an investment object
- Earnings potential
- Ability to meet earnings expectations
- Business concept
- Sector prerequisites
- Management control
- Innovation and ability to act
- Confidence in ownership structure
- Financial strength
- Information to the stock market

The market’s overall impression is measured in terms of a Weighted Profile Value, which is the sum of all scores that NCC receives on the ten criteria, weighted by the importance attached to each one. The scale ranges from one to five. Experience shows that the limit for an excellent profile value is about 4.0. Higher values are unusual and should be considered an indication of the current best-in-sector company. Values below 3.0 can be interpreted as unsatisfactory performance. The overall impression is that NCC is above the acceptable level but that its score can hardly be regarded as high, even though its position has improved since spring 1998.

IMAGE ANALYSIS – STOCK MARKET

| | 1997 | 1998 | 1999 |
|------------------------|------|------|------|
| Weighted Profile Value | 3.3 | 3.1 | 3.3 |

Source: Prospera

NCC’s primary strength, according to the survey, lies in management control, although other aspects of management’s competence and the dissemination of information are valued positively. Weaknesses in the profile are primarily sector-related prospects and NCC’s ability to meet earnings expectation, which indicate that the market is not satisfied with the historical earnings trend. On the other hand, expectations for future growth remain high, which is reflected in increased confidence in the Group’s earnings potential and management competence.

MEDIA

NCC’s information policy stipulates that the Group’s dissemination of information must be characterized by openness, honesty and reliability. In order to assess the relationship to the media and the image of NCC that is projected in various media, an annual survey of the number of media references is made in which each reference is classed as positive, negative or neutral. The identified references totaled 8 345 in 1999, of which 10 percent were positive, 7 percent negative and 83 percent neutral.

NCC IN THE MEDIA

| Year | 1997 | 1998 | 1999 |
|----------------------|-------|-------|-------|
| Number of references | 6 425 | 7 511 | 8 345 |
| Positive, % | 25 | 15 | 10 |
| Negative, % | 13 | 12 | 7 |
| Neutral, % | 62 | 73 | 83 |

Source: Observer Media Intelligence

Media monitoring of NCC has increased sharply during the past three years. At the same time, the monitoring appears to be of an increasingly neutral, registering character.

Business areas, markets and foreign subsidiaries

GROUP STRUCTURE NCC AB

| | NCC CIVIL ENGINEERING | NCC HOUSING | NCC BUILDING | NCC INDUSTRY | NCC REAL ESTATE |
|-------------------|--------------------------|----------------|-----------------|-----------------|--------------------|
| NCC Sweden | ■ | ■ | ■ | ■ | ■ |
| NCC Denmark | ■ | ■ | ■ | ■ | ■ |
| NCC Finland | ■ | ■ | ■ | ■ | ■ |
| NCC Norway | ■ | ■ | ■ | ■ | ■ |
| NCC Poland | ■ | ■ | ■ | ■ | ■ |
| NCC Germany | ■ | ■ | ■ | ■ | ■ |
| NCC International | ■ | | | | |

The division of operations into business areas enables specialization and focus in terms of customers, technology, development and expertise. The subsidiaries' unique know-how and contacts in the countries concerned enable them to play a key role in the cultivation of local markets.

THE BOT CONCEPT IS WIDENING THE VALUE CHAIN

BUSINESS CONCEPT

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

STRATEGY

The focus of the strategy is on strengthening positions in the Nordic countries and Poland, and international expansion.

Important areas of strategic development within NCC Civil Engineering include specialization, an increased share of the value chain, internationalization and skills supply.

The reorganization of civil engineering operations in Sweden that began in January 2000 is one example of the specialization process. Operations in Sweden are being concentrated in five regions. This change will enable the business area to respond more effectively to changing market conditions and will sharpen its overall competitiveness. All road-surfacing operations have been separated from the regional organization and concentrated in a single unit, Beläggning Sverige. The aim is to improve efficiency and business trends in the asphalt segment, strengthen market positions and boost profitability by means of specialization.

NCC Civil Engineering's opportunities to cover a larger section of the value chain is increasing as a result of the development of the BOT (build, own/operate and transfer) concept in a separate unit, combined with a higher share of contracts involving operations, service and maintenance.

Operations in Poland were intensified in 1999, through such measures as a small acquisition. The intention is to carry out additional acquisitions in future.

Company-wide and individual skills supply programs are in place in all markets.

PRODUCTS AND SERVICES

NCC Civil Engineering performs new construction, repair, operations and maintenance within the following product areas:

- roads, bridges, tunnels and underground facilities
- railways and airports
- ground and pipeline systems

- road surfacing
- operation and maintenance of roads and municipal facilities
- environmental improvements
- energy facilities
- other civil engineering projects, such as process plants, water and sewage treatment plants, harbors and quays.

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

CUSTOMERS

The total customer base for the Swedish civil engineering business is approaching 2 000, with fewer than 150 customers accounting for approximately 80 percent of net sales. The largest customer is the Swedish National Road Administration, representing more than 20 percent of net sales. Public sector customers dominate in the other Nordic countries.

MARKETS

Roadwork and civil engineering in Sweden has declined in recent years. The National Road Administration and the National Rail Administration have both instituted additional cutbacks in new investments for 1999 and 2000.

This downturn is offset to a certain extent by growth in local and small-scale markets resulting from increased construction within other sectors. However, the large infrastructure projects are becoming ever fewer and price competition ever sharper.

At present, most business in Sweden consists of small and medium-sized projects. A total of slightly more than 2 000 projects were carried out in Sweden in 1999. Of these, the majority had a total contract value of less than SEK 5 M.

The Nordic region is now a single market. Competition has intensified in Sweden with the entrance of companies from Norway, Denmark and Finland into the market.

SIGNIFICANT EVENTS

In December 1999, NCC acquired slightly more than 25 percent of the shares in PRInz, Poland's third-largest highway builder. The acquisition is an important step in NCC's strategy of developing civil engineering operations in Poland.

Notable among NCC's current major projects is the expansion of the Southern Link in Stockholm, a project worth some SEK 700 M. NCC is also involved in the expansion of Arlanda Airport outside Stockholm. Noteworthy new commissions

during 1999 include a drawbridge in Södertälje, railway-track laying for the Öresund Link land connection at Lernacken and a section of the expansion of the Botniabanan railway line.

NCC heads Øresund Tunnel Contractors, ØTC, which built the 3.7-km long tunnel section of the Öresund Link. The final tunnel section was put in place in January 1999 and the Öresund Link will be opened for traffic on July 1, 2000. NCC's share of the contract amounts to some SEK 1.3 billion.

NCC Denmark's civil engineering unit is involved in a number of important projects, including membership of an international consortium that is expanding Copenhagen's "Metro" subway system.

NCC Norway is conducting a number of significant civil engineering projects, including several tunnel projects. At 24.5 kilometers, the Laerdal Tunnel will be the longest road tunnel in the world when it is completed in 2000. The Bølma Fjord Tunnel, which is nearly eight kilometers and will connect the islands of Söyno and Sveio, is scheduled for completion in 2001. In late 1998, NCC Norway was awarded the contract to build two 1000 meter long suspension bridges as part of the "Triangle Link" – an order worth slightly more than SEK 500 M.

Civil engineering operations within NCC Finland were less extensive in 1999. NCC Finland is building a container terminal in Kotka, eastern Finland and a mine in Kemi, northern Finland.

INTERNATIONAL OPERATIONS

The strategy for international project operations focuses on four prioritized markets. Operations are being concentrated to the niches in which NCC's level of expertise and competitiveness can be most fully utilized.

During 1999, NCC International was quality certified by Det Norske Veritas of Norway and the Building and Construction Authority, an international institute in Singapore. Certification has made NCC a stronger contender for major underground projects in Southeast Asia.

NCC continued to extend cooperation through alliances during 1999. The Group is cooperating with the Italian construction firm Impregilo on major projects in Russia and the Baltic region, an alliance that operates under the name IGL-NCC Contractors. Sales offices were opened in 1999 in St. Petersburg and Moscow. In late 1998, the company obtained a commission to rebuild part of the St. Petersburg subway system. The contract is worth about SEK 1 billion, of which NCC's share is 25 percent.

In Nicaragua, NCC is involved in the reconstruction of



roads and bridges that were severely damaged by Hurricane Mitch. The order is worth approximately SEK 200 M and represents an opportunity for NCC to strengthen its market position in Central America. Past commissions in the region include construction of a hydropower plant in Costa Rica.

NCC is part of an international consortium that was awarded the concession for part of the A2 highway in Poland. The concession refers to a 362-km highway section stretching from west of Warsaw to the German border. In 1999, a contract was signed for the first stage, with a potential order value of more than SEK 8 billion, including financing. The construction part is worth SEK 5.4 billion, with NCC's share at SEK 1.3 billion. The total contract value for all sections is SEK 3 billion for NCC.

FINANCING – A KEY FACTOR

Privately financed or co-financed projects are an essential prerequisite for construction in several countries with widely disparate economic conditions. The global trend entails greater use of the BOT concept. Private or co-financing is expected to gain increasingly wide acceptance in Sweden and other Nordic countries.

In order to increase business opportunities within this segment and benefit from the competitive advantages existing within the NCC Group, NCC BOT was set up as a separate line unit within the Civil Engineering business area in January 1999. The BOT unit is responsible for Nordic and international project development. Current BOT projects include the Arlanda Link, the A2 highway in Poland, a district heating plant in Skurup and Kallax Cargo.

EARNINGS

Orders received by the Civil Engineering business area amounted to SEK 11 268 (11 207) M.

Income after net financial items for the business area was SEK 200 (201) M. Pro forma earnings, including Superfos Construction, were SEK 200 (231) M. The decline in earnings is mainly due to the international project business having reported high earnings in 1998 in connection with completion

of a few major projects. However, improved earnings were reported by Swedish operations.

Cash flow before dividends was negative in the amount of SEK 524 (neg: 128) M. Cash flow was encumbered by investments, primarily the acquisition of Superfos, and by fewer large projects for which advance payments are made.

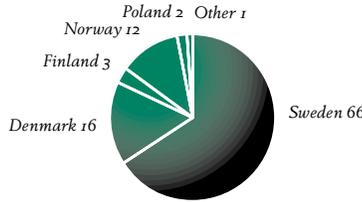
The return on capital employed was 13 (14) percent.

OUTLOOK

Despite expectations of a generally weak market trend, continued efficiency measures and development work will provide NCC Civil Engineering with favorable potential to increase its market shares. During 2000, the business area's operations will continue to be developed within selected segments, in accordance with the strategic plans that are formulated continuously with the aim of improving its business opportunities and competitiveness.

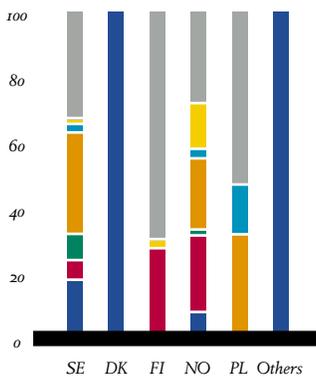
NET SALES

BY COUNTRY, %



PRODUCT MIX

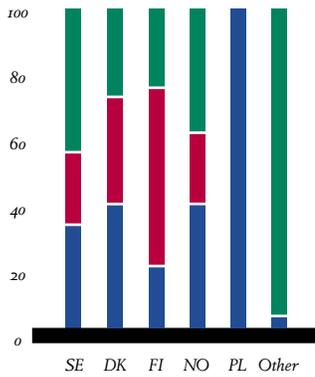
LOCAL CURRENCY



- Roadwork and road surfacing
- Bridges
- Railways
- Site preparation
- Industrial and process plants
- Tunnels
- Other

CUSTOMER STRUCTURE

LOCAL CURRENCY



- Central government
- Municipal
- Other

| KEY FIGURES, SEK M | 1997 | 1998 | 1999 |
|--|--------|--------|--------|
| Orders received | 10 012 | 11 207 | 11 268 |
| Order backlog | 6 404 | 6 698 | 5 547 |
| Income after net financial items | 141 | 201 | 200 |
| Operating capital employed at year-end | 1 856 | 1 944 | 1 793 |
| Cash flow before dividends ¹⁾ | -266 | -128 | -524 |
| Ratios ²⁾ | | | |
| Operating margin, % | 0,3 | 1,1 | 1,0 |
| Net margin, % | 1,3 | 1,8 | 1,6 |
| Return on operating capital employed ³⁾ , % | 10,0 | 13,9 | 12,8 |
| Other | | | |
| Average number of employees | 7 336 | 6 795 | 7 701 |

| INCOME STATEMENT, SEK M | 1997 | 1998 | 1999 |
|---|--------|---------|---------|
| Net sales | 10 746 | 11 078 | 12 289 |
| Production expenses | -9 052 | -10 224 | -11 233 |
| <i>Gross income</i> | 794 | 854 | 1 056 |
| Selling & administrative expenses | -766 | -732 | -910 |
| Shares in associated companies | | | -5 |
| Capital gain on sales of associated companies | | 2 | -15 |
| <i>Operating income</i> | 28 | 124 | 126 |
| Financial items | 113 | 77 | 74 |
| <i>Income after financial items</i> | 141 | 201 | 200 |
| BALANCE SHEET, SEK M | | | |
| Buildings and land | 85 | 103 | 96 |
| Tangible and intangible fixed assets | 338 | 345 | 376 |
| Shares and participations | 7 | 7 | 19 |
| Interest-bearing receivables | 140 | 126 | 124 |
| Interest-free receivables | 2 379 | 2 867 | 3 133 |
| Liquid funds | 2 840 | 2 544 | 2 276 |
| <i>Total assets</i> | 5 789 | 5 992 | 6 024 |
| Equity | 1 004 | 1 295 | 1 153 |
| Minority interests | 14 | 10 | 20 |
| Interest-bearing liabilities and provisions | 778 | 682 | 879 |
| Interest-free liabilities and provisions | 3 062 | 3 197 | 3 381 |
| Project invoicing not yet worked up | 931 | 808 | 591 |
| <i>Total equity and liabilities</i> | 5 789 | 5 992 | 6 024 |

1) See definitions, page 62.
 2) Ratios were calculated based on an operational balance sheet, whereby taxable interest-free Group contributions were eliminated against the resulting untaxed reserves in the Group.
 3) Return figures are based on average capital employed.



#3

Imagine launching underwater solutions tailor-made on dry land

Placing a 63 000-m³ concrete object that weighs 55 000 metric tons 20 meters below the ocean surface with a precision of a few millimeters is quite a feat.

This was actually achieved 20 times in succession by Øresund Tunnel Contractors (ØTC), an international consortium of five major companies led by NCC, as part of the construction of the world's largest immersed tunnel. ØTC also succeeded in beating the deadline set for the entire project.

One of the most remarkable achievements, however, was the unique production method used at the prefab plant built solely to meet the client's high standards for quality, punctual delivery, the environment and safety. Indoor production not only yielded high product quality, but also improved the working environment.

"Each 176-meter long tunnel element was made of eight segments that were 22 meters long by 9 meters wide," says Per Nielsen, Project Director for ØTC. "The segments were cast in a 30-hour continual process around prefabricated reinforcement cages that we moved up to the molds. The segments were then moved out on concrete beams and connected to one another. The technique had never been used before for tunnel construction,

but can be likened to assembly-line production on a gigantic scale."

At least equally sophisticated is the enormous lock device that was built outside the element factory in the northern port of Copenhagen. Once the tunnel elements had been fitted with water tight shot, 1.2 million m³ of water was pumped into the lock until the surface was ten meters above the surface of Øresund. The lock was then drained to that level and the elements, now floating in Øresund, could be towed to their assigned spots along the channel dredged in the seabed.

The first element was towed out on August 8, 1997. The twentieth and last tunnel element was immersed in early 1999. Including the approach ramps at Pepparholmen and Kastруп, the four-lane highway and double-track railway tunnel is 3.7 kilometers long.

"It was a tremendous challenge to coordinate five very experienced international companies in such a large project," says Per Nielsen. "The entire project was characterized by excellent cooperation, in which the specialist skills of each player were put to their best use. This, along with the experience we gained from the production process itself, yielded invaluable knowledge that will give us competitive advantages in future international projects."

TOTAL-PACKAGE HOUSING SOLUTION

BUSINESS CONCEPT

Based on a high level of expertise and well-functioning concepts and methods, NCC Housing shall initiate, develop and implement housing projects in selected markets in accordance with the desires, requests and needs of customers.

NCC Housing shall establish a position among the market leaders in proprietary housing construction in the Nordic region.

STRATEGY

The key strategic issues are:

- Continued establishment of proprietary housing construction in Norway, Finland, Denmark and Poland, while exploiting synergies across national and organizational borders.
- Further development of the organization in order to allow projects to be conducted as total-package solutions.
- Development of market and sales organizations to further enhance customer orientation.
- Acquisition of land in good locations.
- Developing products and services for the future based on innovative housing solutions.
- Continual skills and leadership development.
- Cooperation with NCC Building and NCC Real Estate in project development.

NCC Housing has developed a strong concept for total-package housing development. According to the total-package concept, in-house personnel lead every project, from concept to site acquisition, production and sale to the customer. This business model encompasses a larger part of the value chain than traditional contracts. The total-package solution also gives greater security and control to the customer.

By coming into contact with the customer before the framework and details of a plan are cemented, the project can be influenced and changed according to the customer's preferences. NCC's representatives are then included in discussions of municipal detailed development plans to enable the offering of quality housing and a good living environment.

Long-term, positive experience of total-package housing development is found primarily in Finland, Germany and Sweden. Housing production using total-package solutions was introduced in Norway, Finland, Denmark and Poland in 1999. In December 1999, NCC acquired Denmark's largest standard housing company, Bülow & Nielsen, as part of the build-up of a specialized housing unit in the Danish market. The potential for both increased market shares and profitable total-package projects is considerable in all domestic markets.

Total-package projects are more profitable than traditional

contracts, since they contain more value-creating activities. At the same time, NCC is subject to greater risk, since production is proprietary and ties up capital for a longer period of time. Knowledge of the local market, solid business skills and the ability to continually track the economic and political factors that affect demand for housing are crucial elements for managing the higher risk.

The acquisition of land in favorable locations is critical to the business area's further expansion and profitability. A comprehensive organizational change, concentrating business in growth areas, was carried out in Swedish operations in autumn 1999. The new organization creates four strong regions with adequate support resources for site acquisition and other key activities.

Development of attractive housing forms and innovative thinking when designing future products and services, such as housing for the elderly, student housing and IT in the home, are also of strategic importance.

PRODUCTS/SERVICES

NCC Housing builds homes under the total-package concept as well as on a contract basis for external clients. Project development comprises all forms of conveyance of ownership, but tenant-owner rights and direct ownership rights are currently the most common.

Customers in all markets are offered high-quality homes with considerable freedom of choice. The product and service range includes special packages for security and the indoor environment, support and advice concerning financing, IT in the home, care provision and service.

An increasing share of production is based on the total-package concept. In Sweden, such solutions accounted for 73 (65) percent of total production.

CUSTOMERS

NCC Housing's customer base comprises private individuals who buy apartments or single-family homes for themselves, as well as private and public housing companies, municipalities and county councils. The share of homes sold to private individuals is rising steadily.

MARKETS

NCC Housing is mainly active in Sweden, Denmark, Norway and Finland. German operations are concentrated in the Berlin-Brandenburg region and Hanover. Housing production in the Warsaw region of Poland also began in 1999.

The market for housing production within the segments and geographical markets served by the Housing business area totals approximately 135 000 units (see illustration). Production is mainly concentrated in growth regions.

A general trend in Sweden during recent years has been growth in the share of single-family homes in the total housing market. In 1993, single-family homes accounted for 27 percent of 12,100 housing starts. During 1998, the proportion of single-family homes rose to 46 percent of a total of 12 500 housing starts in Sweden. The corresponding figure for 1999 was 47 percent.

NCC Housing started construction on 2 700 apartments in 1999 using the total-package concept. In addition, housing projects performed on a contract basis by the business area itself or other Group units. In 1999, the NCC Group began construction on a total of 7 400 apartments, distributed as shown in the table below. The total proportion of total-package housing starts within the NCC Group was 47 percent.

To date, NCC Housing's main business, total-package housing production, has gained a market impact in Sweden, Berlin-Brandenburg, Germany, and Finland. In Sweden, where NCC Housing has its largest market share, NCC accounts for about 15 percent of the total of 15 000 housing starts in 1999. This means that NCC Housing's total-package concept had a market share of 9 (14) percent. The high figure for 1998 is attributable to the large number of projects begun during that year, with a correspondingly strong influence on market share.

Demand for housing is expected to increase during the next few years in Sweden, Finland and the Warsaw region. The number of housing starts is expected to remain unchanged in Norway, while we assume that demand in Denmark and the Berlin-Brandenburg area will decline somewhat. It should be noted, however, that the decline in Berlin-Brandenburg is from a high level. Despite the expected downturn, construction will start on a total of approximately 36 000 units within the

HOUSING STARTS IN 1999

| | |
|-------------------|--------------|
| Sweden | 2 176 |
| Finland | 2 773 |
| Norway | 456 |
| Denmark | 300 |
| Germany | 1 671 |
| Poland | 31 |
| <i>Total, NCC</i> | <i>7 407</i> |



region in 2000. This is more than double the entire Swedish housing production for the same year.

NCC holds development rights for production of some 16 000 units, of which approximately 14 000 are attributable to NCC Housing. The geographical distribution of NCC Housing's development rights is as follows: Sweden 8 300; Germany 1 300; Poland 700; Denmark 500; Norway 1 700; and Finland 1 400. Half of the Stockholm holding is in the Stockholm area.

EARNINGS

Orders received by NCC Housing amounted to SEK 4 230 (3 479) M. The increase is primarily attributable to the introduction of specialized housing production units in the Nordic subsidiaries. As of December 31, production of approximately 4 600 (2 900) units had begun, of which some 1 600 (1 900) were in Sweden. The decline in the Swedish market in 1999 was due to the initiation of a large number of major projects in December 1998.

Net sales amounted to SEK 3 797 (2 365) M. All markets showed increased net sales for 1999.

Income after net financial items was SEK 114 (13) M. The increase is attributable to earnings improvements in Swedish and German operations. Income was charged with start-up expenses for specialized units in Denmark, Norway and Finland.

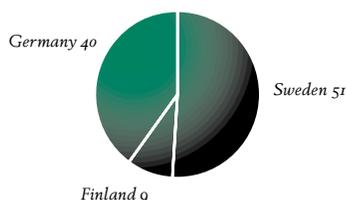
Cash flow before dividends was negative in the amount of SEK 735 (102) M, with the negative cash flow attributable to capital expenditures of approximately SEK 1.2 billion for land.

The return on capital employed rose sharply to 13 (4) percent, despite an increase in capital expenditures for land.

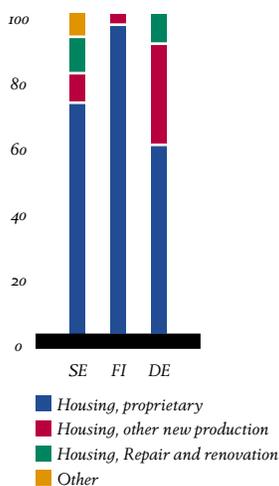
OUTLOOK

The favorable market conditions for NCC Housing are expected to continue for the next few years. It is anticipated that housing starts and net sales will rise during 2000, primarily due to the establishment of total-package housing production in Poland, Denmark and Norway. The share of total-package projects will increase, which will create the prerequisites for improved profitability within NCC Housing during the year 2000.

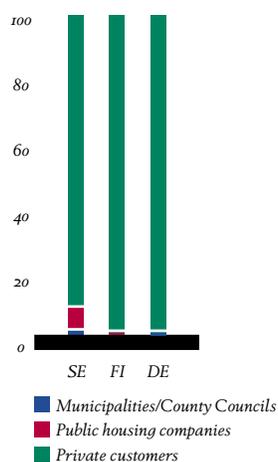
NET SALES BY COUNTRY, %



PRODUCT MIX LOCAL CURRENCY



CUSTOMER STRUCTURE LOCAL CURRENCY



| KEY FIGURES, SEK M | 1997 | 1998 | 1999 |
|--|-------|-------|-------|
| Orders received | 2 001 | 3 479 | 4 230 |
| Order backlog | 1 548 | 2 712 | 3 481 |
| Income after net financial items | 1 | 13 | 114 |
| Operating capital employed at year end | 808 | 1 140 | 1 860 |
| Cash flow before dividends ¹⁾ | -421 | 102 | -735 |
| Ratios ²⁾ | | | |
| Operating margin, % | 0,3 | 1,1 | 3,8 |
| Net margin, % | 0,0 | 0,5 | 3,0 |
| Return on operating capital employed ³⁾ , % | 5 | 3,9 | 13,4 |
| Other | | | |
| Average number of employees | 1 190 | 1 329 | 1 374 |

1) See definitions, page 62.

2) Ratios were calculated based on an operational balance sheet, whereby taxable interest-free Group contributions were eliminated against the resulting untaxed reserves in the Group.

3) Return figures are based on average capital employed.

| INCOME STATEMENT, SEK M | 1997 | 1998 | 1999 |
|---|------------|------------|------------|
| Net sales | 2 041 | 2 365 | 3 797 |
| Production expenses | -1 866 | -2 151 | -3 354 |
| Gross income | 175 | 214 | 443 |
| Selling & administrative expenses | -170 | -205 | -208 |
| Shares in associated companies | | 16 | |
| Capital gain on sales of associated companies | 1 | | -2 |
| Gain (-loss) on sales of real estate | -1 | | 4 |
| Operating income | 5 | 25 | 147 |
| Financial items | -4 | -12 | -33 |
| Income after net financial items | 1 | 13 | 114 |

| BALANCE SHEET, SEK M | 1997 | 1998 | 1999 |
|---|--------------|--------------|--------------|
| Buildings and land | 105 | 133 | 161 |
| Tangible and intangible fixed assets | 26 | 15 | 127 |
| Shares and participations | 7 | 32 | 32 |
| Real estate held for future development | 452 | 469 | 1 519 |
| Interest-bearing receivables | 132 | 101 | 13 |
| Interest-free receivables | 617 | 713 | 851 |
| Liquid funds | 117 | 464 | 549 |
| Total assets | 1 456 | 1 927 | 3 252 |
| Equity | 251 | 370 | 333 |
| Interest-bearing liabilities and provisions | 571 | 861 | 1 553 |
| Interest-free liabilities and provisions | 482 | 678 | 1 361 |
| Project invoicing not yet worked up | 152 | 18 | 5 |
| Total equity and liabilities | 1 456 | 1 927 | 3 252 |



Imagine being able to create a small town in the big city

"This is such a friendly neighborhood, with lots of trees and greenery. The buildings are just the right height, without all the skyscrapers you find in other newly developed parts of Berlin. This is a well-planned area that is turning into a separate urban district. Just about anything you could ever need is here, supermarkets, clothing stores, everything. Soon we'll even be getting a butcher's shop in the neighborhood. We're very happy here." Horst Lehmann doesn't at all regret settling down in Sonnengarten in the Glienicke district of northern Berlin.

He and his wife moved here when the first stage of the housing area was finished in late 1997. When the Sonnengarten development is completed in about two years, there will be 1300 apartments. The area has a mix of different forms of housing and ownership.

"Most of the older people like us moved here from rental apartments in Glienicke that were sold to private owners. We were able to get a rental apartment here, but many of the younger people moving into the neighborhood buy their apartments."

Glienicke is located next to what used to be the border zone between the former East and West Berlin. Here, on what was once the eastern side, the years since the fall of the Berlin Wall have been eventful. "Berlin has really changed. More and more people

are moving away from downtown Berlin, where housing is of a considerably lower standard. And if you live in Sonnengarten, you rarely need to go into Berlin. Virtually everything you need is right here," explains Horst Lehmann.

Architecture that is varied in color and form is an important element in the design of the area. In this colorful neighborhood, green is especially important. "The greenery has always been a major marketing point for Sonnengarten, and one of the main reasons people want to move here. The large park is also a meeting place," says Peter Jux, head of marketing for Sonnengarten.

And Horst Lehmann is impressed: "They've even worked on Sundays to plant and landscape the beautiful green spaces."

NCC Germany has achieved strong growth in recent years in an otherwise shrinking market. "We have taken market shares from other companies, primarily by mastering the entire value chain through the total-package solution. Sonnengarten also represents a tremendous effort towards marketing ourselves directly to customers. We have shown that we stand for quality and individual choice. Naturally, residents also appreciate the fact that we have managed to press operating costs down to half the normal level," says Kurt Nordgren, president of NCC Germany.

FULL-SERVICE PROJECTS AND SEPARATE UNITS FOR SPECIALIST EXPERTISE

BUSINESS CONCEPT

NCC Building shall be active throughout the Nordic and Baltic Sea regions in the initiation, planning, development and implementation of building projects and related services. By engaging in extensive interaction with customers, value is added and attractive business concepts formulated for new and existing customers.

STRATEGY

The strategy focuses on increasing profitability in NCC Building's prioritized segments. This shall be achieved through the development of concepts that match future customer needs and generate increased added value.

As a leading player in the Nordic construction market, the Building business area must be prepared, following careful financial and technical analysis, to accept all types of major construction projects.

Efforts aimed at more efficient production, changed purchasing patterns, "experience recycling" and knowledge transfer are continuing, primarily through greater specialization and an advanced IT structure. The importance of installations will increase in the buildings of the future. In response to this trend, special units are being created and a clearer division of responsibility established to enable concentration and greater specialist expertise. NCC Building is also working actively to develop value-creating partnerships with identified key customers.

Four areas that have been assigned higher priority as a result of dialog with our customers are installation systems, environmental issues, quality, and financing. Quality and environmental certification, investments in enhanced installation skills and in-house expertise, combined with financing solution networks, will ensure that the business unit has the best service offering in the market.

Competence development and the supply of future managers are other key strategic issues.

PRODUCTS/SERVICES

Wide-ranging expertise and a holistic approach make NCC Building an attractive partner for customers looking for an integrated, coherent process. The range of products includes full-service projects that cover the entire chain, from idea and production to management, as well as individual project segments in accordance with the customer preferences.

The business area specializes in new construction, extensions and remodeling within the Industry and Other buildings

segments. Other buildings include schools, hospitals, cultural buildings, offices and laboratories.

In the Swedish market, NCC Building also produces housing in cities where the Housing business area does not have its own production resources.

The building services market, meaning repair and maintenance, is relatively stable and can often lead to larger projects. During the year, NCC Building established a national region, with specialized representation in local markets. Gathering specialist expertise within a separate in-house unit increases the potential for "experience recycling," skills enhancement and business concept development. The new Construction Services unit has successfully reached significant national agreements with customers operating nationwide. Similar in-house units are being developed in the other Nordic domestic markets.

The subsidiary Däldehög AB engages in new construction and maintenance of gas stations all over Europe. The business area's other operations include demolition, recycling and disassembly. NCC Building owns 90 percent of RÅD i Sverige AB, a specialist in the latter operational area.

CUSTOMERS

As a large contractor in the Nordic building market, the business area's customers span the entire spectrum of categories. Commerce, industry, research laboratories, trade, the public sector and academic institutions are a few examples from the customer base.

MARKETS

NCC Building's domestic markets are Denmark, Finland, Norway and Sweden. Corresponding building operations are being developed in Poland.

The positive trend in the Swedish market is continuing during 2000, but from a low level. All subsectors in the Swedish building market are expected to increase in 2000. The sharpest climbs are expected within residential building, with a 15-percent rise, and Other buildings, where growth of 6 percent is expected.

Wide geographical differences in building investments are a clear trend, with urban areas and university towns accounting for an increasingly large share of the total. This applies to college buildings, homes and industrial and commercial premises, as well as other infrastructure, such as hotels and sports arenas.

The Danish market will continue to show modest growth

in 2000. The market for Other buildings has experienced several vigorous years, due largely to the expansion of Kastrup. Based on this and the effects of the Öresund Link, continued high growth is expected for this segment in 2000. The repair and maintenance segment will also continue to grow.

The Finnish market is expected to show a 4-percent increase in 2000, following a steep climb in 1999. We anticipate growth in all subsectors of the Finnish building market.

The weak growth trend in the Norwegian market will continue in 2000. Building activity has been intensive in Norway for several years, particularly in the Oslo region. The Gardermoen Airport is but one example of the major investments of the late 1990s. However, the expected downturn has not been as dramatic as predicted and the market is expected to begin growing again in 2000, albeit marginally.

Overall, we expect the Nordic building market to grow by 3 percent in 2000.

COOPERATION

The Nordic building units cooperate in several respects, including purchasing and IT, as well as the transfer of employees across national borders. An excellent example of the latter is

the cooperation between NCC Building in Sweden and NCC Building in Norway. During the Swedish building recession, employees from western Sweden were given the opportunity to work in the Oslo region, where construction has been extensive in recent years.

One of several interesting cooperative projects between NCC Building and its customers is Competitive Building, in which NCC, Vasakronan and the Luleå University of Technology have joined forces. The project is aimed at stimulating knowledge transfer in building production.

SIGNIFICANT EVENTS

The NCC Group's expertise in telecommunications was organized in a separate subgroup, NCC TeleCom A/S, in 1999. Based in Copenhagen, NCC TeleCom has separate national units in each of the Nordic countries. As a result, customers are offered wider coverage and a more powerful development resource, while proximity to customers in Denmark, Finland, Norway and Sweden is also secured.

As part of the business area's ongoing specialization process, the organizational structure was reviewed and modified. NCC Building Sweden has broken up an organizational structure of very longstanding tradition in the industry. Professional roles have been changed to provide a sharper division of responsibility between production and marketing activities. This change is a response to demands for increased competence, with the trend moving towards total-package solutions for the customer, greater specialization, new technology, cost-effectiveness and continual recycling of experience in the building process.

EARNINGS

Orders received by NCC Building totaled SEK 18 571 (17 560) M. The increase was primarily attributable to operations in Denmark and Norway.

Net sales amounted to SEK 17 376 (17 603) M. Income of SEK 332 (312) M. was reported after net financial items. The earnings upswing derived primarily from positive trends in the Finnish operations.

Cash flow was SEK 268 (35) M. The return on capital employed was 23 (19) percent.

OUTLOOK

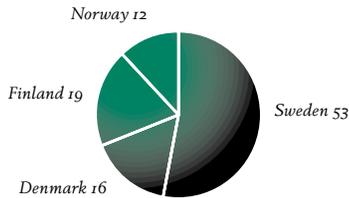
The Nordic building market is expected to grow by approximately 3 percent in 2000. The strongest growth is anticipated in the Swedish market, with an increase of 8 percent. This



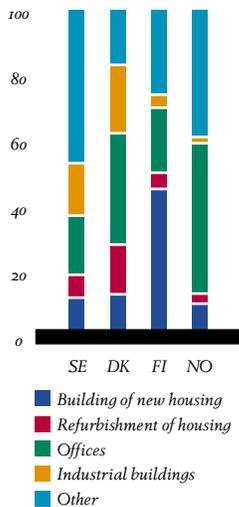
market accounts for 53 percent of the business area's operations.

The specialization process among NCC Building's operations will continue, as will the focus on segments with higher added value. Simultaneously, a number of cost-efficiency measures will be implemented.

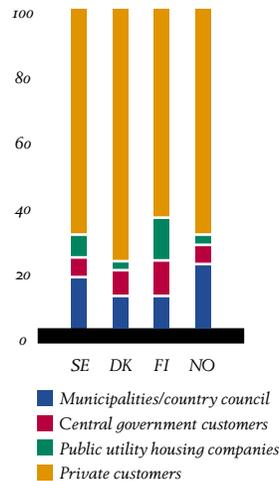
NET SALES
BY COUNTRY, %



PRODUCTMIX
LOCAL CURRENCY



CUSTOMER STRUCTURE
LOCAL CURRENCY



| KEY FIGURES, SEK M | 1997 | 1998 | 1999 |
|--|--------|--------|--------|
| Orders received | 17 071 | 17 560 | 18 571 |
| Order backlog | 8 804 | 9 050 | 9 836 |
| Income after net financial items | 181 | 312 | 332 |
| Operating capital employed at year end | 1 580 | 1 939 | 1 646 |
| Cash flow before dividends ¹⁾ | 6 | 35 | 268 |
| Ratios ²⁾ | | | |
| Operating margin, % | 0,6 | 1,4 | 1,6 |
| Net margin, % | 1,2 | 1,8 | 1,9 |
| Return on operating capital employed ³⁾ , % | 12 | 19 | 23 |
| Other | | | |
| Average number of employees | 9 369 | 9 666 | 9 785 |

1) See definitions on page 62.

2) Ratios were calculated on the basis of an operational balance sheet, whereby taxable interest-free Group contributions were eliminated against the resulting untaxed reserves in the Group.

3) Return figures are based on average capital employed.

| INCOME STATEMENT, SEK M | 1997 | 1998 | 1999 |
|-------------------------------------|--------------|--------------|--------------|
| Net sales | 15 700 | 17 603 | 17 376 |
| Production expenses | -14 586 | -16 359 | -16 097 |
| Gross income | 1 114 | 1 244 | 1 279 |
| Selling & administrative expenses | -1 011 | -1 001 | -1 013 |
| Shares in associated companies | -1 | | |
| Gain on sales of real estate | 1 | 1 | 5 |
| Operating income | 103 | 244 | 271 |
| Financial items | 78 | 68 | 61 |
| Income after financial items | 181 | 312 | 332 |

| BALANCE SHEET, MSEK | 1997 | 1998 | 1999 |
|---|--------------|--------------|--------------|
| Buildings and land | 30 | 61 | 76 |
| Tangible and intangible fixed assets | 237 | 255 | 147 |
| Shares and participations | 9 | 10 | 12 |
| Real estate held for future development | 418 | 685 | 330 |
| Interest-bearing receivables | 587 | 490 | 594 |
| Interest-free receivables | 2 807 | 3 508 | 3 730 |
| Liquid funds | 1 587 | 1 871 | 1 756 |
| Total assets | 5 075 | 6 880 | 6 645 |
| Equity | 886 | 1 218 | 1 178 |
| Minority interests | 1 | | |
| Interest-bearing liabilities and provisions | 541 | 823 | 937 |
| Interest-free liabilities and provisions | 3 564 | 4 180 | 3 759 |
| Project invoicing not yet worked up | 683 | 659 | 771 |
| Total equity and liabilities | 5 075 | 6 880 | 6 645 |



Imagine if you could reclaim contaminated industrial land

Store manager Karl-Gustav Ehn is inspecting the new ICA Maxi hypermarket in Jönköping, soon to celebrate its grand opening. The project is ahead of schedule: "I have never seen a cleaner construction site, and I have seen many in my time. Everything is neat and tidy, even with so many companies cooperating on the same site."

Six NCC companies have made a contribution: the turnkey contractor NCC Building, the client NCC Real Estate, NCC Civil Engineering, NCC Technology, Hercules Grundläggning AB, NCC Building and NVS. "Cooperation between the NCC companies and other subcontractors has been impressively efficient," thinks Karl-Gustav Ehn. "The project team demonstrated enthusiasm and a positive spirit, even when problems arose."

NCC has built several modern stores for ICA in recent years. However, the environmental and engineering demands placed in Jönköping were unusually high. "The site was severely contaminated from previous industrial activities, including a coke depot and oil tanks," relates foreman Lars Bergqvist at NCC Civil Engineering in Jönköping. "In addition, site conditions were difficult, with peat bogs and a high water table."

Accordingly, NCC Civil Engineering had to utilize NCC Technology's leading-edge expertise in site remediation, while Hercules Grundläggning AB was commissioned to perform the high-tech piling and foundation work. Today, it is impossible to tell that the site was a dilapidated industrial area just two years ago. "We have remediated the soil and treated over 20 000 cubic meters of peat and earth," says Lars Bergqvist.

Ambitious environmental objectives were pursued in the 9 500-m² building, in which 100 employees will soon be selling 300 metric tons of food a week. The store was built of recyclable materials procured from local manufacturers to minimize transports. Building supply systems and machinery are environmentally documented and energy efficient.

"Our work is in line with ICA's environment-friendly store concept," says Karl-Gustav Ehn. "This requires the use of environmentally friendly refrigerants, sorting waste at the source, composting organic waste and recycling paper, glass and plastic. Of the three tons of waste arising each day, only 100 kilos end up in a landfill. But the most important thing is probably that every product sold in the store is environmentally compliant."

SHARP FOCUS ON PRODUCT AND CONCEPT DEVELOPMENT

BUSINESS CONCEPT

By engaging in product development, manufacturing, recycling and sales activities, NCC Industry shall satisfy customer needs for

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

Priority is assigned to neighboring markets and the business area focuses on the Nordic region, as well as Russia, the Baltic countries, Poland and northern Germany with the objective of being regarded by customers, employees and shareholders as the leading company in the industry.

STRATEGY

Efforts to become the leading industrial company in the construction sector will continue. NCC's industrial concept is to be introduced in all of the Nordic countries and in the Baltic Sea region. The aim is continued expansion, primarily in the countries around the Baltic Sea.

Key issues for the business area are securing growth, product and concept development, increased production efficiency, IT, skills development and capitalizing on synergies between different countries.

PRODUCTS AND SERVICES

NCC Industry has six product areas:

- **CRUSHED-ROCK PRODUCTS** – which are the basic materials used in most construction and civil engineering operations and are a key raw material in the production of asphalt and concrete. The rock raw materials are extracted from NCC's own quarries and are processed in crushing plants.
- **ASPHALT PRODUCTS** – which are used for various types of asphalt-surfacing applications. The business area's asphalt plants produce standard products as well as specialty products, such as the company's own Viaco series.
- **READY-MIXED CONCRETE** – which is used in building and civil engineering structures. In addition to standard concrete, NCC plants manufacture specialty products, including self-compacting concrete and quick-drying concrete.
- **BUILDING ASSISTANCE** – whose products include temporary worksite premises, electricity and energy, lifts, structures and scaffolding. The Building Assistance concept comprises tailor-made solutions that cover everything from planning, design and costing to site establishment, assembly, installation and service.
- **MACHINERY RENTAL** – which consists of the rental of ma-

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

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

MARKETS

NCC Industry conducts operations in a total of nine countries. The estimated total value of these markets was slightly more than SEK 40 billion in 1999.

The principal customers are municipalities, public sector enterprises, industrial operations and private companies.

NCC Civil Engineering and NCC Building are the largest individual customers. However, external customers account for slightly more than 70 percent of sales, including those of associated companies.

Sweden

In 1999, demand rose for all products in the Swedish market, as a result of increases in construction investments and in maintenance of the municipal and state highway network.

The future appears bright. The Swedish Construction Federation foresees total growth of 6 percent in the construction market in 2000. Another important indicator is that public-sector economies are improving rapidly, which will boost demand for all of NCC Industry's products.

The total value of the Swedish market rose by 6 percent in 1999 and an increase of approximately 6 percent is expected in 2000.

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

Rest of the Nordic region

During 1999, the business area conducted industrial operations in Denmark through the Danish subsidiary NCC Industry Denmark. During 1999, the industrial concept was also established in Norway and Finland. The total Nordic market for the NCC Industry's products rose by about 3 percent in 1999 and growth of 2 percent is expected in 2000, mainly as a result of higher demand in Sweden and Finland.

Baltic Sea region

NCC Industry New Markets has established operations in selected submarkets in Poland, Estonia, Latvia, Lithuania and

Russia. In addition, NCC Industry New Markets exports crushed-rock products to Denmark, northern Germany, Russia, Estonia, Latvia and Poland.

SIGNIFICANT EVENTS

In just six years, NCC Industry has evolved from a being a Swedish supplier into an international player with operations in nine countries. This process has mainly been characterized by specialization and an increased focus on marketing and sales. Its six specialist product area are the result of consistent adaptation of operations to satisfy customer demands.

The business area was further expanded during 1999 through the acquisition of Superfos Construction Europe and GH Beton, which significantly boosted NCC Industry's market positions in Denmark and Finland. A strong position was also established as a supplier of asphalt to the Russian market during the year, through a cooperation agreement with the highway contractor Perspektiva in S.t Petersburg. Efforts in other markets in the Baltic Sea region were also intensified during the year. For example, the production of concrete was initiated in Estonia, Latvia and Poland. Several gravel pits were acquired in Poland, while machinery operations were established in Estonia, Latvia and Lithuania.

PRODUCT AND CONCEPT DEVELOPMENT

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

A large proportion of the business area's activities focus on the development of new products and concepts in the areas of recycling and building assistance. Concept development, whereby resources and skills from both machinery-rental operations and ballast activities are applied, are assigned special priority.

MARKETING AND SALES

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

The marketing and sale of turnkey solutions that encompass the entire product line has been assigned priority. Customers are offered turnkey solutions in which NCC Industry supplies all ballast-based building materials, accounts for



building structures and scaffolding, arranges energy supply to construction sites and ensures that the right machinery is on site.

IT, PURCHASING AND MATERIALS ADMINISTRATION

NCC Industry has developed and introduced its own systems for business control with the objective of creating a business area wide IT platform. This will facilitate benchmarking and the dissemination of information, while enabling the use of capital and resources across regional and national borders.

In Sweden, NCC Industry has introduced a system for efficient transport planning, based on GPS technology, via satellites and computers, for the control and monitoring of transports. The introduction of automatic data retrieval is also being prepared, which involves the use of bar-coding equipment to increase the efficiency of material flows.

EARNINGS

Net sales rose 50 percent to SEK 4 508 M (2 998). The increased volume was mainly attributable to the acquisition of Superfos Construction.

Income after net financial items amounted to SEK 423 M (291). If Superfos Construction is also included in 1998 earnings, the corresponding figures were SEK 423 M (403).

Cash flow was negative in an amount of SEK 1 536 M (pos: 382). The negative cash flow was due to the acquisition of Superfos Construction and GH Beton in Denmark.

The return on capital employed was 25 (24) percent, despite an increase in capital employed due to the acquisitions in Denmark.

OUTLOOK

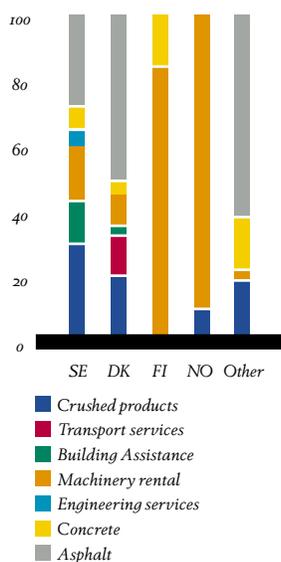
NCC Industry's markets are expected to grow by a total of a few percent during 2000.

NCC's successful industrial concept is to be further developed, particularly in the Baltic Sea region, through the establishment of new activities, product development and intensified marketing and sales efforts. NCC Industry's growth in Norway and Finland will mainly be generated through strategic acquisitions.

The acquisition of Superfos Construction in Denmark and the stronger market positions in other markets have created the conditions required for the favorable trend of earnings to continue in 2000.

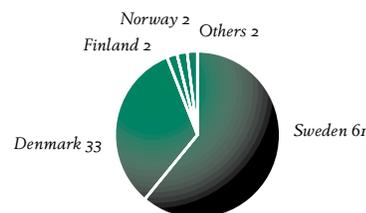
PRODUCTMIX

PERCENT



MARKETMIX

PERCENT



| KEY FIGURES, SEK M | 1997 | 1998 | 1999 |
|--|-------|-------|--------|
| Income after net financial items | 210 | 291 | 423 |
| Operating capital employed at year-end | 1 376 | 1 198 | 2 461 |
| Cash flow before dividends ¹⁾ | -31 | 382 | -1 536 |
| Ratios ²⁾ | | | |
| Operating margin, % | 10,1 | 11,0 | 10,6 |
| Net margin, % | 8,1 | 9,7 | 9,4 |
| Return on operating capital employed ³⁾ , % | 22 | 24 | 25 |
| Other | | | |
| Average number of employees | 1 825 | 1 773 | 2 854 |

1) See definitions, page 62.

2) Ratios were calculated based on an operational balance sheet, whereby taxable interest-free Group contributions were eliminated against the resulting untaxed reserves in the Group.

3) Return figures are based up average capital employed.

| INCOME STATEMENT, SEK M | 1997 | 1998 | 1999 |
|---|--------------|--------------|--------------|
| Net sales | 2 603 | 2 998 | 4 508 |
| Production expenses | -2 232 | -2 558 | -3 795 |
| <i>Gross income</i> | <i>371</i> | <i>440</i> | <i>713</i> |
| Selling & administrative expenses | -143 | -182 | -310 |
| Shares in associated companies | 36 | 56 | 67 |
| Capital gain on sales of group companies | | | 8 |
| Capital gain on sales of associated companies | -2 | 19 | 1 |
| Gain/loss on sales of properties | | -3 | 2 |
| <i>Operating income</i> | <i>262</i> | <i>330</i> | <i>481</i> |
| Financial items | -52 | -39 | -58 |
| <i>Income after financial items</i> | <i>210</i> | <i>291</i> | <i>423</i> |
| BALANCE SHEET, SEK M | | | |
| Properties classed as fixed assets | 307 | 296 | 567 |
| Tangible and intangible fixed assets | 808 | 801 | 1 491 |
| Shares and participations | 307 | 177 | 226 |
| Materials and inventories | 227 | 232 | 350 |
| Interest-bearing receivables | 20 | 14 | 93 |
| Interest-free receivables | 417 | 470 | 679 |
| Liquid funds | 26 | 41 | 168 |
| <i>Total assets</i> | <i>2 112</i> | <i>2 031</i> | <i>3 574</i> |
| Equity | 264 | 295 | 370 |
| Minority interests | 2 | 3 | 9 |
| Interest-bearing liabilities and provisions | 859 | 603 | 1 845 |
| Interest-free liabilities and provisions | 987 | 1 130 | 1 350 |
| <i>Total equity and liabilities</i> | <i>2 112</i> | <i>2 031</i> | <i>3 574</i> |



Imagine if builders could concentrate on building

Leif Fornbrandt has moved but still lives at home. During the four weeks it takes to renovate his three-room apartment in Stockholm-Vällingby, he and his wife are living in temporary accommodation in the courtyard of the apartment block.

"They're changing both the structure and electrical installations in our apartments, and doing some decoration work, so we couldn't possibly live there. But this solution is excellent. We have about 50 m² to live in now, and it was fully equipped when we moved in. It already had furniture carpets and curtains, all we took with us was a few kitchen items and some clothes. It's become really cozy here," says Leif Fornbrandt.

A total of 351 apartments in Riksbyggen Stockholmshus No. 13 are being renovated over a period of 16 months. During that time, residents will move in stages to the 28 temporary accommodation modules. "Everything has worked surprisingly well and so far all of the evacuated residents have been satisfied," says Bo Berglund, representing the local Tenant Owners' Association.

The temporary accommodation modules are supplied by NCC Industry Machinery and are part of its Building Assistance product concept. The aim of this concept is to provide short-term turnkey solutions to builders, public administrations and companies. The solutions consist of everything from commercial premises and accommodation to electrical supplies, cranes, scaffoldings, building structures and drying systems. "We find out what the customer wants and suggest ways of satisfying these requirements as early as the tendering stage," says Rolf Pilskog of NCC Industry Machinery in Stockholm.

The Building Assistance concept saves time and money for the customer by transferring everything that is not directly connected to actual construction to NCC Industry Machinery.

"We focus on turnkey solutions and the builders can devote all of their attention to building, not chasing after other things," Rolf Pilskog adds.

NEW PRINCIPAL FOCUS: REAL ESTATE DEVELOPMENT

BUSINESS CONCEPT

In a limited number of locations in expansive areas of the Nordic region and the rest of Europe, NCC Real Estate shall develop attractive commercial properties and market them to investors.

STRATEGY

Efforts to assign profitability precedence over volume, to become increasingly specialized and to create efficient cooperation with other NCC business areas continued during the year. As a result, the real estate portfolio and management operations were concentrated in a few areas of high growth that offer distinct synergies with real estate development. Business operations were further strengthened and a number of real estate development projects were initiated during the year.

Several success factors have been identified:

- Deeper relations with investors and tenants.
- Securing the supply of strategically located land and properties ready for development, based on the right timing.
- Development attractive products.
- More efficient real estate management/purchases.
- Secure risk management.

Perhaps the principal measure was a realignment towards real estate development, with real estate management and sales as supporting activities. Another prerequisite for profitable business is efficient intra-Group cooperation, whereby experience and know-how in real estate development are combined with corresponding strengths in building and financing activities. Developing attractive products and services has been assigned top priority, as have efforts to secure the supply of land and developable properties. Considerable importance is also attached to enhancing relations with investors and tenants.

SIGNIFICANT EVENTS

During 1999, NCC Real Estate became the first real estate company in Sweden to have its operations quality certified in accordance with ISO 9001. This involved an independent party approving the business area's systems and procedures for property development and management right up to the sales occasion.

The 23,000-m² Frösunda Port (Hilton 2) office complex in Stockholm-Solna assumed an increasingly tangible shape during 1999. The property, located along the E4 Highway, will accommodate 1,100 people when it is completed during autumn

2000. There are three five-story buildings on the site, and a 22 000 m² underground garage is being built. The project was developed in close cooperation with the City of Solna and two large tenants, Compaq and Canon, have signed leases for most of the space. The guiding principles followed when developing the project were high quality, flexibility, environmental compliance and personnel comfort.

As a result of NCC Real Estate's contributions to the urban development of Solna, the City of Solna offered the company, after a bidding process and negotiations, the opportunity to also acquire the adjacent property, Hilton 3. This land is already covered by a detailed development plan and building can commence immediately. Hilton 3 will have 19 000 m² of total floor space.

PRODUCTS

NCC Real Estate focuses mainly on the development of office and retail properties, hotels/restaurants and buildings used by public administrations, such as educational and medical facilities.

The property or land developed must be in A or B-locations. It is also desirable that the location has the potential to become even more attractive. The utmost caution is observed when selecting projects in prioritized locations outside NCC's selected major cities. For a project to be of interest, it must satisfy established minimum requirements in terms of size.

In Sweden, Stockholm, Gothenburg and Malmö have been selected as the main high-priority locations, as well as Umeå, Uppsala, Västerås, Linköping, Norrköping, Jönköping and Lund. In the rest of the Nordic region, the priority markets are Oslo, Copenhagen, Århus and Helsinki. Outside the Nordic region, Brussels, Berlin, Düsseldorf, Warsaw and Budapest are assigned priority. A few other locations in Europe may also be considered, if market conditions are appropriate for real estate development.

In the Nordic capitals of Stockholm, Oslo, Copenhagen and Helsinki, and in Gothenburg and Malmö, projects are under way or project concepts are being processed. Operations in Brussels, Berlin and Düsseldorf are being concentrated on primarily the development of existing land holdings. Projects are also in progress in Budapest and Warsaw.

DEVELOPMENT AREAS

In cooperation with other NCC business areas and with internal and external partners, expertise is being developed about office buildings that satisfy customer requirements and pref-



The Hasselblad properties that were acquired in 1999 have one of the best locations in Gothenburg. The three properties, with a total of approximately 19 000 m² of floor space, are being developed into modern office premises.

erences. Particular importance is attached to the properties' flexibility, maintenance, interior climate and energy consumption, as well as rebuilding and financial solutions. The development of solid relations with attractive tenants is another major feature of the business process.

CUSTOMERS

As a result of the new focus on real estate development, NCC Real Estate's customer structure has changed gradually. Investors are the main customer category. Demand for new premises is greatest among companies in high-growth sectors, which are thus a prioritized target group for the business area.

MARKET

Sweden

The Swedish economy is currently strong, which is resulting in highly favorable conditions for real estate development. The real estate sector as a whole is benefiting from relatively low interest rates and the upswing in the rental market. An increase in new housing starts is a clear indicator of confidence in the future.

The trend in the rental market remains fragmented with major differences between regions. Rents are mainly rising in commercial properties in and around major cities and locations with an expansive and well-developed business structure. Rents in regional capitals are unchanged, while a continued decline is occurring in smaller towns suffering from large-scale migration.

Geographically, the Stockholm office market may be

roughly divided into the Central Business District (CBD), other parts of the inner city and inner suburbs. Rents in central Stockholm have risen continuously since 1993. The increase in CBD was approximately 10 percent in 1999. Without doubt, Stockholm currently has the highest rents in the entire Nordic region. Prospective tenants, particularly those looking for large amounts of space, are finding it difficult to find vacant premises in inner-city locations. The vacancy rates are very low, ranging from 1 to 3 percent. Expanding companies frequently have to seek more peripheral locations. Expansive locations characterized by good communications and/or proximity to central Stockholm are Marievik, Alviks Strand, Vårthamnen, Globen, Kista, Frösundavik and Bällsta Strand/Vreten. The increased demand has resulted in a favorable rent trend for modern premises and considerable new construction in these areas.

The A-locations in central Gothenburg are considered to be the central districts known as Inom Vallgraven, Nordstaden, Lorensberg, Vasastaden, Heden and Gullbergssvass. The vacancy rate in A-locations is still relatively high at approximately 7 percent, and the rate for the total stock of commercial premises is slightly higher. Rent levels have been rising for the past few years, with rises of about 7 percent noted in prime locations and approximately 5 percent in somewhat less attractive areas.

Malmö has entered a transformation phase from an industrial to a knowledge city. An expanded university, along with the construction of the Öresund Link and the Universitetsholmen district, is increasing confidence in the future and

generating major expectations. The central locations of the Old Town and the streets down towards the inner harbor area are the A-locations for offices. Average rents in A-locations have risen by some 13 percent in the past year.

The yield on prime commercial properties in Stockholm is about 5.5 percent, while the corresponding figures for Gothenburg and Malmö are estimated at approximately 6.25 percent.

Other Nordic countries

Helsinki

The Helsinki Metropolitan Area (HMA) is one of the fastest growing regions in the EU. The powerful trend of migration to the region is the result of the increased demand for labor that has arisen following sharp expansion by many companies in the Helsinki area.

Demand for commercial premises in HMA has been strong in recent years and vacancy rates have decreased steadily to approximately 1.8 percent. The strong demand and reduced supply has led to increasing rents, despite a considerable amount of newly produced space being added to the market.

The general increase in rents has made the production of new commercial premises profitable and approximately 500 000 m² of commercial space is currently being built. Most of this is preleased to expansive companies in the telecom or IT sectors.

The locations of principal interest for new production

are the Ruohalahti and the Ring Road I areas. A large number of shopping malls are currently under production or planned in HMA.

Copenhagen

Strong demand for office premises has led to considerable new construction in the Copenhagen region. IT and telecom companies have absorbed about 40 percent of the new office space added to the market. At present, however, the strongest demand for office premises is deriving from banks, insurance companies and stockbrokers. The vacancy rate for office premises in central Copenhagen is currently just under 3 percent.

A considerable amount of new office space will be added to the market in the next few years. Most of the initiated building projects are custom-tailored to the needs of existing tenants. Such projects are popular financial investments among institutional investors, since leases often extend over a ten-year period and thus generate a stable yield.

The price structure for real estate transactions in central Copenhagen appears relatively stable. The yield on prime commercial properties is currently about 6 percent.

Oslo

The Norwegian market for commercial properties is mainly represented by the Oslo region. Certain stagnation was noticeable in the rental market in 1999, although rents for really prime locations continued to rise slightly. The vacancy rate in the Oslo region is less than 4 percent, but there are

The architects of Frösunda Port in Stockholm-Solna had to walk a very fine line. While tenants wanted future-oriented office environments, importance also had to be attached to the surrounding area, which is of historical importance.



RENT TREND, OFFICES

Q 4 1999



Source: Jones Lang LaSalle

major differences between eastern and western districts. The central parts of eastern Oslo have a vacancy rate of 9 to 10 percent, compared with 1 to 2 percent in central western Oslo (Vika).

Strong demand for attractive premises in prime locations has boosted activity in the building sector, since the demand focuses mainly on premises with a high standard, such as newly built space. The probable scenario for the Oslo region is that the supply side, particularly new production, will increase in the next few years. Commercial properties in prime locations in the Oslo region are still being sold at yields of 7–7.5 percent, mainly because of increases in long-term interest rates in the country. The yield on a ten-year treasury bill is just under 6 percent. The conclusion is that Oslo will continue to have a favorable investment climate for real estate, although the focus for coming investments will probably remain on the underlying cash flow and not on the potential for increased real estate values.

Rest of Europe

Warsaw

The Warsaw office market was characterized by a shortage of supply of modern premises throughout the 1990s, which resulted in very high rents. However, an increasing number of office projects have been completed or initiated in the past two

years, which has resulted in higher vacancy rates and a normalization of rents.

The forecast is that the rent trend will bottom out at, or about 10 to 15 percent under, today's levels, which means the yield for a real estate developer will still significantly exceed that in Western European markets.

On the investor side, interest has increased sharply in the past year and several transactions were completed, with UK and US institutions, among others. The required yield in the market is currently 10 to 11 percent and trending downwards.

As in the Nordic markets, NCC's product segment comprises high-quality office properties, which are still in short supply in Poland. The development of other commercial premises, such as retail and hotel space, will also be included in operations.

Other markets

NCC Real Estate also has projects in progress or planned in such cities as Brussels, Berlin, Düsseldorf and Budapest. The conditions for real estate development in these markets is currently favorable.

REAL ESTATE DEVELOPMENT

Real estate development entails the development of a project from a concept to a finished property and its sale. It could involve the development of vacant land or the refinement of an existing property. The entire chain, from concept to finished property, is regarded as a single transaction that is not concluded until the property has been sold. NCC Real Estate's main focus is to develop properties for sale directly to investors. In certain cases, this may also involve keeping the property under management temporarily for subsequent sale, assuming that such a solution helps to create attractive new real estate development projects.

A prerequisite for successful real estate development is access to developable land or properties. Accordingly, the business area continuously seeks possible project ideas, and if necessary signs options, cooperation agreements or acquires land/properties, and then combines these to match the current or anticipated demand for premises. The land or properties must have a strategic location and the timing must be right. Existing projects that do not satisfy these criteria are to be sold as soon as market conditions permit. By means of planned demolition, rebuilding or extension of a project property, its use can be changed, capacity utilization increased and accessibility improved. Such measures enhance the property's value growth.

PROJECTS DURING 1999

Office 2000, Solna

In Stockholm-Solna, the expansion of NCC's head office at Järva Krog by 14 500 m² continued during the year. This is the first property to be built in accordance with the new Office 2000 office concept. The project, which is an important reference assignment, includes the use of state-of-the-art methods for project development, project management, production control, building production, environmental awareness and communications. Occupancy is scheduled for summer 2000.

Gårda, Gothenburg

The final phase of the rebuilding and expansion of Gårda Fabriker in Gothenburg was initiated during 1999. The property will be completed in 2001 and offer a total of 7 000 m² of office space, as well as garage and guest parking facilities. It has an attractive location, with close proximity to major highways and Landvetter Airport. The ground floor of the property will contain 2 000 m² of office and retail space. Tenants will include several IT companies.

Sörkedalsveien 6, Oslo

The Sörkedalsveien project in Oslo has a central location with good communications. An 18 000-m², 18-story office property is being built on this site. KPMG has already signed a ten-year lease for 75 percent of the space, with an option on even more.

Twin Square, Brussels

Twin Square is situated in the attractive eastern district of Brussels close to Zaventem Airport. In total, the project comprises 45,000 m² in seven phases. The first two phases have been completed and leased, while work on the third (Phase 300) is scheduled to commence during 2000. Phase 300 comprises 5 500 m², plus approximately a hundred parking spaces. NCC Real Estate has signed a framework agreement with the German real estate company RSE AG regarding the sale of all seven phases of the project. The total sales volume will be SEK 1 billion.

Seestern, Düsseldorf

The Neues Handelszentrum development project is located in central Düsseldorf, on the west side of the Rhine. The land

was purchased at the beginning of the 1990s, and amounted to 80 000 m² at that time. The first phase of the project included the building of 20 000 m² of space for new head offices in the country for Ericsson. Phases 2 and 3 each consist of 10 000 m² of office space, while Phase 4 involves both a hotel and 7 000 m² of office and retail space. Accordingly, 50 000 m² of the 80 000 m² total is developed and leased. Moreover, the first two phases have been sold. Construction of the remaining 30 000 m² has already commenced. The entire project is scheduled for completion in January 2001.

West Gate, Warsaw

In Warsaw, a slightly more than 20 000 m² office project is under construction and will be completed during 2001. The project is located well in the western district of central Warsaw, with good communications and connections to major highways and the airport.

Obuda Gate, Budapest

NCC is building a 16 000-m² office property by the Danube, on the Buda side. The location is excellent and communications are good. The property will be completed during 2001.

Value of project portfolio

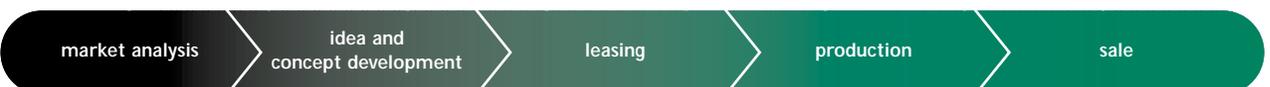
At the end of 1999, the total portfolio of approved and planned projects amounted to SEK 10.5 billion, of which SEK 2.4 billion related to projects on which construction had been initiated.

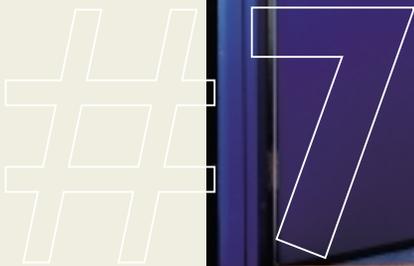
At December 31, 1999, costs incurred corresponded to 54 percent of the project value and the leasing rate was 59 percent. Construction on planned projects is initiated after meticulous assessments of market conditions. A prerequisite for the start of construction is that the minimum criteria for leasing rates have been achieved. These criteria vary from market to market.

REAL ESTATE MANAGEMENT

The purpose of real estate management is to create increased property values. Real estate management also enables the utilization of feedback from tenants and property managers, which results in in-depth knowledge of the market. In addition, managed properties function as exchange objects in con-

REAL ESTATE DEVELOPMENT





Imagine just having to turn the key

"Oh, I really like this office," says Marita Manninen, head of Sun Microsystem's market communications, during a guided tour of the company's 85 workplaces at Stella Business Park, which can be expanded to up to 110 workplaces.

"It's so fresh and light in these open spaces. That's really important for inspiration and creativity. It makes it a pleasure to bring customers and partners here. And what's more, the IT equipment and property service are excellent."

The idea behind Stella Business Park is to make all forms of service available in the property: technical equipment, reception, conference facilities, restaurants, coffee corners, a gymnasium and a sauna. The local shopping center also has a bank, restaurants, a travel agency, a car rental firm, a law firm, shoemakers, a day-care center, a launderette, a florist, tobacconists and various other shops.

That's how things are at Spektri Business Park, west of Helsinki, NCC's first finished project based on this new concept. The five properties there have 55 tenants who share 40 000 m² of office space.

The innovative feature of the Business Park concept is that NCC carries the entire commercial risk from concept to fully leased property.

"We make sure that the entire infrastructure is in place and arrange a property management unit that is responsible for maintaining a high standard of service," explains Jorma Ahokas, head of NCC Finland's real estate development operations. "We handle all financing aspects and don't sell a project to financial investors until everything is ready and all space leased."

Stella Business Park consists of four buildings, two of which are in full operation and already sold. The third will be completed in May and is already fully booked and sold. The fourth will be ready in a year and 30 percent of the space has been leased to date.

"We were able to take part in and influence planning decisions," says Pirkko Kanerva, who is responsible for premises at Sun Microsystems. "The premises are flexible and we have room for expansion to up to 110 workplaces."

NCC has already decided to build a third business park, while another two projects are being planned in Helsinki. Land has also been purchased in Tammerfors for another project. "Demand is considerable," says Jorma Ahokas. "The concept is good for both tenants and investors. It has become a major success that has created an excellent image for NCC in Finland."

nection with acquisitions of land or development properties. The proportion of purchased services is to be increased in order to reduce management costs.

At year-end, the portfolio of managed properties in Sweden consisted of approximately 548 000 m² while the rest of the Nordic region and other parts of Europe accounted for 47 000 m² and 52 000 m², respectively. The amount of rentable floor space in jointly owned managed properties was reduced during the year by 65 000 m² to 59 000 m², in line with the objective of phasing out interests in jointly owned properties.

The vacancy rate in terms of floor space decreased by 1 percentage point to 6 percent. The vacancy rate in terms of floor space was 5 percent in Sweden, 3 percent in the rest of the Nordic region and 11 percent in other parts of Europe.

In line with the strategy of conducting real estate development as a core business, with real estate management and property sales as supporting operations, NCC will further reduce the portfolio of managed properties. It is estimated that an optimal size for the portfolio of managed properties is approximately SEK 4 billion at present. The portfolio will be adapted gradually, at a pace permitted by market conditions. Accordingly, in the future, NCC's portfolio of managed properties will be concentrated to a few expansive locations in

Sweden and, in exceptional cases, in the other three major Nordic capitals. The aim is to maintain a high rate of property turnover in the portfolio.

REAL ESTATE SALES

As project development increases, the number of property sales will increase. The timing of sales is thus of the utmost importance to efforts to optimize gains. Among other factors, the position in the economic cycle must be taken into account.

Sales activities remained high during 1999. In total, managed properties were sold for SEK 1.8 billion.

EARNINGS

Net sales amounted to SEK 977 M (1 231). Income of SEK 413 M (446) was reported after net financial items.

Real estate development

Sales volume within real estate development operations amounted to SEK 712 M (1 335), generating income of SEK 99 M (148).

Sales of managed properties

Sales revenues from managed properties amounted to SEK 1 862 M (1 664), yielding earnings of SEK 98 M (299).

Following fiscal year-end, property assets with a combined value of SEK 1 250 M were sold, generating capital gains of SEK 180 M, with the largest transaction involving the sale of NCC's

INVESTMENTS IN PROJECTS EXCEEDING SEK 10 M

| SEK M | up to 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Total |
|--------------------|------------|--------------|--------------|--------------|--------------|------------|------------|---------------|
| Year of investment | | | | | | | | |
| Sweden | 202 | 795 | 1 388 | 1 099 | 640 | 59 | | 4 183 |
| Belgium | 131 | 144 | 103 | 69 | 108 | 98 | 98 | 751 |
| Finland | | 63 | 795 | 412 | 223 | 120 | 56 | 1 669 |
| Norway | 136 | 216 | 450 | 800 | 384 | 27 | | 2 013 |
| Poland | 27 | 21 | 78 | 243 | | | | 369 |
| Germany | 372 | 261 | 277 | 280 | 131 | | | 1 321 |
| Hungary | 5 | 29 | 99 | 78 | | | | 211 |
| <i>Total</i> | <i>873</i> | <i>1 529</i> | <i>3 190</i> | <i>2 981</i> | <i>1 486</i> | <i>304</i> | <i>154</i> | <i>10 517</i> |
| Year of completion | | | | | | | | |
| Sweden | | | 1 125 | 1 209 | 1 437 | 407 | | 4 178 |
| Belgium | | | 173 | 89 | | | 490 | 752 |
| Finland | | | 72 | 799 | 424 | 252 | 122 | 1 669 |
| Norway | | | | 1 158 | 857 | | | 2 015 |
| Poland | | | | 369 | | | | 369 |
| Germany | | | 661 | 225 | 436 | | | 1 322 |
| Hungary | | | | 212 | | | | 212 |
| <i>Total</i> | | | <i>2 031</i> | <i>4 061</i> | <i>3 154</i> | <i>659</i> | <i>612</i> | <i>10 517</i> |

Vasaterminalen shareholding. After these sales, the portfolio of managed properties has a book value of SEK 5.3 billion.

Real estate management

Rental revenues during 1999 declined to SEK 740 M (829), due to the reduced portfolio of managed properties. The operating net was SEK 474 M (543) and the visible yield 7 percent (7). Income after net financial items from real estate management operations, including property revaluation, amounted to SEK 216 M (loss: 1). The improvement was attributable to lower net financial expense and a better operating net, mainly because of reduced vacancy rates and higher rents following the renegotiation of leases.

Surplus value in NCC's Swedish real estate portfolio

As part of the measures conducted to prepare the Annual Report, an independent valuation of NCC's Swedish real estate portfolio is commissioned. In 1999, the market value of SEK 5.2 billion exceeded the book value by approximately 14 percent. At the end of 1999, the hidden reserve (market value less book value) in managed properties amounted to SEK 650 M, up SEK 300 M compared with 1998.

Cash flow and profitability

Sales of properties, combined with the favorable earnings, contributed to a cash flow of SEK 1.6 billion (0.9). The improvement compared with 1998 was mainly attributable to a reduction in working capital. Gross investments in projects amounted to approximately SEK 1.9 billion (1.1).

The return on capital employed was 6 percent (8). The decline compared with the preceding year was mainly attributable to lower gains on sales of managed properties in non-priority locations, increased investments and reduced sales within real estate development operations. Real estate development sales can vary sharply from year to year, depending on the timing of project completion and market conditions. Earnings from real estate development are expected to increase in 2000.

OUTLOOK

Trends in NCC Real Estate's markets remain favorable. Demand for projects is buoyant and investor interest considerable. Sales of managed properties are releasing funds that can be invested in new real estate development projects.

In addition to its prioritized locations in Sweden, NCC Real Estate has a strong position in Oslo, Copenhagen and Helsinki. The existing markets are reappraised continuously, however, based on assessments of future market conditions.

A prerequisite for maintaining the favorable trend of operations is a continued prioritization of high-growth loca-

tions, while keeping sales activity in the portfolio of managed properties at a high level. The business area's presence in several markets creates favorable synergies and reduces the total risk in the development portfolio.

A complete specification of properties is available on the Internet at www.ncc.se.

| KEY DATA, SEK M | 1997 | 1998 | 1999 |
|--|--------|--------|-------|
| Income/loss after net financial items ^o | -105 | 446 | 413 |
| Operating capital employed at year-end | 12 557 | 12 085 | 9 651 |
| Gross investments | 990 | 1 143 | 1 924 |
| Sales of real estate ¹⁾ | 6 580 | 2 973 | 2 523 |
| Cash flow after dividend ²⁾ | 4 620 | 878 | 1 560 |
| Ratios | | | |
| Return on operating capital employed ³⁾ | 4 | 8 | 6 |
| Visible yield ⁴⁾ | | | |
| excl. administrative costs | 7.3 | 6.8 | 6.9 |
| incl. administrative costs | 6.3 | 5.7 | 6.1 |
| Vacancy rate, rents ⁵⁾ , % | 9 | 6 | 4 |
| Vacancy rate, floor space ⁵⁾ , % | 11 | 7 | 6 |
| Equity/assets ratio, % | 40 | 41 | 30 |
| Other | | | |
| Average number of employees | 322 | 238 | 215 |

1) Including worked up revenues.

2) See Definitions, page 62.

3) Return figures are based on average capital employed.

4) When computing the yield, a five-point average for the real estate portfolio has been applied. The book value of the managed priorities sold to Morgan Stanley/GE Capital (SEK 3204 M.) is included in the amount at December 31, 1997, since the sale was effected late in the year, namely on December 29, 1997.

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

| OPERATING NET, SEK M | Rental revenues, etc. | Operating Costs | Operating net |
|--|-----------------------|-----------------|---------------|
| Outcome 1998 | 860 | -317 | 543 |
| Properties sold | -130 | 42 | -88 |
| Projects taken into management | 14 | -3 | 11 |
| Properties removed from management | -4 | 1 | -3 |
| Portfolio changes | -120 | 40 | -80 |
| Rent changes | 32 | 0 | 32 |
| Interest subsidies and other revenues | -12 | 0 | -12 |
| Operating, maintenance and leasing costs | 0 | -9 | -9 |
| Outcome 1999 | 760 | -286 | 474 |

| INCOME STATEMENT SEK M | 1997 | 1998 | 1999 |
|---|---------------|---------------|---------------|
| Real estate development | | | |
| Sales revenues | 633 | 1 309 | 661 |
| Book value | -593 | -1 037 | -524 |
| Sales expenses | -49 | -48 | -8 |
| Other operating revenues | 28 | 26 | 51 |
| Other operating expenses | -48 | -72 | -122 |
| | -29 | 178 | 58 |
| Associated and other companies | 3 | 9 | 51 |
| Net financial items | -72 | -39 | -10 |
| Income/loss, project development (A) | -98 | 148 | 99 |
| Sales of managed properties | | | |
| Sales revenues | 5 948 | 1 664 | 1 862 |
| Book value | -5 955 | -1 480 | -1 754 |
| Sales expenses | -71 | -47 | -55 |
| | -78 | 137 | 53 |
| Associated and other companies | 1 | 162 | 45 |
| Income/loss, property sales (B) | -77 | 299 | 98 |
| Real estate management | | | |
| Rental revenues | 1338 | 829 | 740 |
| Interest subsidies | 55 | 15 | 12 |
| Other revenues | 18 | 16 | 8 |
| Operating, maintenance and leasing costs | -516 | -317 | -286 |
| Operating net | 895 | 543 | 474 |
| Depreciation according to plan | -153 | -98 | -86 |
| Administrative costs | -125 | -88 | -56 |
| | 617 | 357 | 332 |
| Associated and other companies | 31 | 5 | 59 |
| Net financial items | -578 | -363 | -206 |
| Income/loss, real estate management operations (C) | 70 | -1 | 185 |
| Revised valuation of real estate (D) | | | 31 |
| Income/loss after net financial items (A-D) | -105 | 446 | 413 |
| BALANCE SHEET, MSEK | 1997 | 1998 | 1999 |
| Properties classed as fixed assets | 9 756 | 8 569 | 7 168 |
| Investments in progress | 843 | 1 027 | 1 892 |
| Tangible and intangible fixed assets | 18 | 21 | 20 |
| Shares and participations | 1 043 | 1 242 | 720 |
| Interest-bearing receivables | 894 | 1 171 | 136 |
| Interest-free receivables | 1 673 | 1 275 | 737 |
| Liquid assets | 505 | 390 | 407 |
| Total assets | 14 732 | 13 695 | 11 080 |
| Shareholders' equity | 6 096 | 5 708 | 3 476 |
| Minority interests | 6 | 11 | |
| Interest-bearing liabilities and provisions | 6 914 | 6 641 | 6 335 |
| Interest-free liabilities and provisions | 1 716 | 1 335 | 1 269 |
| Total liabilities and shareholders' equity | 14 732 | 13 695 | 11 080 |

RESTRUCTURING COMPLETED

BUSINESS CONCEPT

NCC Invest's mission was to develop and add value to its constituent operations, and to realize value growth. The business area was also the NCC Group's business development resource in terms of strategy, analysis and the implementation of structural transactions.

SIGNIFICANT EVENTS

In mid-March 1999, NCC sold most of its shareholding in Neptun Maritime Abp to the UK company Sea Containers Ltd. As a result of the sale, NCC's share of Neptun Maritime's equity was reduced from 34 to 11 percent. The sale of Neptun Maritime shares generated a capital gain of SEK 95 M. At year-end, the market value of NCC's remaining holding was SEK 131 M. Through a sales option, NCC has the right to sell the remaining holding to Sea Containers during 2002 for a predetermined price of FIM 15 per share, corresponding to approximately SEK 155 M.

During May 1999, NCC accepted a public tender offer for shares and warrants in BPA AB. The sale of the Group's 6-percent holding of shares and warrants generated proceeds of SEK 145 M and a capital gain of SEK 106 M.

On November 24, HRH Carl XVI Gustaf, the King of Sweden, officially opened the Arlanda Link railway line and the Arlanda Express train service between Stockholm Central Station and Stockholm Arlanda Airport.

NVS NORDISKA VÄRME SANA

NVS engages in the installation and service of heating, plumbing, sprinkler, industrial processes and energy savings systems. In Sweden, the company is a leading nationwide player in the industry. NVS's strategy for the Nordic region is to expand within its current and related areas of operations, mainly through acquisitions. In Sweden and Norway, complementary purchases of heating and plumbing companies were made during the year.

The market for NVS's services rose by approximately 10 percent in 1999, but a growth rate of only a few percent is expected for the current year. NVS reported net sales of SEK 1 636 M (1 359), resulting in income after net financial items of SEK 59 M (25).

A-TRAIN

The Arlanda Express train service between Stockholm Central Station and Stockholm Arlanda Airport commenced on November 25. The Arlanda Link is Sweden's first BOT (build,

own/operate and transfer) project. This means that a consortium, which includes NCC, financed and built the Link in return for the right to operate the train service for 40 years. On its completion, ownership of the Link was transferred to the Kingdom of Sweden.

A-Train reported a loss of SEK 29 M (loss: 38) after net financial items, of which NCC's share was a loss of SEK 13 M (loss: 17). The book value of NCC's shareholding amounts to SEK 277 M. (289). NCC holds 44 percent of the share capital and voting rights in A-Train.

EARNINGS

In total, the Invest business area reported income of SEK 236 M (loss: 229) after net financial items. Capital gains on the sale of the Neptun Maritime and BPA shareholdings accounted for SEK 201 M of 1999 earnings.

BUSINESS AREA TERMINATED

The Invest business area was formed to develop, add value to and realize value growth from the Group's non-core assets. The sale of the Neptun Maritime and BPA shareholdings during 1999 meant that all of the planned divestments had been made.

Responsibility for the A-Train holding has been transferred to NCC Civil Engineering.

NCC Invest was discontinued at the end of 1999, as a result of its successful sales of most of NCC's non-core assets.



WITH THE NORDIC REGION AS OUR BASE, THE ENTIRE BALTIC REGION WILL BECOME OUR DOMESTIC MARKET

NCC's domestic markets are Sweden, Denmark, Finland and Norway, as well as Poland, which is currently in the build-up stage. Operations in Germany are concentrated on total-package housing construction in Berlin-Brandenburg and Hannover. The aim is that the Baltic countries will also eventually become domestic markets.

THE NORDIC CONSTRUCTION MARKET

The Nordic construction market is expected to improve somewhat in 2000. The Swedish and Finnish markets are showing the fastest rate of growth, primarily within the housing and other buildings segments. The Norwegian market is expected to remain unchanged in 2000, while additional deterioration is forecast for the Danish market.

NCC expects that its production volume in the Nordic market will outperform the average market growth in 2000. This will be attributable to the strongly expanding Swedish and Finnish markets. NCC is favorably positioned in the growing market for buildings and the establishment of specialized housing units during the year has strengthened its market positions in the expanding housing markets in Norway and Finland.

SWEDEN

The cyclical sectors of the construction market are showing progressively stronger growth and the Swedish Construction Federation is forecasting an increase of a full 6 percent in

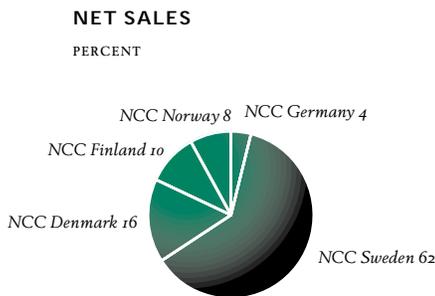
Sweden in 2000. Investments in commercial premises are at a record high, and the growth rate is also historically very high.

Residential construction is expected to increase by 13 percent in 2000, corresponding to 17 000 (15 000) housing starts. The majority of new production will be concentrated in a few growth regions.

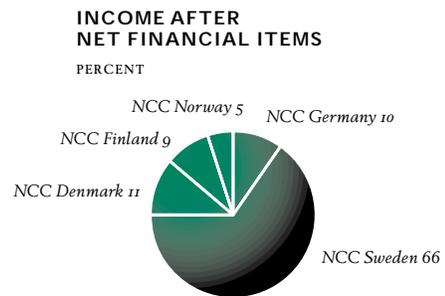
As a result of favorable economic trends within industries currently demanding office space, commercial premises and restaurants, the potential for strong growth in the other buildings segment is considerable in the next few years. Public-sector construction is also expected to increase in 2000, due to improved economic conditions. Overall, the other buildings segment will increase by 6 percent in 2000, according to the Swedish Construction Federation. Investments in roadwork and civil engineering are expected to remain virtually unchanged during 2000. Increased investments in energy, postal services and telecommunications will be offset by a decline in new investments in roads, as a consequence of cutbacks in the national budget, despite the government having expressed a need for higher investments, particularly in highways.

Competitors

Skanska and PEAB are still NCC's main competitors within the building and civil engineering sectors, but other Nordic players are also active in the Swedish market. The Production Division of the National Road Administration is a significant competitor in the civil engineering field. NCC's primary competitors within housing construction are JM and Skanska.



Net sales by subsidiary in each country. Figures for Sweden include the business areas' Swedish operations.



Income after net financial items including acquisition costs by subsidiary in each country. Figures for Sweden include the business areas' Swedish operations.

Coordination in Sweden

A new function was introduced in 1999 to coordinate Swedish operations. Its function is to improve profitability by exploiting NCC's collective competitiveness in Sweden. Joint efforts to attract new customers and develop new business concepts are prioritized issues. The country manager for Sweden, who recently took office, is responsible for the Swedish Coordination unit.

DENMARK

Trends in the Danish market in 1999 were somewhat less negative than anticipated. Construction investments are expected to decline by 7 percent in 2000.

There was a slight downturn in residential construction in 1999, primarily due to cutbacks in state-subsidized construction. Investments in housing are expected to decline by 4 percent in 2000, but the number of housing starts is estimated to reach 15 500.

The other buildings segment declined by 1 percent in 1999 and is expected to drop by a further 2 percent in 2000. The main cause of the downturn is lower investments in agricultural properties, while industrial and office construction remains unchanged. Expectations of good economic growth in the Öresund region are fueling new investments in office buildings.

Investments in the roadwork and civil engineering sector declined by 12 percent in 1999 and a steep drop of 18 percent is expected in 2000. The downturn is general, but is most severe within the traffic segment, with large projects such as the Öresund Link nearing completion. Projects related to the Copenhagen subway are also drawing to a close. On a more positive note, discussions are in progress concerning a number of larger highway and railway projects, as well as the Fehmarn Belt link between Denmark and Germany.

Competitors

NCC's competitors in Denmark include Skanska Jensen, Morberg & Thorsen and Højgaard & Schultz.

NCC Denmark

NCC Denmark is now the leading construction company in Denmark. In 1999 NCC Rasmussen & Schiøtz and Superfos Construction were merged to form NCC Denmark. GH Beton was acquired during the second half of 1999, which reinforced the company's position within dry mortar and ready-mixed concrete. At present, NCC Denmark is either the market leader or holds a strong market position in all segments: Civil Engineering, Housing, Building, Industry and Real Estate.

In autumn 1999, NCC Denmark opened a new unit dedicated to total-package housing development. The unit got off to a flying start with the acquisition of the well-reputed residential builder Bülow & Nielsen in December 1999.

NCC Denmark was involved in many notable projects in 1999, including participation in the development of Havnestad, a new city district in Copenhagen. The Danish subsidiary also began construction of the new four-star Marriott Hotel during the year, as well as new head offices for Nykredit. Within the road service segment, NCC Denmark was awarded a contract to maintain most of the Danish highway network. The service and maintenance product portfolio has been expanded to include building service and landscape maintenance.

Net sales SEK 6.1 (4.0) billion

Income after net financial items SEK 250 (70) M.

Order backlog SEK 3 099 (2 096) M.

Number of employees 4 358 (2 392)

President Kaj Kristensen. Chairman Magnus Mannesson

FINLAND

The Finnish construction market showed positive development in 1999. The trend is expected to continue in 2000, mainly due to strong growth in the housing and other buildings segments. Moderate growth is also expected within roadwork and civil engineering.

New housing starts in Finland are forecast at 38 000 (35 000) for the year 2000. The increase is primarily due to widespread migration to large cities, an increase in the number of households, strong confidence in the future, continued relatively low interest rates and rising prices for existing homes.

Within the other buildings segment, private construction is showing the highest rate of growth, primarily in the Helsinki region where rents and real estate prices are climbing and the vacancy rate is low.

Roadwork and civil engineering activity has been concentrated to southern Finland in recent years. Larger planned investments include a highway between Turku, Helsinki, St. Petersburg and Moscow. Construction will also begin on a new port in Helsinki. Expansion of the telephone and data communications grid is also expected to increase.

Competitors

NCC's primary competitors in Finland are YIT, Lemminkäinen and Skanska.

NCC Finland

NCC Finland is a major player and is also active in the Russian and Baltic markets. Operations are currently strongest within the building and other buildings segments. Project development was also successful, due to a competitive business concept and good access to attractive sites. Housing construction is oriented primarily towards proprietary projects in large cities.

NCC Finland completed several major construction projects during the year for Nokia, in Helsinki, Tammerfors, Uleåborg, and elsewhere. NCC built a wooden concert and

NCC Finland is a major player and is also active in the Russian and Baltic markets

convention center in Lahtis after having won a Build & Design competition.

NCC Housing is responsible for so-called "free-financed" housing production in southern Finland. There were 2 773 housing starts in 1999, of which 46 percent were total-package projects. NCC purchased land during the year for SEK 204 M. Landholdings in the capital city region will make it possible to build some 2 000 new units in the next few years.

Stella Business Park was built in 1999, of which two sections, Stella Luna and Solaris, have been sold to investors. In 2000 NCC Finland will initiate construction on the Airport Plaza Business Park near the Helsinki-Vanda Airport, the Grani shopping mall in Grankulla, and a large shopping mall project in Esbo.

NCC Civil Engineering Finland's largest project is the Port of Kotkas, worth SEK 230 M. At the end of the year, NCC was awarded the contract to expand a mine in Kemi, northern Finland. The contract is worth SEK 120-130 M, and is being performed as a joint venture between NCC Finland and NCC Sweden.

A contract was signed in 1999 for construction of a hospital in Moscow and a customs building in northern Finland, funded by the EU.

Net sales SEK 3.6 (3.6) billion

Income after net financial items SEK 134 (19) M.

Order backlog SEK 2 472 (2 354) M.

Number of employees 2 066 (1 974)

President Matti Haapala. Chairman Lars Wuopio

NORWAY

Construction declined in all sectors in 1999 and capital expenditures slid by 7 percent, in line with forecasts from the Swedish Construction Federation. Higher oil prices strengthened the Norwegian krona and interest rates were lowered, which tangibly improved the investment climate. Housing construction is expected to climb again during 2000, while investments in roadwork and civil engineering projects will continue to decline. The total construction market is expected to remain unchanged in 2000.

As a result of the improved economy, with consequent higher demand for housing, 20 000 housing starts (18 000) are forecast for 2000. Parts of the industrial construction segment declined in 1999, a trend that is expected to continue in 2000. National budget constraints have resulted in the postponement of most large civil engineering projects. Continued reduction is expected in the civil engineering sector. The picture looks brighter after 2000, however, when investments in railway and tramline facilities are expected to increase considerably.

Competitors

In Norway, NCC competes primarily with the Norwegian construction firms Veidekke and Selmer.

NCC Norway

NCC Norway has a solid position in its domestic market and provides leading-edge expertise in such fields as bedrock engineering to NCC projects in other countries, notably the Southern Link highway contract in Stockholm.

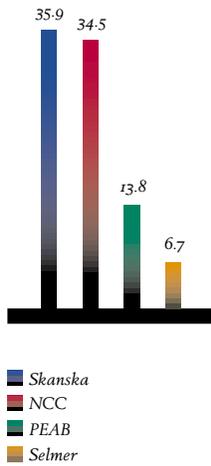
Specialized units for housing and industrial operations began operating in the Norwegian market during the year. The new Housing Projects unit initiated construction of the largest housing project in Oslo, Lilleborg. In total, the number of development rights for housing production increased to 1 700 (1 000). The new Industrial Projects unit also got off to a good start. A joint venture agreement was signed at the end of the year concerning concrete production.

In conjunction with Group-wide introduction of the corporate logo, the name NCC Eeg-Henriksen AS was changed to NCC Norway AS.

THE LARGEST CONSTRUCTION FIRMS IN THE NORDIC REGION¹⁾

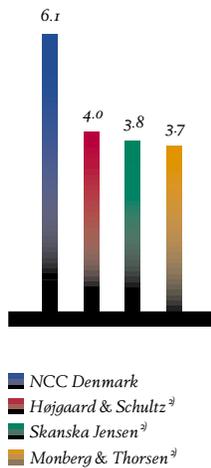
NORDIC REGION

SALES, SEK BILLION



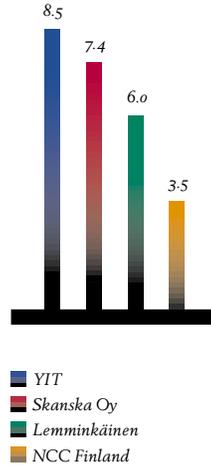
DENMARK

SALES, SEK BILLION



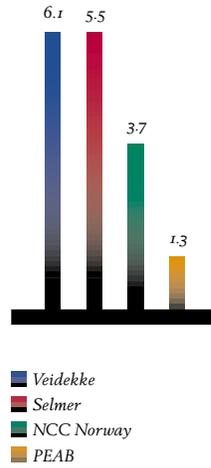
FINLAND

SALES, SEK BILLION



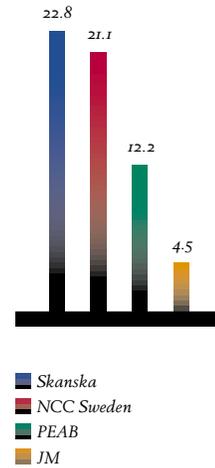
NORWAY

SALES, SEK BILLION



SWEDEN

SALES, SEK BILLION



1) NCC's estimate of 1999 volume. 2) 1998 volume.

The Norwegian building contractor market is undergoing restructuring. Towards the end of the year, NCC made a bid for Selmer. Selmer's management decided not to support the transaction, despite a positive response from the company's main shareholders. Since management support is a prerequisite for the successful implementation of such a far-reaching structural deal, the offer was withdrawn.

The year-end order backlog amounted at to SEK 2 382 (2 205) M. The backlog of civil engineering orders declined due to a weak market with few major contracts available. However, this was offset by an increase in building projects, particularly during the fourth quarter. Several important investments in real estate projects were made during the year, and leasing volume was considerable.

Net sales SEK 3.2 (3.5) billion

Income after net financial items SEK 117 (254) M.

Order backlog SEK 2 382 (2 205) M.

Number of employees 1992 (1 904)

President Paul Lødøen. Chairman Kenneth Orrgren

POLAND

According to NCC Poland's own estimates, construction volume is expected to increase by about 10 percent in 2000. The construction market is expected to grow twice as fast as the GDP, for which annual growth of about 5 percent is forecast in the next few years. The building market is being stimulated primarily by an inflow of foreign investment, the stable Polish economy, Poland's application to join the European Union, and the development of various forms of financing for housing.

The fastest growth for civil engineering projects is expected in the southern regions of the country surrounding Katowice. The outlook for the building and other buildings segments is most favorable in the Warsaw region.

Competitors

The Polish construction market is fragmented. NCC competes with a wide array of domestic and international players.

NCC Poland

The subsidiary NCC Poland was formed in 1998. Operations will be concentrated on the most expansive areas within civil engineering, building and housing. NCC Poland's headquarters in Warsaw, from which the contracting operations will be coordinated, were opened in August 1999.



Civil engineering operations began in the coastal region near Gdansk in 1998. During 1999, NCC Poland completed a converter station for reception of the power cable line between Sweden and Poland. In October 1999 the AWSA consortium, in which NCC has an interest of about 5 percent, signed a concession agreement with the Polish government to build and run the A2 highway project, one of the largest and most highly prioritized infrastructure projects in Europe. The first section will stretch from the German border to Warsaw and has a potential contract value of SEK 5.4 billion. NCC's share is SEK 1.3 billion. In December, NCC acquired 25 percent of the shares in Poland's third largest road construction firm, PRInz.

Several housing projects were begun in the Warsaw region in 1998 and 1999, including "Sloneczny Sad," consisting of 31 row houses, and Nordic Star, where the first stage consists of 320 apartments out of the total 600 planned.

NCC's wholly owned subsidiary Däldehog has been active in the production and refurbishment of gas stations in Poland for several years. NCC Industry also has several asphalt and concrete plants and gravel pits in Poland.

Net sales SEK 114 (5) M.

Income after net financial items SEK -4 (-4) M.

Order backlog SEK 17 (94) M.

Number of employees 30 (5)

President Janusz Puzia. Chairman Lars Wuopio

GERMANY

Subsequent to the extensive rebuilding of East Berlin in particular, the rate of investment in housing has declined, partially due to changes in the tax code. However, a trend among younger people towards seeking homes in more rural areas in the Brandenburg region outside Berlin has had a positive impact on demand for housing, while the relocation of the German parliament to Berlin is generating higher demand for centrally located apartments. High-end housing for the elderly is also in demand among older, more affluent consumers.

Competitors

NCC's main competitors in Berlin-Brandenburg are Dutch and local German companies.

NCC Germany

NCC Germany has been active in the Berlin-Brandenburg area since the early 1990s. The market is fragmented, with a great

many minor players. The company's operations encompass the entire value chain within the project development and building process, from concept and site acquisition to sales. NCC

NCC Germany is a market leader in the Berlin-Brandenburg area based on its total-package housing solutions

Germany specializes in residential construction, but also performs commercial projects, albeit to a lesser extent. The joint venture with IKEA, which is in its fifth year, is still attractive in the "economical row house" segment.

NCC Germany is a market leader in the Berlin-Brandenburg area based on its total-package housing solutions. Significant factors for maintaining and improving this position include offering the market high-quality, competitively priced products, combined with comprehensive freedom of choice. Accordingly, the company is concentrating on proactive product development and acquiring sites in attractive locations. A number of interesting land purchases were carried out and new projects begun in 1999. In July, NCC Germany acquired an additional 43 percent of the Sonnengarten project and now owns 93 percent (read more on page 35).

Net sales SEK 1.5 (0.9) billion

Income after net financial items SEK 123 (48) M.

Order backlog SEK 1123 (1000) M.

Number of employees 539 (525)

President Kurt Nordgren. Chairman Hans Engebretsen

FIVE-YEAR REVIEW

| INCOME STATEMENT, SEK M | 1995 | 1996 | 1997 | pro forma ¹⁾ 1996 | pro forma ¹⁾ 1997 | 1998 | 1999 |
|--|---------------|---------------|---------------|---------------------------------|---------------------------------|---------------|---------------|
| Net sales | 17 294 | 22 149 | 29 581 | 31 782 | 32 077 | 34 160 | 37 460 |
| Production expenses | -15 263 | -19 856 | -26 631 | -28 427 | -29 026 | -30 832 | -33 446 |
| <i>Gross income</i> | <i>2 031</i> | <i>2 293</i> | <i>2 950</i> | <i>3 355</i> | <i>3 051</i> | <i>3 328</i> | <i>4 014</i> |
| Selling and administration expenses | -1 322 | -1 665 | -2 288 | -2 475 | -2 502 | -2 587 | -3 062 |
| Income/loss on sales of properties | 43 | -19 | -74 | -18 | -63 | 323 | 163 |
| Income/loss from participations in associated companies | -194 | -55 | 26 | -42 | 20 | -158 | 66 |
| Gain on sales of Group companies | | 5 | 105 | 5 | 105 | 1 | 7 |
| Gain/loss on sales of associated companies | | | | | -2 | 194 | 145 |
| Revaluation of properties | | | | | | | 31 |
| Merger costs ²⁾ | | | -449 | | -449 | | |
| <i>Operating income</i> | <i>558</i> | <i>559</i> | <i>270</i> | <i>825</i> | <i>160</i> | <i>1 101</i> | <i>1 364</i> |
| Net financial items | -271 | -348 | -474 | -552 | -535 | -371 | -113 |
| <i>Income/loss after net financial items</i> | <i>287</i> | <i>211</i> | <i>-204</i> | <i>273</i> | <i>-375</i> | <i>730</i> | <i>1 251</i> |
| Tax | -14 | -47 | 35 | -83 | 79 | -184 | -408 |
| Minority interests | -5 | -5 | -4 | -6 | -4 | -3 | -5 |
| <i>Net income/loss</i> | <i>268</i> | <i>159</i> | <i>-173</i> | <i>184</i> | <i>-300</i> | <i>543</i> | <i>838</i> |
| BALANCE SHEET, SEK M | | | | | | | |
| Buildings and land | 12 209 | 12 313 | 10 262 | 15 354 | 10 262 | 9 150 | 7 991 |
| Investments in progress | 534 | 881 | 856 | 922 | 856 | 1 060 | 1 958 |
| Tangible and intangible fixed assets | 1 115 | 1 630 | 2 750 | 2 834 | 2 750 | 2 784 | 4 195 |
| Shares and participations | 856 | 985 | 2 222 | 1 401 | 2 222 | 2 090 | 1 354 |
| Properties held for future development | 231 | 372 | 899 | 1 311 | 899 | 1 154 | 1 870 |
| Interest-bearing receivables | 659 | 407 | 1 412 | 485 | 1 412 | 1 618 | 1 138 |
| Interest-free receivables | 4 513 | 4 683 | 6 334 | 6 046 | 6 334 | 7 468 | 8 153 |
| Liquid assets | 2 687 | 2 650 | 3 609 | 3 842 | 3 609 | 3 135 | 2 371 |
| <i>Total assets</i> | <i>22 804</i> | <i>23 921</i> | <i>28 344</i> | <i>32 195</i> | <i>28 344</i> | <i>28 459</i> | <i>29 030</i> |
| Shareholders' equity | 7 065 | 7 121 | 9 237 | 9 553 | 9 237 | 9 671 | 9 795 |
| Minority interests | 9 | 13 | 25 | 24 | 25 | 25 | 30 |
| Interest-bearing liabilities and allocations | 7 758 | 8 704 | 8 956 | 11 958 | 8 956 | 8 381 | 8 803 |
| Interest-free liabilities and allocations | 5 723 | 6 631 | 8 519 | 8 539 | 8 519 | 9 031 | 8 936 |
| Project invoicing not yet worked up | 2 249 | 1 452 | 1 607 | 2 121 | 1 607 | 1 351 | 1 466 |
| <i>Total equity and liabilities</i> | <i>22 804</i> | <i>23 921</i> | <i>28 344</i> | <i>32 195</i> | <i>28 344</i> | <i>28 459</i> | <i>29 030</i> |
| RATIOS | | | | | | | |
| Return on visible equity incl. subsequently converted debenture loans after full tax ³⁾ , % | 4 | 2 | -2 | 2 | -3 | 6 | 9 |
| Return on capital employed ⁴⁾ , % | 8 | 5 | 3 | 6 | 2 | 7 | 10 |
| Equity/assets ratio, % | 31 | 30 | 33 | 30 | 33 | 34 | 34 |
| Share of risk-bearing capital ⁵⁾ , % | 33 | 32 | 33 | 32 | 33 | 35 | 36 |
| Interest-bearing liabilities/total assets, % | 34 | 36 | 32 | 37 | 32 | 29 | 30 |
| OTHER | | | | | | | |
| Average number employees | 14 094 | 15 964 | 20 283 | 22 787 | 22 434 | 21 645 | 24 122 |

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

2) Merger costs related to the combination of NCC and Siab.

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

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

5) Risk-bearing capital is defined as the sum total of shareholders' equity, minority interests, deferred tax liabilities and the convertible debenture loans that were subsequently converted.

| KEY RATIOS, SEK M | 1995 | 1996 | 1997 | pro forma 1996 | pro forma 1997 | 1998 | 1999 |
|---|--------|--------|--------|-------------------|-------------------|--------------------|--------------------|
| Income/loss after net financial items | 287 | 211 | -204 | 273 | -375 | 730 | 1 251 |
| Visible equity | 7 065 | 7 121 | 9 237 | 9 553 | 9 237 | 9 671 | 9 795 |
| Capital employed at year-end | 14 832 | 15 838 | 18 218 | 21 535 | 18 218 | 18 077 | 18 628 |
| Net debt ¹⁾ | 4 412 | 5 648 | 3 935 | 7 631 | 3 935 | 3 627 | 5 296 |
| Gross investments in fixed assets | 575 | 1 163 | 569 | | | 1 001 | 2 365 |
| Gross investments in properties classified as current/fixed assets ²⁾ | 990 | 1 198 | 679 | 1 288 | 694 | 1 135 | 1 853 |
| Sales of properties ²⁾ | 448 | 561 | 6 227 | 641 | 6 227 | 2 219 | 2 142 |
| Average yield, real estate operations | 9.6 | 7.8 | 7.3 | 7.8 | 7.3 | 6.8 | 6.9 |
| Market value of listed Group companies ³⁾ | 91 | 705 | 377 | | | 881 | 185 |
| DATA PER SHARE | | | | | | | |
| Visible equity, SEK | 88.20 | 88.90 | 85.20 | 88.10 | 85.20 | 89.20 | 90.30 |
| Income/loss after full tax, SEK | 3.30 | 2.00 | -1.60 | 1.70 | -2.80 | 5.00 | 7.70 |
| of which | | | | | | | |
| major nonrecurring items after full tax, SEK | | | -4.65 | | -4.14 | | |
| Market price, NCC series B shares, SEK | 78.00 | 90.00 | 83.50 | | | 61.50 | 98.00 |
| Dividend, SEK | 1.25 | 1.50 | 1.50 | | | 2.50 ⁴⁾ | 4.00 ⁴⁾ |
| Cash flow, SEK | | | | | 38.94 | 5.46 | -5.58 |
| Net asset value, SEK ⁵⁾ | 86.00 | 90.00 | 85.00 | 90.00 | 85.00 | 93.00 | 96.00 |
| P/E ratio after full tax | 23 | 45 | 33 | | | 12 | 13 |
| Direct return, % | 1.6 | 1.7 | 1.8 | | | 4.1 | 4.1 |
| Stock exchange price/visible equity, % | 88 | 101 | 98 | | | 69 | 108 |
| Number of shares | | | | | | | |
| average during the year, millions | 80.1 | 80.1 | 96.6 | 108.4 | 108.4 | 108.4 | 108.4 |
| at year-end, millions | 80.1 | 80.1 | 108.4 | 108.4 | 108.4 | 108.4 | 108.4 |
| Market value, SEK M | 6 294 | 7 212 | 8 960 | | | 6 669 | 10 564 |

1) Net indebtedness – defined as interest-bearing liabilities less liquid assets less interest-bearing receivables – has risen by SEK 1 669 M. since 1998.

2) Relates to investments and sales in NCC Real Estate. Properties within NCC Real Estate have been reclassified from current to fixed assets. See accounting principles.

3) 1995: Neptun Maritime, 1996 Neptun Maritime, BPA, Sifab, Storheden, 1997 Neptun Maritime, BPA, Storheden, 1998 Neptun Maritime, BPA, Hufvudstaden, Realia, OM-gruppen, 1999 Neptun Maritime, OM-gruppen, Realia.

4) Board of Directors' proposal to the Annual General Meeting. In addition, an extraordinary dividend of SEK 7 per share is proposed.

5) Shareholders' equity has been adjusted to reflect the difference between the market and book value of listed shares. The real estate values for 1997–1999 are based on independent market valuations; the values for 1995–96 are based on internal valuations.

6) In addition, Hufvudstaden shares with a value of 3 SEK per NCC share were spun off. Accounting principles: pages 76–78.

DEFINITIONS

Capital employed: Total assets less interest-free short-term and long-term liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Cash flow reported in business areas:

Income before taxes

+ Depreciation

-/+ Write-up/down of properties and shares, etc.

- Undistributed earnings from associated companies.

-/+ Capital gains on sales of fixed assets and operations (excl. properties)

+/- Translation differences

- Dividend paid

- Tax paid

+/- Decrease/increase in working capital

- Net investments in real estate held for resale

- Gross investments in buildings and land

- Gross investments in fixed assets

- Gross investments in shares

+ Sales

= Cash flow

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

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

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

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

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

Net sales: The net sales of construction operations are reported in accordance with the percentage of completion principle and are matched by revenues worked up during the year. These revenues are reported in pace with the gradual completion of construction projects within the Group. Within the Real Estate business area, net sales correspond to rental revenues, interest subsidies, etc. In the Parent Company, net sales correspond to income-recognized sales from completed

projects. Within other operations, net sales correspond to invoicing for the year.

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

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

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

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

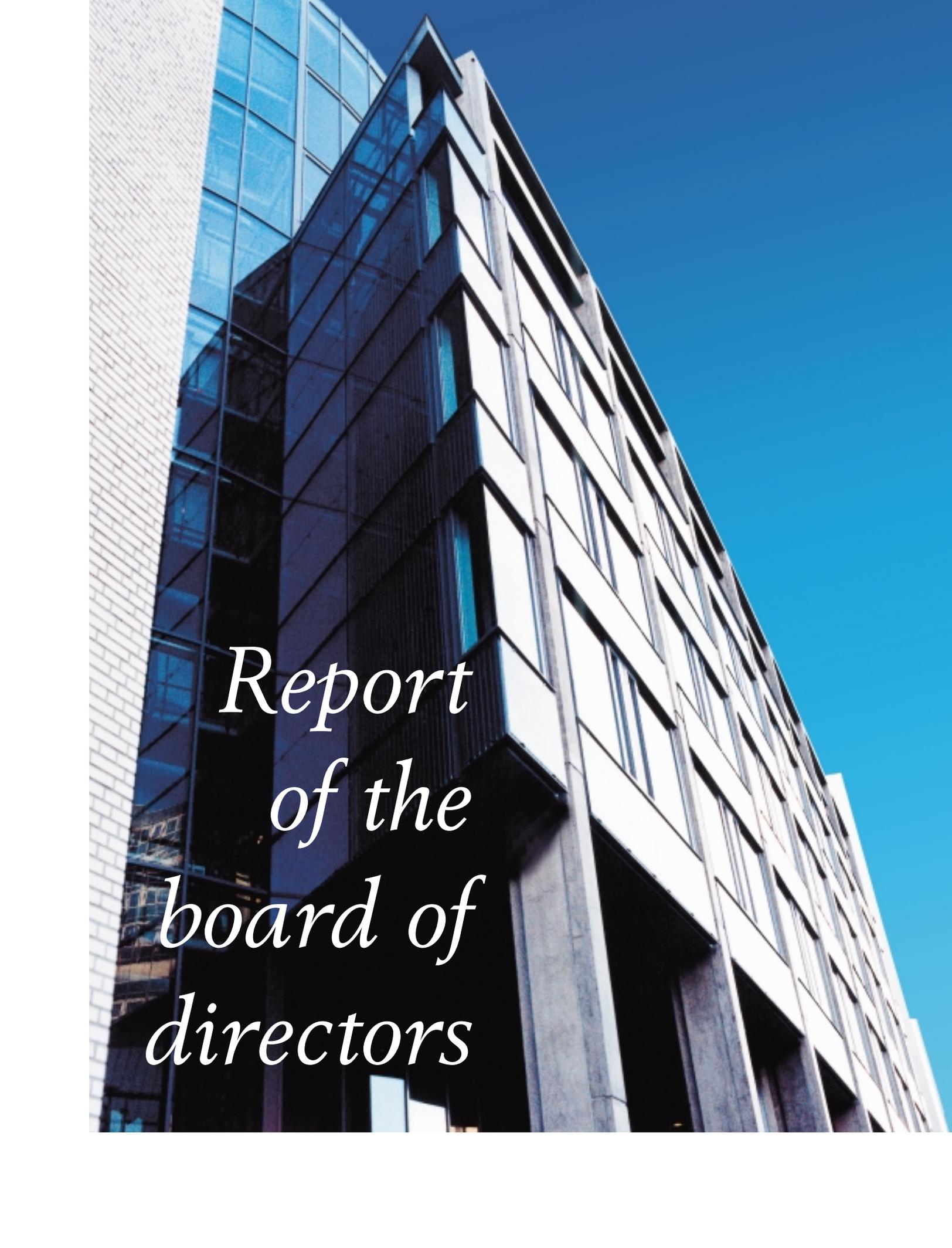
P/E ratio: Market price of the shares at year-end, divided by net income per share after full tax.

Return on visible equity after full tax: Net income for the year as a percentage of average visible equity. Equity has been increased by the portion of the convertible debenture loans that was subsequently converted. Net income has been increased by 72 percent of the interest expense relating to these convertible loans in the respective years.

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

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

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



*Report
of the
board of
directors*

REPORT OF THE BOARD OF DIRECTORS

Net sales. Consolidated net sales during 1999 amounted to SEK 37,460 M. (34,160). The increase was mainly attributable to the acquisition of Superfos Construction and to growth in Swedish construction operations.

Earnings. Income after net financial items improved by SEK 521 M. to SEK 1,251 M. (730). The main reasons for the earnings upswing were improvements within the construction operations of foreign subsidiaries, combined with the results of the sale of NCC's Neptun Maritime and BPA shareholdings. During the fourth quarter, sales of properties made a much stronger contribution to earnings compared with the year-earlier period.

Real estate valuation: NCC Real Estate arranged for an independent appraisal (Swedish Real Estate Index) of the value, as of December 31, 1999, of all its wholly owned managed properties in Sweden. According to the independent valuation, the market value of the properties was SEK 5.2 billion, which means that there is an undisclosed reserve in properties of some SEK 650 M.

In order to determine whether a write-down is necessary, the properties were subject to an internal valuation. Previous write-downs are reversed up to the independently appraised market value to the extent that a previously written down property has a market value exceeding the book value. Reversals of previous write-downs totaled SEK 189 M. (164). In total, property values were revised upwards by SEK 31 M. (0).

Profitability. The return on capital employed was 10 percent (7).

The return on shareholders' equity was 9 percent (6).

Earnings per share. Income after full tax amounted to SEK 838 M. (543), equal to SEK 7.70 per share (5.00).

Investments. The Group's gross investments in real estate amounted to SEK 3,798 M. (1,825), of which real estate development projects accounted for SEK 3,402 M. (1,521). The Group's gross investments in other fixed assets amounted to SEK 2,365 M. (1,011), mainly pertaining to the acquisition of Superfos Construction.

Change in working capital. During the fourth quarter, working capital decreased by SEK 1.1 billion (0.9), despite an increase in sales. Due

to a higher rate of land purchases for residential development projects, net investments rose to SEK 0.5 billion (0.2) during the fourth quarter.

Financing and liquidity. On December 31, NCC's net indebtedness (interest-bearing liabilities less liquid assets less interest-bearing receivables) amounted to SEK 5,296 M. (3,627). The increase was mainly attributable to the acquisition of Superfos Construction.

On the same date, the average interest rate for the borrowing portfolio was 5.3 percent (6.1) and the average period of fixed interest was 2.3 years (1.6).

Equity/assets and debt/equity ratios. The equity/assets ratio was 34 percent (34). The reduction in the portfolio of managed properties has changed the Group's capital structure and risk level. Accordingly, the Group has reduced its equity/assets target from 35 percent to 30 percent.

At year-end, the debt/equity ratio (net indebtedness divided by shareholders' equity including minority interests) at year-end amounted to a multiple of 0.5 (0.4).

Active risk management.

Interest-rate risks. NCC aims for a good balance between long and short periods of fixed interest within a limited framework.

Currency risks. Transaction-related currency exposure is eliminated via NCC Treasury. As a rule, NCC's foreign investments are financed in corresponding currencies.

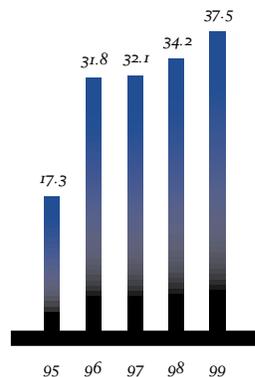
Credit risks. NCC's investment regulations are reviewed continuously and characterized by caution. The point of departure is that no credit risks should arise in Group operations. NCC's finance activities were not affected by a credit loss in 1999, or in any prior year.

Liquidity risks. To achieve adequate flexibility and cost efficiency, the Group's access to funds consists essentially of committed lines of credit. Available funds are invested primarily in government paper with solid secondary markets. On December 31, the Group's liquid assets amounted to SEK 2,371 M. (3,135).

EMU. The Group has been making European Monetary Union (EMU) preparations for the past few years. The work has been concentrated on adaptations within IT, finance activities, accounting and purchasing.

NET SALES

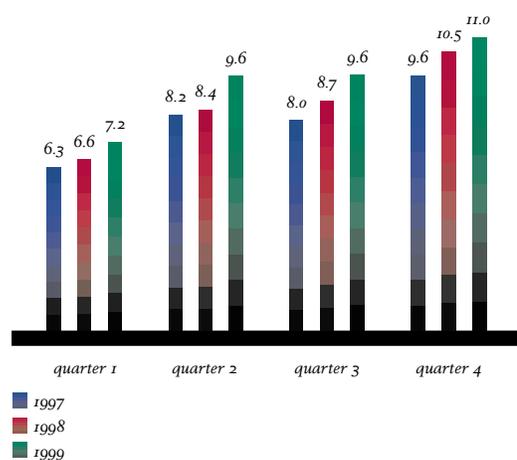
SEK BILLION



Annual growth has averaged 20 percent. Subsidiaries are included as of the date of acquisition.

NET SALES BY QUARTER

SEK BILLION



Since January 1, 1999, three of the countries in which NCC conducts permanent business operations have been members of the EMU. The focus of the preparations is based on the assumption that Sweden and Denmark will participate in EMU, a prerequisite for which is that systems and procedures can handle the euro. As long as Sweden remains outside EMU, and NCC retains the Swedish krona (SEK) as the Group's financial accounting and basic currency, the euro will be treated in the same way as other foreign currencies.

Environmental impact. Within the Group, operations conducted by the Parent Company and 12 Swedish subsidiaries require a permit or application in accordance with the Environmental Code. The main way that Group operations subject to permit or application obligations affect the external environment is through the asphalt, concrete and gravel pit operations conducted within NCC Industry. In Sweden, these operations are conducted by the Ballast companies. The external environment is mainly affected by emissions to air and by noise.

Personnel. The average number of employees in the NCC Group during 1999 was 24,122 (21,645), of which Superfos Construction accounted for about 1,550.

Parent Company. The Parent Company had invoiced sales of SEK 16,251 M. (14,948). Income of SEK 1,176 M. (loss: 665) was reported after net financial items. The average number of employees was 11,328 (11,202).

During 1993–1998, the NCC Group invested in jointly owned aircraft-leasing companies. The investments made for 1997 have been scrutinized by the tax authorities, which during 1999 rejected a tax deduction for depreciation. The tax authorities have also imposed a tax surcharge. These decisions will be appealed.

NCC's share of SPP's surplus. The Swedish Staff Pension Society (SPP) announced in October that corporate customers with contracts with SPP would receive a share of its surplus corporate funds. NCC's share of these corporate funds amounts to approximately SEK 1,020 M. The Swedish Competition Authority is expected to make a ruling during the spring regarding SPP's model for allocating the funds. Until such a ruling is made, it is unclear how it will be possible to utilize the funds and, accordingly, the funds had no effect on the 1999 financial accounts.

Significant events following fiscal year-end. Following fiscal year-end, real estate assets were sold for SEK 1,250 M., generating capital gains of SEK 180 M. Following these sales, the book value of the portfolio of managed properties is SEK 5.3 billion.

Proposed dividend. In accordance with NCC's dividend policy of dis-

tributing approximately half of net profit to shareholders, the Board proposes that a dividend of SEK 4.00 (2.50) per share be paid for 1999.

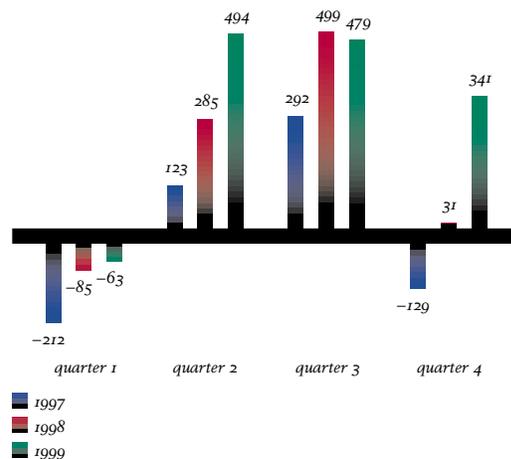
Since the risk profile of NCC's asset portfolio has changed steadily over the years, the equity/assets target has been reduced from approximately 35 percent to approximately 30 percent. As a consequence of this, the Board proposes an extraordinary dividend of SEK 7.00 per share. NCC's growth strategy stands firm and is not affected by the extraordinary dividend.

Assuming that a government bill regarding the repurchase of shares is enacted in Sweden, the Board will propose that the Annual General Meeting authorize the repurchase and subsequent sale of NCC shares corresponding to a maximum of 2.5 percent of the share capital in NCC AB. The reason for the redemption is to cover NCC's obligations under the option program for approximately 200 senior executives that was launched in 1999.

Annual General Meeting. NCC's Annual General Meeting will be held at on Thursday, March 30, 2000, 4.30 pm at Musikaliska Akademien, Stockholm.

INCOME AFTER NET FINANCIAL ITEMS

SEK M



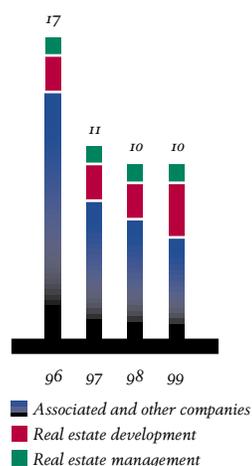
Income of approximately SEK 340 M. was generated during the fourth quarter, which was SEK 310 M. higher than in the year-earlier period.

| NET SALES AND EARNINGS BY BUSINESS AREA, SEK M | Net sales | | | Income/loss after net financial items | | |
|---|-----------------|-----------------|-----------------|---------------------------------------|-----------------|-----------------|
| | Jan-Dec 1997 | Jan-Dec 1998 | Jan-Dec 1999 | Jan-Dec 1997 | Jan-Dec 1998 | Jan-Dec 1999 |
| Civil Engineering | 10 746 | 11 078 | 12 289 | 141 | 201 | 200 |
| Housing | 2 041 | 2 365 | 3 797 | 1 | 13 | 114 |
| Building | 15 700 | 17 603 | 17 376 | 181 | 312 | 332 |
| Industry | 2 603 | 2 998 | 4 508 | 210 | 291 | 423 |
| Eliminations | -1 875 | -2 123 | -2 447 | | | |
| <i>Construction operations</i> | <i>29 215</i> | <i>31 921</i> | <i>35 523</i> | <i>533</i> | <i>817</i> | <i>1 069</i> |
| Real Estate | 1 790 | 1 231 | 977 | -105 | 446 | 413 |
| Invest | 1 379 | 1 486 | 1 643 | 67 | -229 | 236 |
| Merger costs, Siab | | | | -449 | | |
| Acquisition costs ¹⁾ | | | | -139 | -141 | -232 |
| Other and eliminations | -307 | -478 | -683 | -282 | -163 | -235 |
| <i>Group</i> | <i>32 077</i> | <i>34 160</i> | <i>37 460</i> | <i>-375</i> | <i>730</i> | <i>1 251</i> |

¹⁾ Acquisition costs include goodwill amortization related to the acquisition of the Nordic subsidiaries and Siab, as well as interest on the purchase consideration for the Nordic subsidiaries. Superfos Construction is included as of January 1, 1999. In total, goodwill amounted to SEK 1 902 M. on December 31, 1999. The purchase consideration for the acquisition of the Nordic subsidiaries was SEK 2 451 M.

**BOOK VALUE,
REAL ESTATE PORTFOLIO**

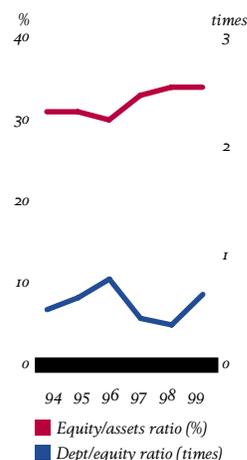
SEK BILLION



NCC continues to streamline its operations and create a distinct profile in the direction of real estate development. The reorientation in accordance with the new strategy is illustrated by showing the book value of the real estate portfolio divided into the different businesses. Capital tied up in management has decreased in parallel with an increase in real estate development. The book value of managed properties declined by SEK 1,582 M. during 1999 to SEK 5,834 M. Additional managed properties were sold in January 2000, for SEK 504 M.

**EQUITY/ASSETS AND
DEBT/EQUITY RATIOS**

PERCENT/TIMES



The equity/assets ratio, the sum total of visible shareholders' equity and minority shares as a percentage of total assets amounted to 34 percent, unchanged compared with the preceding year.

NCC'S CONSTRUCTION OPERATIONS

Orders received by NCC's construction operations (the Civil Engineering, Housing, Building and Industry business areas) rose by 9 percent to SEK 36.2 billion (33.1). Orders received by the Group's Swedish operations rose by 4 percent. Operations outside Sweden accounted for approximately 45 percent (43) of total orders received.

Orders received during the fourth quarter amounted to SEK 10.8 billion (9.2), an increase compared with the year-earlier period. The increase was mainly attributable to the acquisition of Superfos Construction and a favorable level of orders received by Norwegian building operations. Net sales rose by 11 percent to SEK 35.5 billion

(31.9). The fourth-quarter increase in net sales was 3 percent, compared with the year-earlier period. If Superfos Construction is included in the 1998 figures, the increase for 1999 was 6 percent for the whole year.

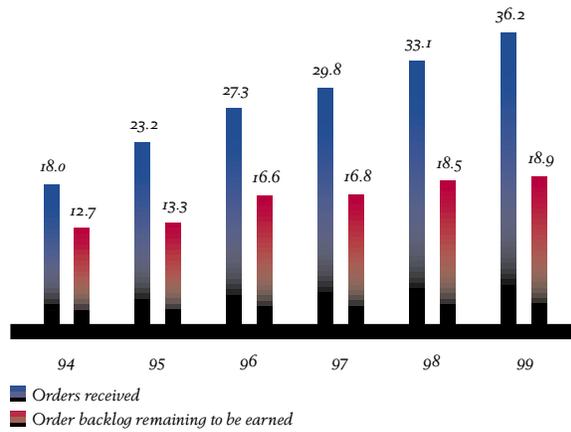
Income after net financial items amounted to SEK 1,069 M. (817). Earnings from operations in Denmark, Finland and Germany improved sharply. The pro forma figure, including Superfos Construction, was SEK 1,069 M. (959).

The operating margin (operating income after depreciation as a percentage of net sales) for construction operations in 1999 was 2.9 percent (2.2). The net margin (income after net financial items as a percentage of net sales) was 3.0 percent (2.6).

| SEK M | Orders received | | | Order backlog remaining to be earned | | | Net sales | | | Income after net financial items | | | Net margin, % | | |
|--------------------------------|-----------------------|---------------|---------------|--------------------------------------|---------------|---------------|-----------------------|---------------|---------------|----------------------------------|------------|--------------|---------------|------------|------------|
| | January-December 1997 | 1998 | 1999 | December 31 1997 | 1998 | 1999 | January-December 1997 | 1998 | 1999 | January-December 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Civil Engineering | 10 012 | 11 207 | 11 268 | 6 404 | 6 698 | 5 547 | 10 746 | 11 078 | 12 289 | 141 | 201 | 200 | 1.3 | 1.8 | 1.6 |
| Housing | 2 001 | 3 479 | 4 230 | 1 548 | 2 712 | 3 481 | 2 041 | 2 365 | 3 797 | 1 | 13 | 114 | 0.0 | 0.5 | 3.0 |
| Building | 17 071 | 17 560 | 18 571 | 8 804 | 9 050 | 9 836 | 15 700 | 17 603 | 17 376 | 181 | 312 | 332 | 1.2 | 1.8 | 1.9 |
| Industry | 2 603 | 2 998 | 4 539 | | | 30 | 2 603 | 2 998 | 4 508 | 210 | 291 | 423 | 8.1 | 9.7 | 9.4 |
| Eliminations | -1 915 | -2 120 | -2 448 | | | | -1 875 | -2 123 | -2 447 | | | | | | |
| Construction operations | 29 772 | 33 124 | 36 160 | 16 756 | 18 460 | 18 894 | 29 215 | 31 921 | 35 523 | 533 | 817 | 1 069 | 1.8 | 2.6 | 3.0 |

**ORDERS RECEIVED AND ORDER BACKLOG
IN CONSTRUCTION OPERATIONS**

SEK BILLION



Orders received by construction operations increased 9 percent during 1999, compared with 1998.

| BORROWING PORTFOLIO DEC. 31, 1999 | SEK and foreign currencies | | SEK and foreign currencies | | | SEK | |
|--------------------------------------|----------------------------|------------|---|---|---|---|-----|
| | Amortization SEK M | Percentage | Fixed-interest rates during period SEK M | Average interest rate Percentage | Fixed-interest rates during period SEK M | Average interest rate Percentage | |
| 2000 | 3 505 | 40 | 2 664 | 30 | 6.3 | 709 | 5.2 |
| 2001 | 1 001 | 11 | 2 325 | 26 | 5.6 | 1 365 | 7.3 |
| 2002 | 902 | 10 | 657 | 7 | 4.6 | 106 | 7.1 |
| 2003 | 654 | 7 | 581 | 7 | 5.6 | 281 | 5.8 |
| 2004 | 832 | 10 | 577 | 7 | 4.6 | 147 | 5.5 |
| 2005- | 1 908 | 22 | 1 998 | 23 | 5.3 | 1 583 | 5.9 |
| <i>Interest-bearing liabilities</i> | 8 802 | 100 | 8 802 | 100 | 5.7 | 4 191 | 6.3 |
| Liquid assets | 2 368 | | 2 368 | | | 1 187 | |
| Interest-bearing receivables | 1 138 | | 1 138 | | | 1 021 | |
| <i>Net debt</i> | 5 296 | | 5 296 | | | 1 983 | |

| SENSITIVITY ANALYSIS | Change | Effect on income after net financial items (annual basis) SEK M | Effect on return on equity, percentage points | Effect on return on capital employed, percentage points |
|---|--------------------------|--|---|---|
| Construction operations | | | | |
| Volume | +/- 5% | 163 | 1.2 | 0.9 |
| Operating margin | +/- 0.5 percentage point | 181 | 1.3 | 1.0 |
| Real estate operations | | | | |
| Real estate development, sales volume | +/-10% | 13 | | |
| Real estate development, sales margin | +/- 1 percentage point | 7 | | |
| Rental revenues , management | +/- 5% | 4 | | |
| Operation and maintenance costs, management | +/- 5% | 11 | | |
| Vacancy rate for total portfolio, rents | +/- 1 percentage point | 6 | | |
| Group | | | | |
| Interest rate, borrowing ¹⁾ | +/- 1 percentage point | 13 | 0.1 | 0.0 |
| Amortization of loans | 10% | 16 | 0.1 | 0.3 |
| Change in equity/assets ratio | -5 percentage points | -77 | 0.9 | 0.0 |

1) Based on loans expiring during 2000.

CONSOLIDATED INCOME STATEMENT

| SEK M | | 1997 | 1998 | 1999 |
|---|---------|---------|---------|---------|
| Net sales | Note 1 | 29 581 | 34 160 | 37 460 |
| Production and management costs | Note 2 | -26 631 | -30 832 | -33 446 |
| <i>Gross income</i> | | 2 950 | 3 328 | 4 014 |
| Selling and administrative expenses | | -2 288 | -2 587 | -3 062 |
| Result from sales of properties | Note 3 | -74 | 323 | 163 |
| Result from participations in associated companies | Note 4 | 26 | -158 | 66 |
| Result from sales of participations in group companies | Note 5 | 105 | 1 | 7 |
| Result from sales of participations in associated companies | Note 7 | | 194 | 145 |
| Revaluation of properties | | | | 31 |
| Merger costs | | -449 | | |
| <i>Operating income</i> | Note 6 | 270 | 1 101 | 1 364 |
| Result from other financial fixed assets | Note 9 | 23 | 28 | 151 |
| Result from financial current assets | Note 10 | 164 | 162 | 212 |
| Interest expense and similar items | Note 11 | -661 | -561 | -476 |
| <i>Income/loss after financial items</i> | Note 12 | -204 | 730 | 1 251 |
| Tax on net income for the year | Note 25 | 35 | -184 | -408 |
| Minority interests | | -4 | -3 | -5 |
| <i>Net income/loss for the year</i> | | -173 | 543 | 838 |

CONSOLIDATED BALANCE SHEET

| ASSETS, SEK M | | Dec 31, 1997 | Dec 31, 1998 | Dec 31, 1999 |
|---|---------|--------------|--------------|--------------|
| <i>Intangible fixed assets</i> | Note 13 | 1 427 | 1 344 | 2 234 |
| Buildings and land | Note 14 | 10 262 | 9 150 | 7 991 |
| Machinery and equipment | | 1 323 | 1 440 | 1 961 |
| New construction in progress | | 856 | 1 060 | 1 958 |
| <i>Tangible fixed assets</i> | Note 15 | 12 441 | 11 650 | 11 910 |
| Participations in associated companies | Note 17 | 2 100 | 1 500 | 1 076 |
| Receivables from associated companies | | 154 | 368 | 201 |
| Other long-term holdings of securities | | 122 | 590 | 278 |
| Other long-term receivables | | 1 315 | 1 146 | 982 |
| <i>Financial fixed assets</i> | Note 18 | 3 691 | 3 604 | 2 537 |
| FIXED ASSETS | | 17 559 | 16 598 | 16 681 |
| <i>Properties held for future development</i> | Note 19 | 899 | 1 154 | 1 870 |
| Materials and inventories | Note 20 | 453 | 428 | 495 |
| Advances to suppliers | | 17 | 15 | 12 |
| <i>Inventories, etc.</i> | | 470 | 443 | 507 |
| Accounts receivable | | 4 605 | 5 460 | 5 291 |
| Current receivables from associated companies | | 102 | 109 | 115 |
| Other current receivables | | 650 | 986 | 784 |
| Prepaid expenses and accrued income | | 450 | 574 | 1 411 |
| <i>Current receivables</i> | | 5 807 | 7 129 | 7 601 |
| <i>Short-term investments</i> | | 2 307 | 1 678 | 1 042 |
| <i>Cash and bank balances</i> | | 1 302 | 1 457 | 1 329 |
| CURRENT ASSETS | | 10 785 | 11 861 | 12 349 |
| TOTAL ASSETS | | 28 344 | 28 459 | 29 030 |

| INTEREST-BEARING/ INTEREST-FREE ASSETS | Dec 31, 1997 | | | Dec 31, 1998 | | | Dec 31, 1999 | | |
|---|------------------|---------------|--------|------------------|---------------|--------|------------------|---------------|--------|
| | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total |
| Financial fixed assets | 1 213 | 2 478 | 3 691 | 1 274 | 2 330 | 3 604 | 918 | 1 619 | 2 537 |
| Current receivables | 199 | 5 608 | 5 807 | 344 | 6 785 | 7 129 | 220 | 7 381 | 7 601 |
| Short-term investments | 2 307 | | 2 307 | 1 669 | 9 | 1 678 | 1 039 | 3 | 1 042 |
| Cash and bank balances | 1 302 | | 1 302 | 1 457 | | 1 457 | 1 329 | | 1 329 |
| Other current and fixed assets | | 15 237 | 15 237 | | 14 591 | 14 591 | | 16 521 | 16 521 |
| <i>Total assets</i> | 5 021 | 23 323 | 28 344 | 4 744 | 23 715 | 28 459 | 3 506 | 25 524 | 29 030 |

CONSOLIDATED BALANCE SHEET

| SHAREHOLDERS' EQUITY AND LIABILITIES, SEK M | | Dec 31, 1997 | Dec 31, 1998 | Dec 31, 1999 |
|--|---------|---------------|---------------|---------------|
| Share capital | Note 21 | 2 711 | 2 711 | 2 711 |
| Restricted reserves | | 4 914 | 5 449 | 3 834 |
| <i>Restricted shareholders' equity</i> | | <i>7 625</i> | <i>8 160</i> | <i>6 545</i> |
| Unrestricted reserves | | 1 785 | 968 | 2 412 |
| Net income/loss for the year | | -173 | 543 | 838 |
| <i>Unrestricted shareholders' equity</i> | | <i>1 612</i> | <i>1 511</i> | <i>3 250</i> |
| SHAREHOLDERS' EQUITY | Note 22 | 9 237 | 9 671 | 9 795 |
| <i>Minority interests</i> | | <i>25</i> | <i>25</i> | <i>30</i> |
| Provisions for pensions and similar obligations | Note 24 | 1 272 | 1 356 | 1 445 |
| Provisions for taxes | Note 25 | 177 | 334 | 513 |
| Other provisions | Note 26 | 794 | 651 | 657 |
| <i>Provisions</i> | | <i>2 243</i> | <i>2 341</i> | <i>2 615</i> |
| Bond loans | | 100 | 201 | |
| Liabilities to credit institutions | Note 27 | 3 126 | 2 051 | 3 868 |
| Liabilities to associated companies | | 216 | 23 | 19 |
| Other liabilities | | 132 | 5 | 11 |
| <i>Long-term liabilities</i> | | <i>3 574</i> | <i>2 280</i> | <i>3 898</i> |
| Liabilities to credit institutions | Note 27 | 4 290 | 4 687 | 3 500 |
| Advances from customers | | 218 | 287 | 119 |
| Project invoicing not yet worked up | | 1 607 | 1 351 | 1 466 |
| Accounts payable | | 3 151 | 3 743 | 3 124 |
| Liabilities to associated companies | | 42 | 26 | 35 |
| Tax liabilities | | 42 | 48 | 193 |
| Other liabilities | | 1 507 | 1 764 | 1 744 |
| Accrued expenses and prepaid revenues | | 2 408 | 2 236 | 2 511 |
| <i>Current liabilities</i> | | <i>13 265</i> | <i>14 142</i> | <i>12 692</i> |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | 28 344 | 28 459 | 29 030 |
| Mortgages and other comparable collateral for own liabilities and provisions | 4 384 | 2 775 | 1 603 | |
| Others assets pledged and comparable collateral | | 247 | 158 | 145 |
| <i>Assets pledged</i> | Note 30 | <i>4 631</i> | <i>2 933</i> | <i>1 748</i> |
| <i>Contingent liabilities</i> | Note 30 | <i>3 284</i> | <i>4 349</i> | <i>5 481</i> |

| INTEREST-BEARING/ INTEREST-FREE LIABILITIES | Dec 31, 1997 | | | Dec 31, 1998 | | | Dec 31, 1999 | | |
|--|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total |
| Note 28 | | | | | | | | | |
| Liabilities to credit institutions | 7 416 | | 7 416 | 6 738 | | 6 738 | 7 368 | | 7 368 |
| Other liabilities | 310 | 9 113 | 9 423 | 323 | 9 361 | 9 684 | 15 | 9 207 | 9 222 |
| Provisions | 1 230 | 1 013 | 2 243 | 1 320 | 1 021 | 2 341 | 1 419 | 1 196 | 2 615 |
| Minority interests | | 25 | 25 | | 25 | 25 | | 30 | 30 |
| Shareholders' equity | | 9 237 | 9 237 | | 9 671 | 9 671 | | 9 795 | 9 795 |
| <i>Total shareholders' equity and liabilities</i> | <i>8 956</i> | <i>19 388</i> | <i>28 344</i> | <i>8 381</i> | <i>20 078</i> | <i>28 459</i> | <i>8 802</i> | <i>20 228</i> | <i>29 030</i> |

CONSOLIDATED CASH FLOW STATEMENT

| SEK M | | 1997 | 1998 | 1999 |
|--|---------|--------|--------|--------|
| Continuing operations | | | | |
| Income/loss after financial items | | -204 | 730 | 1 251 |
| Adjustments for items not included in cash flow | | 765 | 580 | 449 |
| Tax | | -18 | -27 | -189 |
| <i>Cash flow from continuing operations before changes in working capital</i> | | 543 | 1 283 | 1 511 |
| Change in inventories | | -62 | -18 | 63 |
| Change in receivables | | -100 | -969 | 1 156 |
| Change in interest-free liabilities | | -180 | 585 | -2 793 |
| <i>Cash flow from changes in working capital</i> | | -342 | -402 | -1 574 |
| <i>Cash flow from continuing operations</i> | | 201 | 881 | -63 |
| Investment operations | | | | |
| Acquisition of subsidiaries | Note 34 | 924 | -25 | -654 |
| Sale of subsidiaries | Note 34 | 913 | 10 | 6 |
| Change in properties held for resale, net | | 407 | -612 | -646 |
| Acquisition of buildings and land | Note 34 | -2 384 | -1 414 | -1 489 |
| Sale of buildings and land | | 5 129 | 2 483 | 2 323 |
| Acquisition of other financial fixed assets | | -577 | -525 | -180 |
| Sale of other financial fixed assets | | 106 | 305 | 679 |
| Acquisition of other fixed assets | Note 34 | -563 | -577 | -703 |
| Sale of other fixed assets | | 67 | 66 | 122 |
| <i>Cash flow from investment operations</i> | | 4 022 | -289 | -542 |
| <i>Cash flow before financing</i> | | 4 223 | 592 | -605 |
| Financing operations | | | | |
| Change in interest-bearing current liabilities | | 331 | 417 | -1 435 |
| Long-term loans raised | | -3 409 | 105 | 3 238 |
| Amortization of debt | | 879 | -1 376 | -2 022 |
| Dividend paid | | -120 | -163 | -271 |
| Change in long-term receivables | | -937 | -45 | 331 |
| Change in minority interests, etc. | | -8 | -4 | |
| <i>Cash flow from financing operations</i> | | -3 264 | -1 066 | -159 |
| <i>Cash flow during the year, incl. exchange-rate differences on liquid assets</i> | | 959 | -474 | -764 |
| <i>Liquid assets on January 1</i> | | 2 650 | 3 609 | 3 135 |
| <i>Liquid assets on December 31</i> | | 3 609 | 3 135 | 2 371 |

PARENT COMPANY INCOME STATEMENT

| SEK M | | 1997 | 1998 | 1999 |
|--|---------|--------|---------|---------|
| Net sales | Note 1 | 10 379 | 14 948 | 16 251 |
| Production and management costs | Note 2 | -9 573 | -13 706 | -14 896 |
| <i>Gross income</i> | | 806 | 1 242 | 1 355 |
| Selling and administrative expenses | | -1 010 | -1 382 | -1 496 |
| Result from sales of properties | Note 3 | 2 | 12 | 133 |
| Merger costs | | -415 | | |
| <i>Operating income/loss</i> | Note 6 | -617 | -128 | -8 |
| Result from participations in group companies | Note 8 | 405 | -427 | 947 |
| Result from participations in associated companies | Note 4 | -151 | 22 | 91 |
| Result from other financial fixed assets | Note 9 | 6 | -10 | 45 |
| Result from financial current assets | Note 10 | 105 | 128 | 119 |
| Interest expense and similar items | Note 11 | -108 | -250 | -18 |
| <i>Income/loss after financial items</i> | Note 12 | -360 | -665 | 1 176 |
| Appropriations | Note 23 | 181 | 5 | -81 |
| Tax on net income for the year | Note 25 | 4 | -7 | -3 |
| Net income/loss for the year | | -175 | -667 | 1 092 |

PARENT COMPANY BALANCE SHEET

| ASSETS, SEK M | | Dec 31, 1997 | Dec 31, 1998 | Dec 31, 1999 |
|---|---------|---------------|---------------|---------------|
| Buildings and land | Note 14 | 216 | 247 | 244 |
| New construction in progress | | 2 | 8 | 22 |
| Machinery and equipment | | 266 | 515 | 511 |
| <i>Tangible fixed assets</i> | Note 15 | 484 | 770 | 777 |
| Participations in Group companies | Note 16 | 11 053 | 9 178 | 9 008 |
| Receivables from Group companies | | 554 | 1 000 | 781 |
| Participations in associated companies | Note 17 | 776 | 615 | 204 |
| Receivables from associated companies | | 67 | 154 | 157 |
| Other long-term holdings of securities | | 41 | 461 | 151 |
| Other long-term receivables | | 53 | 8 | 10 |
| <i>Financial fixed assets</i> | Note 18 | 12 544 | 11 416 | 10 311 |
| FIXED ASSETS | | 13 028 | 12 186 | 11 088 |
| <i>Properties held for future development</i> | Note 19 | 393 | 397 | 400 |
| <i>Inventories etc.</i> | Note 20 | 20 | 31 | 32 |
| Accounts receivable | | 1 695 | 2 731 | 2 648 |
| Receivables from Group companies | | 1 457 | 881 | 1 326 |
| Receivables from associated companies | | 7 | 4 | 21 |
| Other receivables | | 191 | 177 | 183 |
| Prepaid expenses and accrued income | | 92 | 206 | 328 |
| <i>Current receivables</i> | | 3 442 | 3 999 | 4 506 |
| <i>Short-term investments</i> | | 685 | 1 135 | 2 998 |
| <i>Cash and bank balances</i> | | 468 | 1 103 | 733 |
| CURRENT ASSETS | | 5 008 | 6 665 | 8 669 |
| TOTAL ASSETS | | 18 036 | 18 851 | 19 757 |

| INTEREST-BEARING/ INTEREST-FREE ASSETS | Dec 31, 1997 | | | Dec 31, 1998 | | | Dec 31, 1999 | | |
|---|----------------------|-------------------|--------|----------------------|-------------------|--------|----------------------|-------------------|--------|
| | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total | Interest- bearing | Interest- free | Total |
| Financial fixed assets | 248 | 12 296 | 12 544 | 610 | 10 806 | 11 416 | 327 | 9 984 | 10 311 |
| Current receivables | 962 | 2 480 | 3 442 | 275 | 3 724 | 3 999 | 619 | 3 887 | 4 506 |
| Short-term investments at NCC's internal bank | 685 | | 685 | 1 135 | | 1 135 | 2 998 | | 2 998 |
| Cash and bank balances, NCC's internal bank | 325 | | 325 | 738 | | 738 | 385 | | 385 |
| Cash and bank balances, other | 143 | | 143 | 365 | | 365 | 348 | | 348 |
| Other current and fixed assets | | 897 | 897 | | 1 198 | 1 198 | | 1 209 | 1 209 |
| <i>Total assets</i> | 2 363 | 15 673 | 18 036 | 3 123 | 15 728 | 18 851 | 4 677 | 15 080 | 19 757 |

PARENT COMPANY BALANCE SHEET

| SHAREHOLDERS' EQUITY AND LIABILITIES, SEK M | | Dec 31, 1997 | Dec 31, 1998 | Dec 31, 1999 |
|---|---------|---------------|---------------|---------------|
| Share capital (108 435 822 shares) | Note 21 | 2 711 | 2 711 | 2 711 |
| Legal reserve | | 1 639 | 1 639 | 1 639 |
| Premium reserve | | 1 751 | 1 751 | |
| <i>Restricted shareholders' equity</i> | | <i>6 101</i> | <i>6 101</i> | <i>4 350</i> |
| Retained earnings or loss | | 2 277 | 1 808 | 2 383 |
| Net income/loss for the year | | -175 | -667 | 1 092 |
| <i>Unrestricted shareholders' equity</i> | | <i>2 102</i> | <i>1 141</i> | <i>3 475</i> |
| SHAREHOLDERS' EQUITY | | 8 203 | 7 242 | 7 825 |
| <i>Untaxed reserves</i> | | <i>27</i> | <i>22</i> | <i>103</i> |
| Provisions for pensions and similar obligations | Note 24 | 1 204 | 1 293 | 1 391 |
| Other provisions | Note 26 | 169 | 162 | 145 |
| <i>Provisions</i> | | <i>1 373</i> | <i>1 455</i> | <i>1 536</i> |
| Bond loans | | 100 | 201 | |
| Liabilities to credit institutions | Note 27 | 54 | 52 | 50 |
| Liabilities to Group companies | | 3 444 | 3 943 | 4 375 |
| Liabilities to associated companies | | 207 | | |
| Other liabilities | | | 16 | 34 |
| <i>Long-term liabilities</i> | | <i>3 805</i> | <i>4 212</i> | <i>4 459</i> |
| Liabilities to credit institutions | Note 27 | | 14 | |
| Advances from customers | | 67 | 119 | 71 |
| Work in progress on the account of others | Note 29 | 1 459 | 2 101 | 1 996 |
| Accounts payable | | 1 077 | 1 823 | 1 675 |
| Liabilities to Group companies | | 493 | 478 | 474 |
| Liabilities to associated companies | | 6 | 8 | 3 |
| Tax liabilities | | 2 | 11 | 3 |
| Other liabilities | | 549 | 438 | 606 |
| Accrued expenses and prepaid revenues | | 975 | 928 | 1 006 |
| <i>Current liabilities</i> | | <i>4 628</i> | <i>5 920</i> | <i>5 834</i> |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | 18 036 | 18 851 | 19 757 |
| Mortgages and other comparable collateral for own liabilities and allocations | 61 | 57 | 71 | |
| Others assets pledged and comparable collateral | | 87 | 176 | 176 |
| <i>Assets pledged</i> | | <i>148</i> | <i>233</i> | <i>247</i> |
| <i>Contingent liabilities</i> | | <i>8 399</i> | <i>10 000</i> | <i>13 347</i> |

| INTEREST-BEARING/ INTEREST-FREE LIABILITIES | Dec 31, 1997 | | | Dec 31, 1998 | | | Dec 31, 1999 | | |
|--|------------------|---------------|---------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total | Interest-bearing | Interest-free | Total |
| Liabilities to credit institutions | 54 | | 54 | 66 | | 66 | 50 | | 50 |
| Other liabilities | 1 230 | 7 149 | 8 379 | 1 750 | 8 316 | 10 066 | 2 301 | 7 942 | 10 243 |
| Provisions | 1 204 | 169 | 1 373 | 1 293 | 162 | 1 455 | 1 391 | 145 | 1 536 |
| Shareholders' equity and untaxed reserves | | 8 230 | 8 230 | 7 264 | 7 264 | | 7 928 | 7 928 | |
| <i>Total shareholders' equity and liabilities</i> | <i>2 488</i> | <i>15 548</i> | <i>18 036</i> | <i>3 109</i> | <i>15 742</i> | <i>18 851</i> | <i>3 742</i> | <i>16 015</i> | <i>19 757</i> |

PARENT COMPANY CASH FLOW STATEMENT

| SEK M | | 1997 | 1998 | 1999 |
|---|---------|--------|-------|--------|
| Continuing operations | | | | |
| Income/loss after financial items | | -360 | -665 | 1 176 |
| Adjustments for items not included in cash flow | | 526 | 789 | 966 |
| Tax | | 4 | -28 | -11 |
| <i>Cash flow from continuing operations before changes in working capital</i> | | 170 | 96 | 2 131 |
| Change in inventories | | -6 | -11 | -1 |
| Change in receivables | | -1 034 | -10 | -264 |
| Change in interest-free liabilities | | 652 | 523 | -182 |
| Change in net work in progress | | -142 | 642 | -105 |
| <i>Cash flow from changes in working capital</i> | | -530 | 1 144 | -552 |
| <i>Cash flow from continuing operations</i> | | -360 | 1 240 | 1 579 |
| Investment operations | | | | |
| Acquisition of subsidiaries | Note 34 | -445 | -86 | -1 589 |
| Sale of subsidiaries | Note 34 | 1 002 | 341 | 168 |
| Change in properties held for resale, net | | -166 | -110 | -11 |
| Acquisition of buildings and land | Note 34 | -2 | -49 | -8 |
| Sale of buildings and land | | 1 | 48 | |
| Acquisition of other financial fixed assets | | 10 | 242 | -28 |
| Sale of other financial fixed assets | | -4 | 197 | 423 |
| Acquisition of other fixed assets | Note 34 | -145 | -266 | -200 |
| Sale of other fixed assets | | 4 | 60 | 37 |
| <i>Cash flow from investment operations</i> | | 255 | 377 | -1 208 |
| <i>Cash flow before financing</i> | | -105 | 1 617 | 371 |
| Financing operations | | | | |
| Change in interest-bearing current liabilities | | 104 | -3 | 228 |
| Long-term loans raised | | 565 | 122 | 1 184 |
| Amortization of debt | | -16 | | -287 |
| Dividend paid | | -120 | -163 | -271 |
| Change in long-term receivables | | -156 | -488 | 268 |
| <i>Cash flow from financing operations</i> | | 377 | -532 | 1 122 |
| <i>Cash flow during the year</i> | | 272 | 1 085 | 1 493 |
| <i>Liquid assets on January 1</i> | Note 34 | 881 | 1 153 | 2 238 |
| <i>Liquid assets on December 31</i> | Note 34 | 1 153 | 2 238 | 3 731 |

ACCOUNTING PRINCIPLES

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

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

A characteristic of the purchase method is that assets and liabilities are entered at market value, after taking deferred tax into account, in accordance with an established acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the computed market value of the subsidiary's net assets, the difference is entered as consolidated goodwill.

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

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

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

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

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

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

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

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

The acquisition cost of goodwill related to the acquisition of NCC Norway is depreciated according to plan at a rate of 10 percent annually. The acquired goodwill in NCC Finland and NCC Denmark, including Superfos Constructing wich was acquired during the year, is depreciated according to plan at a rate of 5 percent annually. These depreciation periods have been chosen because the acquisitions were part of NCC's Nordic strategy and are long term, because the acquired companies have strong market positions and market and because technical conditions were assessed to be such that the economic life of the acquisitions should be at last 10 and 20 years, respectively.

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

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

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

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

Receivables and liabilities in foreign currency: In accordance with the recommendation of the Swedish Financial Standards Council, receivables and liabilities in foreign currencies have been translated at the rate prevailing at year-end. For the years used for comparison, the difference between the acquisition value and the year-end value has been added to/charged against income. Unrealized exchange-rate gains on long-term receivables and liabilities have been reported as a foreign exchange reserve among untaxed reserves. The change during the year is reported as an appropriation in the Parent Company's accounts. As of 1999, NCC complies with the Financial Accounting Standards Council's Recommendation No. 8 ("Reporting of effects of changed exchange rates").

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

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

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

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

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

Building and land are divided into the following categories:

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

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

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

The acquisition value of properties includes:

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

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

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

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

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

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

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

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

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

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

Real Estate business area – Real Estate development: Revenues and expenses (excluding interest payments) attributable to the balance sheet items investments in progress and properties held for future develop-

ment are reported under the heading Real estate development. The term also includes results from other real estate projects, such as land sold together with an assignment to construct a building on the land sold.

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

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

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

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

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

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

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

1) Income recognition on completion.

The advantage of percentage of completion method is that accounts more rapidly provide information on the trend of earnings. However, percentage of completion gives rise to one disadvantage. Unforeseen events may result in the final profit being higher or lower than the company expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or those that extend over a long period. Accordingly, the earnings reported by construction companies in the future may fluctuate more extensively compared with the past. Considered over a longer time perspective, however, the average profit resulting from the two accounting methods should concur.

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

Parent Company – work in progress in contracting operations:

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

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

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

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

Deferred tax liability: The deferred tax liability is calculated on the basis of the anticipated tax rate for the following year in the countries concerned. When calculating the size of the tax liability, tax loss carry forwards in the same country are taken into account. The fact that the consolidated accounts include provisions and write-downs for which it has not yet been possible to make tax claims is also taken into account. In connection with changes in tax rates, the change in the tax liability is reported in the tax cost for the year.

Leasing and rental agreements: The total acquisition value of financial car-leasing agreements entered into in 1997 until 1999 amounted to approximately SEK 122 m. (92). Reporting of these contracts in accordance with the Financial Accounting Standards Council's recommendation would give rise to considerable additional work and would not affect assessments of the Group's earnings and financial position.

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

Group contributions and shareholder contributions in the Parent Company have been reported in accordance with the principles

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

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

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

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

If the ABV acquisition were reported in accordance with the main rule and not with the transitional rule stated in the Financial Accounting Standards Council's recommendation, the balance sheet effects at December 31, 1999 would have been an increase of SEK 482 m. (543) in reported goodwill, an increase of SEK 197 m. (214) in the reported deferred tax liability and an increase of SEK 285 m. (328) in reported shareholders' equity. The Group's net income for 1999 would have decreased by SEK 43 m. (53), due to increases in amortization of goodwill by SEK 60 m. (60) and deferred tax revenues of SEK 17 m. (7). This corresponds to a negative amount of SEK 0.40 (neg: 0.49) per share.

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

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

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

All information reported under the business areas is computed on a pro forma basis in accordance with the above.

EXCHANGE RATES

| Country | SEK | Currency | Average exchange rate | | | Year-end rate | | |
|-----------------|-----|----------|-----------------------|-------------------|--------|---------------|----------------|--------|
| | | | 1997 | Jan – Dec 1998 | 1999 | 1997 | Dec 31 1998 | 1999 |
| Belgium | 100 | BEF | 21.34 | 21.93 | 21.83 | 21.31 | 23.43 | 21.25 |
| Cyprus | 1 | CYP | 14.93 | 15.41 | 15.23 | 15.02 | 16.33 | 14.80 |
| Denmark | 100 | DKK | 115.61 | 118.81 | 118.45 | 115.45 | 127.15 | 115.05 |
| Finland | 100 | FIM | 147.14 | 148.92 | 148.13 | 145.30 | 159.18 | 143.98 |
| The Netherlands | 100 | NLG | 391.34 | 401.39 | 399.67 | 390.25 | 428.92 | 388.52 |
| Norway | 100 | NOK | 108.00 | 105.38 | 105.99 | 107.20 | 106.03 | 105.95 |
| Great Britain | 1 | GBP | 12.50 | 13.17 | 13.37 | 13.12 | 13.60 | 13.68 |
| Germany | 100 | DEM | 440.42 | 452.46 | 450.33 | 439.75 | 483.41 | 437.69 |

COMMENTS AND NOTES

Amounts in SEK M., unless otherwise specified.

NOTE 1 NET SALES

| Operating sectors | Group | | | Parent Company | | |
|---|---------------|---------------|---------------|----------------|---------------|---------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Construction operations (Parent Company): | | | | | | |
| Invoicing for the year | | | | 10 277 | 17 605 | 18 336 |
| Invoiced but not recognized as income on January 1 | | | | 7 923 | 7 895 | 13 951 |
| Invoiced but not recognized as income on January 1 (opening balance transferred from SIAB AB) | | | | | 3 313 | |
| Less: Invoiced but not recognized as income on December 31 | | | | -7 895 | -13 951 | -16 121 |
| Total revenues in construction operations | | | | 10 305 | 14 862 | 16 166 |
| Civil Engineering | 10 152 | 11 078 | 12 289 | 4 717 | 5 888 | 6 515 |
| Housing | 1 530 | 2 365 | 3 797 | 436 | 1 140 | 1 334 |
| Building | 14 540 | 17 603 | 17 376 | 5 300 | 8 060 | 8 518 |
| Industry | 2 491 | 2 998 | 4 508 | 554 | 863 | 896 |
| Elimination | -1 797 | -2 123 | -2 447 | -702 | -1 089 | -1 097 |
| Total revenues in Construction Operations | 26 916 | 31 921 | 35 523 | 10 305 | 14 862 | 16 166 |
| Real estate operations: | | | | | | |
| Rental revenues, etc | 1 228 | 871 | 788 | | | |
| Other invoicing | 351 | 345 | 177 | | | |
| Interest subsidies | 55 | 15 | 12 | | | |
| Total revenues in real estate operations | 1 634 | 1 231 | 977 | | | |
| Invest | 1 339 | 1 486 | 1 643 | 1 | 1 | 1 |
| Others and eliminations | -308 | -478 | -683 | 73 | 85 | 84 |
| Total other revenues | 1 031 | 1 008 | 960 | 74 | 86 | 85 |
| Total net sales | 29 581 | 34 160 | 37 460 | 10 379 | 14 948 | 16 251 |

Geographic markets

| | | | | | | |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Sweden | 18 047 | 20 596 | 21 772 | 10 379 | 14 948 | 16 251 |
| Denmark | 4 056 | 4 363 | 6 155 | | | |
| Finland | 2 734 | 3 388 | 3 541 | | | |
| Other EU countries | 776 | 1 237 | 1 646 | | | |
| Norway | 3 221 | 4 100 | 3 723 | | | |
| Eastern Europe | 234 | 85 | 387 | | | |
| Russia | 222 | 207 | 129 | | | |
| Middle East | 34 | 19 | 50 | | | |
| South America | 88 | 87 | | | | |
| Rest of world | 169 | 78 | 57 | | | |
| Total net sales | 29 581 | 34 160 | 37 460 | 10 379 | 14 948 | 16 251 |

Intra-Group purchases and sales

Of the Parent Company total purchases and sales measured in terms of SEK, transactions with other Group companies accounted for 12 percent of purchases and 4.6 percent of sales.

NOTE 2 PRODUCTION AND MANAGEMENT COSTS

| Production and management costs, excl. property tax | Group | | | Parent Company | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Property tax | -58 | -42 | -36 | -1 | -3 | -1 |
| Total production and management costs | -26 631 | -30 832 | -33 446 | -9 573 | -13 706 | -14 896 |

NOTE 3 RESULT FROM SALES OF PROPERTIES

| Sales value less sales expenses | Group | | | Parent Company | | |
|--|------------|------------|------------|----------------|-----------|------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Book value | -6 301 | -2 243 | -2 166 | -15 | -36 | -86 |
| Result from sales of properties | -74 | 323 | 163 | 2 | 12 | 133 |

NOTE 4 RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

| Group | 1997 | 1997 | 1998 | 1998 | 1999 | 1999 |
|---|------------------------|------------|------------------------|-------------|------------------------|-----------|
| | Real estate operations | Others | Real estate operations | Others | Real estate operations | Others |
| Participation in results of associated companies | 23 | -9 | 57 | -166 | 43 | 56 |
| Capital gains/loss on sales of participations | 8 | -2 | | | | |
| Write-downs | | | -57 | -2 | -81 | -6 |
| Reversal of write-downs | 6 | | 10 | | 54 | |
| Total result from participations in associated companies | 37 | -11 | 10 | -168 | 16 | 50 |

The amounts above include SEK 0.1 M. in earnings from associated companies. The equity accounting method is not used for these associated companies because they are of minor importance to providing an accurate picture.

| Parent Company | 1997 | 1997 | 1998 | 1998 | 1999 | 1999 |
|---|------------------------|-------------|------------------------|-------------|------------------------|-----------|
| | Real estate operations | Others | Real estate operations | Others | Real estate operations | Others |
| Dividend | | 3 | 6 | 4 | | 7 |
| Capital gains/loss on sales | | | 195 | | | 90 |
| Write-down | | -154 | | -183 | | -6 |
| Total result from participations in associated companies | | -151 | 201 | -179 | | 91 |

NOTE 5 RESULT FROM SALES OF PARTICIPATIONS IN GROUP COMPANIES

| Group | 1997 | 1998 | 1999 |
|-----------------------|--------------------------------------|----------|----------|
| | Real estate managing Group companies | 1 | |
| Other Group companies | 104 | 1 | 7 |
| Total | 105 | 1 | 7 |

NOTE 6 OPERATING INCOME

| Operating sectors | Group | | | Parent Company | | |
|--|------------|--------------|--------------|----------------|-------------|------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Civil Engineering | 32 | 102 | 98 | -11 | 62 | 112 |
| Housing | 32 | 23 | 144 | -64 | 31 | 144 |
| Building | 78 | 214 | 243 | -89 | 215 | 106 |
| Industry | 243 | 320 | 433 | 37 | 134 | 112 |
| Construction operations | 385 | 659 | 918 | -127 | 442 | 474 |
| Real Estate business area | 477 | 879 | 616 | | | |
| Invest | 57 | -236 | 136 | -18 | -29 | -20 |
| Merger costs | -449 | | | -415 | | |
| Others and eliminations | -200 | -201 | -306 | -57 | -541 | -462 |
| Total operating income/loss | 270 | 1 101 | 1 364 | -617 | -128 | -8 |
| Operating income includes depreciation in an amount of | -651 | -678 | -857 | -120 | -201 | -217 |
| Income includes acquisition costs. | | | | | | |

NOTE 7 RESULT FROM SALES OF PARTICIPATIONS IN ASSOCIATED COMPANIES

| Group | 1997 | 1997 | 1998 | 1998 | 1999 | 1999 |
|---------------|------------------------|--------|------------------------|-----------|------------------------|-----------|
| | Real estate operations | Others | Real estate operations | Others | Real estate operations | Others |
| Capital gains | | | 173 | 21 | 47 | 98 |
| Total | | | 173 | 21 | 47 | 98 |

COMMENTS AND NOTES

Amounts in SEK M., unless otherwise specified.

NOTE 8 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

| Parent Company | 1997 | 1997 | 1998 | 1998 | 1999 | 1999 |
|--|------------------------|--------|------------------------|--------|------------------------|--------|
| | Real estate operations | Others | Real estate operations | Others | Real estate operations | Others |
| Dividend | | | | 630 | | 2 992 |
| Group contributions | | 213 | | | | |
| Capital gain/loss on sales | 152 | 87 | | -1 018 | | 311 |
| Write-downs | | -47 | | -39 | | -2 356 |
| <i>Total result from participations in Group companies</i> | 152 | 253 | | -427 | | 947 |

NOTE 9 RESULT FROM OTHER FINANCIAL FIXED ASSETS

| | Group | | | Parent Company | | |
|---|-------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Dividends received | 2 | 2 | 16 | | | 16 |
| Interest income, Group companies | | | | 2 | 18 | 13 |
| Interest income, others | 16 | 69 | 52 | 1 | 4 | 2 |
| Exchange-rate differences | 2 | | | | | |
| Capital gain on sales | 5 | 6 | 85 | 4 | 6 | 14 |
| Write-downs | -2 | -49 | -2 | -1 | -38 | |
| <i>Total result from other financial fixed assets</i> | 23 | 28 | 151 | 6 | -10 | 45 |

NOTE 10 RESULT FROM OTHER FINANCIAL CURRENT ASSETS

| | Group | | | Parent Company | | |
|---|-------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Interest income, Group companies | | | | 82 | 106 | 96 |
| Interest income, others | 164 | 162 | 212 | 23 | 22 | 23 |
| <i>Total result from financial current assets</i> | 164 | 162 | 212 | 105 | 128 | 119 |

NOTE 11 INTEREST EXPENSE AND SIMILAR ITEMS

| | Group | | | Parent Company | | |
|---|-------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Interest expense, Group companies | | | | -60 | -66 | -120 |
| Interest expense, others | -688 | -575 | -589 | -52 | -83 | -71 |
| Capitalization of interest expense | 27 | 23 | 34 | | | |
| Exchange-rate differences, etc. | | -9 | 79 | 4 | -101 | 173 |
| <i>Total interest expense and similar items</i> | -661 | -561 | -476 | -108 | -250 | -18 |

NOTE 12 RESULTAT EFTER FINANSIELLA POSTER

| Operating sector | Group | | | Parent Company | | |
|--|-------|------|-------|----------------|-------|-------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Civil Engineering | 122 | 159 | 144 | 117 | 209 | 131 |
| Housing | 22 | 8 | 106 | -69 | 20 | 225 |
| Building | 125 | 252 | 279 | -83 | 218 | 111 |
| Industry | 196 | 275 | 327 | 121 | 237 | 162 |
| <i>Construction operations</i> | 465 | 694 | 856 | 86 | 684 | 629 |
| Real Estate | -107 | 436 | 402 | | | |
| Invest | 68 | -229 | 236 | -61 | -196 | 126 |
| Merger costs | -449 | | | -415 | | |
| Others and eliminations | -181 | -171 | -243 | 30 | -1153 | 421 |
| <i>Total income/loss after net financial items</i> | -204 | 730 | 1 251 | -360 | -665 | 1 176 |

Income includes acquisition costs.

NOTE 13 INTANGIBLE FIXED ASSETS

| | Group | | | Parent Company | | |
|---|------------|-----------|-------|----------------|-----------|-------|
| | Usu-fructs | Good-will | Other | Usu-fructs | Good-will | Other |
| On January 1 | 26 | 1 547 | 27 | | | 1 |
| New acquisitions | | 942 | 6 | | | |
| Divestment and scrappage | | -4 | -6 | | | |
| Reclassifications | 9 | 205 | | | | |
| Translation difference | | -65 | -2 | | | |
| <i>Closing accumulated acquisition value</i> | 35 | 2 625 | 25 | | | 1 |
| Opening depreciation according to plan | -6 | -234 | -16 | | | -1 |
| Divestment and scrappage | | | 6 | | | |
| Reclassifications | | -51 | | | | |
| Translation differens during the year | | 3 | | | | |
| Depreciation according to plan during the year | | -150 | -3 | | | |
| <i>Closing accumulated depreciation according to plan</i> | -6 | -432 | -13 | | | -1 |
| <i>Closing planned residual value</i> | 29 | 2 193 | 12 | | | 0 |

NOTE 14 BUILDINGS AND LAND

| | Group | | | Parent Company | | |
|--|--------|-------|-------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Managed properties | 8 526 | 7 557 | 5 950 | 51 | 70 | 43 |
| Properties used in operations | 488 | 479 | 723 | 165 | 177 | 201 |
| Properties held for future development | 1 248 | 1 114 | 1 318 | | | |
| <i>Total buildings and land</i> | 10 262 | 9 150 | 7 991 | 216 | 247 | 244 |

NOTE 15 TANGIBLE FIXED ASSETS

| Group | Managed properties | Properties used in operat. | Prop. held for future develop. | Machin-ery and Equipm. | New construction in progress | Total |
|--|--------------------|----------------------------|--------------------------------|------------------------|------------------------------|--------|
| | | | | | | |
| New acquisitions | 85 | 311 | 544 | 1 188 | 1 302 | 3 430 |
| Divestment and scrappage | -1 989 | -21 | -125 | -186 | -265 | -2 586 |
| Reclassifications | 176 | 19 | -143 | 127 | -75 | 104 |
| Translation difference | -53 | -17 | -206 | -87 | -2 | -365 |
| <i>Closing accumulated acquisition value¹⁾</i> | 8 576 | 948 | 1 794 | 5 496 | 1 921 | 18 735 |
| Opening depreciation and write-downs | -2 841 | -181 | -610 | -3 014 | 99 | -6 547 |
| Through acquired companies | | | | -20 | | -20 |
| Divestment and scrappage | 206 | 5 | 7 | 91 | | 309 |
| Reclassifications | -2 | -25 | 3 | -46 | | -70 |
| Translation difference during the year | 6 | 3 | 132 | 41 | -77 | 105 |
| Reversal of write-downs | 167 | | | | 15 | 182 |
| Depreciation and write-downs during the year | -203 | -31 | -8 | -587 | | -829 |
| <i>Closing accumulated depreciation and write-downs²⁾</i> | -2 667 | -229 | -476 | -3 535 | 37 | -6 870 |
| Opening write-ups | 41 | 4 | | | | 45 |
| <i>Closing accumulated write-ups, net</i> | 41 | 4 | | | | 45 |
| <i>Closing planned residual value</i> | 5 950 | 723 | 1 318 | 1 961 | 1 958 | 11 910 |

1) The acquisition value includes capitalized interest in an amount of 238 and 38
2) Accumulated write-downs at year-end -1 338 and -393

| | | | | | | |
|-----------------------------------|-------|-----|-----|--|--|-------|
| Tax assessment value | 2 886 | 591 | 332 | | | 3 809 |
| Book value of properties assigned | 4 259 | 551 | 367 | | | 5 177 |

Cont.

Amounts in SEK M., unless otherwise specified.

CONT. NOTE 15 TANGIBLE FIXED ASSETS

| Parent Company | Managed properties | Properties used in operat. | Prop. held for future develop. | Machin-ery and Equipm. | New construction in progress | Total |
|---|--------------------|----------------------------|--------------------------------|------------------------|------------------------------|---------------|
| On January 1 | 83 | 228 | | 1 636 | 7 | 1 954 |
| New acquisitions | | 4 | | 222 | 26 | 252 |
| Divestment and scrappage | | | | -196 | | -196 |
| Transfer within NCC Group | | -8 | | | | -8 |
| Reclassifications | -23 | 34 | | 4 | -12 | 3 |
| Closing accumulated acquisition value | 60 | 259 | | 1 665 | 21 | 2 005 |
| Opening depreciation according to plan | -13 | -37 | | -1 121 | | -1 171 |
| Divestment and scrappage | | | | 176 | | 176 |
| Reclassifications | | | | -3 | | -3 |
| Depreciation according to plan during the year | -4 | -7 | | -207 | | -217 |
| Closing accumulated depreciation according to plan | -17 | -43 | | -1 154 | | -1 215 |
| Opening write-ups | | | | | 1 | 1 |
| Closing accumulated write-ups, net | | | | | 1 | 1 |
| Opening write-downs of acquisition value | | -14 | | | | -14 |
| Closing accumulated write-downs | | -14 | | | | -14 |
| Closing planned residual value | 43 | 201 | | 511 | 22 | 777 |
| Tax assessment value | | 204 | 256 | | | 460 |
| Book value of properties assigned tax assessment value | | 198 | 400 | | | 598 |

NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

| Parent Company Company, Registered no., Registered office | Share- holding, % ¹⁾ | No. of Participat. ²⁾ | Book value |
|--|------------------------------------|-------------------------------------|---------------|
| Real estate companies: | | | |
| NCC Fastigheter AB, 556080-5631, Solna | 100 | 84 | 4 017 |
| Total participations in real estate companies | | | 4 017 |
| Other companies: | | | |
| Alsike Utvecklings AB, 556245-9452, Uppsala | 100 | 16 | 2 |
| Ballast Nord AB, 556109-8954, Umeå | 100 | 1 | 6 |
| Ballast Stockholm AB, 556078-3515, Stockholm | 100 | | |
| Ballast Syd AB, 556137-8893, Lund | 100 | 3 | 5 |
| Ballast Väst AB, 556181-6496, Gothenburg | 100 | 3 | 19 |
| Ballast Öst AB, 556063-6697, Linköping | 100 | 8 | 3 |
| Bergnäs Ställningsmontage i Luleå AB, 556393-2838, Luleå | 100 | 1 | 6 |
| Binab i Stockholm AB, 556050-6130, Solna | 100 | 1 | 5 |
| Bitumenemulsion i Norden AB, 556487-8741, Stockholm | 60 | 1 | |
| Bostads AB Vågkarlen, 556420-5036, Uppsala | 100 | 1 | |
| Carl von Linnés Bygg & Fastighetsservice AB, 556064-8551, Kristinehamn | 100 | 1 | |
| Cressida AB, 556085-2468, Solna | 100 | 100 | 10 |
| Drevviken Fastighetsbolag, KB, 916623-1804, Stockholm | 100 | | |
| Fastighetsbolaget Fair Fyrtiotre KB, 916630-7455, Solna | 100 | | |
| Fastighetsbolaget Fiskvik HB, 916671-2704, Enköping | 100 | | |
| Fogden i Täby AB, 556058-2115, Täby | 80 | | |
| Frichs A/S, 154.466, Copenhagen | 100 | 2 | |
| Frösunda Exploatering AB, 556430-1876, Solna | 100 | | |
| Frösunda Exploatering KB, 916636-6451, Stockholm | 100 | | 1 |
| Förvaltnings AB Kojan, 556459-6988, Norrköping | 100 | 1 | |
| Hercules Grundläggning, 556129-9800, Stockholm | 100 | 196 | 59 |
| H-tec Service i Eskilstuna AB, 556453-3072, Eskilstuna | 100 | 50 | 10 |
| JCC Johnson Construction Company AB, 556113-5251, Solna | 100 | 1 | |
| Jordskorpan Väst AB, 556171-7058, Halmstad | 100 | 10 | 1 |
| Kasper Höglund AB, 556009-9433, Solna | 100 | 11 | 1 |
| Kompri HB, 916765-5738, Malmö | 75 | | 2 |
| Kvidinge Stenkross AB, 556090-5332, Åstorp | 100 | 5 | 4 |
| Käppala Bergbyggare HB, 969611-7390, Stockholm | 60 | | |
| Lava Leasing AB, 556308-2139, Solna | 100 | 660 | 3 |
| Linder & Antonsson Byggnads AB, 556099-5614, Gothenburg | 100 | 1 | 2 |
| Luzern AB, 556336-4727, Lund | 100 | 1 | 3 |

Cont.

CONT. NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

| | Share- holding, % ¹⁾ | No. of Participat. ²⁾ | Book value |
|--|------------------------------------|-------------------------------------|---------------|
| Magenta Mäleri AB, 556174-4078, Uppsala | 100 | 3 | 5 |
| Metodbyggen AB, 556085-3243, Stockholm | 100 | 2 | 3 |
| Mobile Aspahit SIA, 0003 222 930, Latvia | 67 | 6 | 3 |
| NCC Allemansfond AB i likv., 556136-3978, Solna | 100 | 3 | |
| NCC Bygg A/S, 959 606 803, Norway | 100 | 7 | 85 |
| NCC Danmark A/S, 103.707, Denmark | 100 | 10 | 1 666 |
| NCC Finans AB, 556223-6371, Solna | 100 | 60 | 75 |
| NCC Finland OY, 0988855-2, Finland | 100 | 2 | 372 |
| NCC Flygpendeln AB, 556302-3307, Solna | 100 | 1 | |
| NCC Försäkrings AB Norden, 516401-8151, Solna | 100 | 500 | 74 |
| NCC GmbH, HRB 7808, Germany | 100 | | 1 |
| NCC Industri Eesti, 10 489 226, Estonia | 100 | | |
| NCC Industri Latvia SIA, 40 003 250 537, Latvia | 100 | 1 | |
| NCC Industri Polska, 810-821-432, Poland | 100 | 10 | 9 |
| NCC Industri UAB, UI98-264, Latvia | 100 | | |
| NCC Industries AB, 556001-8276, Solna | 100 | 15 | 107 |
| NCC Industry Ltd, 000 11 55, Russia | 100 | | |
| NCC International AB, 556033-5100, Solna | 100 | 501 | 307 |
| NCC Invest BV, 33263925, the Netherlands | 100 | | 58 |
| NCC Leasing Alfa AB, 556522-7724, Solna | 100 | 1 | |
| NCC Leasing Beta AB, 556559-4610, Solna | 100 | 1 | |
| NCC Nordic Construction Company AB, 556065-8949, Solna | 100 | 3 809 | 1 018 |
| NCC Norge A/S, 911274426, Norway | 100 | 11 731 | 780 |
| NCC Perspektiva Ltd, 84308, Russia | 56 | | 5 |
| NCC Polska Sp. Z o.o., 851-10-27-240, Poland | 100 | 65 | 23 |
| NCC Reinsurance AG, Schweiz, 020.3.003.243-9, Switzerland | 100 | 3 | 77 |
| NCC Siab Immobilien GmbH, HRB 59164, Germany | 100 | | 7 |
| NCC Specialforetag AB, 556144-6732, Solna | 100 | 275 | 33 |
| NCC Treasury AB, 556030-7091, Solna | 100 | 120 | 17 |
| Nico Water & Services Cyprus Ltd, 42 263, Cyprus | 100 | 10 | |
| Nils P Lundh AB, 556062-7795, Malmö | 100 | 1 | |
| Nordfräs AB, 556515-2690, Stockholm | 100 | 4 | 1 |
| Nordic Invest Cyprus Ltd, 40505, Cyprus | 100 | 250 | 3 |
| Norske Siab A/S, 918 355 367, Norway | 100 | 5 | 1 |
| NVS Nordiska Värme Sana AB, 556053-6194, Malmö | 100 | 100 | 69 |
| Nybergs Entreprenad AB, 556222-1845, 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 | 1 |
| R.Å.D i Sverige AB, 556439-1307, Stockholm | 94 | 21 | 5 |
| Renopie AB, 556305-1991, Solna | 100 | 1 | 1 |
| Robur Industri & Bostadskredit AB, 556145-1856, Uppsala | 100 | 1 | |
| Siab Byggen AB (fd Remusa AB), 556200-8978, Borlänge | 100 | 1 | |
| Siab Trading AB, 556104-9932, Stockholm | 100 | 2 | 1 |
| Skene Bygg AB, 556083-0316, Mark | 100 | 1 | |
| Skurups Fjärrvärme AB, 556578-3312, Solna | 100 | 1 | |
| Sundsvalls Ställnings AB, 556077-3847, Sundsvall | 100 | | 8 |
| Svappavaara Åker och Byggnads AB, 556111-3712, Kiruna | 100 | 4 | 3 |
| Svenska Fräs och Asfallsäterving AB, 556214-7354, Markaryd | 80 | 4 | 5 |
| Svenska Industribyggen AB, 556087-2508, Stockholm | 100 | 1 | |
| Umeå Markplanering AB, 556195-2226, Umeå | 100 | 2 | 1 |
| Westerholm & Co AB, 556218-5396, Solna | 100 | 1 | 1 |
| Vindelbrinken AB, 556547-5638, Gothenburg | 100 | 1 | |
| Vägmästarna i Bergslagen AB, 556408-1437, Solna | 100 | 3 | 10 |

Total participations in other companies 4 991
Total participations in Group companies 9 008

Only directly owned subsidiaries are specified. The number of indirectly owned subsidiaries is 186. A complete specification may be ordered from NCC AB.

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

COMMENTS AND NOTES

Amounts in SEK M., unless otherwise specified.

NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

| Company, Registered no., Registered office | Share-holding % ¹⁾ | No. of particip. ²⁾ | Parent Co. Book value | Group Book value |
|---|-------------------------------|--------------------------------|-----------------------|------------------|
| Aabenraa Granit I/S, 225121, Denmark | 50 | | | 1 |
| Algon GmbH, HRB 4923, Germany | 50 | | | 6 |
| Ankaret Invest SA, 526.209, Belgium | 50 | 5 000 | | 9 |
| A-Train AB, 556500-3745, Stockholm | 44 | 22 143 | 176 | 145 |
| Betonelement A/S, 202.624, Denmark | 50 | | | 53 |
| Betongfabriken i Eskilstuna KB, 969639-5145, Eskilstuna | 50 | 100 | | 1 |
| Björnö Mark KB, 916638-1419, Täby | 50 | | 1 | 1 |
| CJP GmbH, HRB 5056, Germany | 50 | | | 5 |
| Dalkarlen Byggnads AB, 556329-5251, Norrköping | 50 | | | 1 |
| Ejendomsinteressentskabet Tüborg Nord B, 225.802, Denmark | 15 | | | 41 |
| Eskilstuna Betong AB, 556061-9826, Eskilstuna | 50 | | | 2 |
| Fabriksbetong AB, 556065-0599, Norrköping | 50 | | 1 | 1 |
| Fastighets AB Strömstaden, 556051-7202, Norrköping | 35 | 2 | 2 | 2 |
| Fastighets AB Vreten i Västerås, 556417-3952, Västerås | 33 | | | 2 |
| Fastighetsbolaget Mulön AB, 556541-4546, Luleå | 36 | 14 | 1 | 1 |
| Gladöcrossen HB, 969615-7917, Uppsala | 50 | | | 4 |
| Góra Kamienista Sp. Zoo, 8 842 139 234, Poland | 49 | | | 4 |
| Gräslöken nr 1 KB, 916444-6586, Gothenburg | 50 | | | 12 |
| HB Norslundfastigheter, 916464-2309, Solna | 50 | | | 4 |
| HB Ran Förvaltning, 916766-5224, Malmö | 50 | | | 7 |
| Holmenbyggarna Byggnads AB & Co KB, 916693-1783, Norrköping | 50 | | | 53 |
| Holst Shipping Agency I/S, 225.113, Denmark | 50 | | | 1 |
| I/S Ejendommen Hylkedalsvej, 229.142, Denmark | 50 | 1 | | 3 |
| Junebyggen Byggnads AB Piltten, 916701-5651, Jönköping | 50 | | | 4 |
| Järnvägsparken HB, 916618-3310, Norrtälje | 49 | | | 4 |
| Kiinteistö Oy Aallonpelto, 0616543-9, Finland | 50 | | | 5 |
| Kiinteistö Oy Stella Parkki, 1537772-4, Finland | 19 | | | 12 |
| Kiinteistö Oy Tarvonlinna, 0746077-1, Finland | 50 | | | 3 |
| Kiinteistö Oy Tarvonvieri, 0701118-3, Finland | 50 | | | 11 |
| Kiruna Grus & Stenförädling AB, 556074-8237, Kiruna | 45 | | | 33 |
| Kvillebacken i Göteborg nr 1 KB, 916444-2403, Gothenburg | 50 | | | 3 |

Cont.

CONT. NOTE 17 PARTICIPATIONS IN ASSOCIATED COMPANIES

| Company, Registered no., Registered office | Share-holding % ¹⁾ | No. of particip. ²⁾ | Parent Co. Book value | Group Book value |
|---|-------------------------------|--------------------------------|-----------------------|------------------|
| Kvillebacken nr 2 KB, 916559-4228, Gothenburg | 50 | | | 2 |
| Plovleje Aps, 051.137, Denmark | 25 | | | 1 |
| Projektformidling Nord A/S, 191.726, Denmark | 46 | | | 4 |
| Puls AB, 556379-1259, Malmö | 50 | 1 | 8 | 4 |
| Pääkaupunkiseudun Rakennusjäte Oy, Finland | 33 | | | 3 |
| Rydbokrossen HB, 916609-3956, Solna | 50 | | | 1 |
| Råstof og Genanvendelse Selskabet af 1990 A/S, 197.776, Denmark | 50 | | | 77 |
| S:t Jörgenbyggarna, HB, 916850-9090, Gothenburg | 50 | | 1 | 1 |
| Scanstone GMBH, HRB 128, Germany | 50 | | 2 | 2 |
| Schalbenweg KG, , Germany | 6 | | | 16 |
| Sicione SA, A-48265169, Spain | 31 | 1 125 | | 118 |
| Sollentuna Centrum Fastighets AB, 556393-1046, Sollentuna | 50 | | | -5 |
| Stien Pol, 8 840 007 586, Poland | 45 | | | 2 |
| Storvreta Centrum HB, 916514-6029, Uppsala | 47 | | | 12 |
| Superfos Fedga UAB, 1080175, Latvia | 43 | | | 10 |
| Söderby Park Fastigheter HB, 916630-4817, Stockholm | 50 | | | 19 |
| Talter AS, 10.114.029, Estonia | 49 | | 4 | 6 |
| Tasfil Estland AS, 10.146.727, Estonia | 42 | 1 | 2 | 3 |
| Uminova Fastighets AB, 556269-4728, Umeå | 50 | | | 5 |
| Vallatie Oy, 323.470, Finland | 50 | | | 25 |
| Vasaterminalen AB, 556118-8722, Stockholm | 33 | | | 331 |
| Västerbottens Byggbetong AB, 556072-7876, Umeå | 37 | 30 | 5 | 0 |
| Återvinnarna i Sverige AB, 556560-7883, Stockholm | 33 | 7 | 1 | 1 |
| Osthammarskrossen KB, 916673-1365, Uppsala | 50 | | | 2 |
| Others 72 companies ³⁾ | | | | 2 |
| <i>Group participations in associated companies</i> | | | 204 | 1076 |

Undistributed accumulated participations in the income 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 -144 M.
1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.
3) Including companies consolidated in the balance sheet and income statement in accordance with the proportional method.
A complete specification may be ordered from NCC AB.

NOTE 18 FINANCIAL FIXED ASSETS

| Group | Participations in associated companies | Receivables associated companies | Other long-term securities | Other receivables | Total |
|--|--|----------------------------------|----------------------------|-------------------|--------|
| Acquisition value on January 1 | 1 823 | 368 | 654 | 1 146 | 3 991 |
| Assets added | 183 | 37 | 69 | 627 | 916 |
| Assets removed | -641 | -204 | -168 | -879 | -1 892 |
| Reclassifications | -48 | | -173 | 88 | -73 |
| Translation difference during the year | -37 | | -1 | | -38 |
| <i>Closing accumulated acquisition value</i> | 1 280 | 201 | 441 | 982 | 2 904 |
| Opening write-downs of acquisition value | -323 | | -64 | | -387 |
| Assets removed | 46 | | | | 46 |
| Write-downs during the year | -87 | | | | -87 |
| Reversal of write-downs | 54 | | | | 54 |
| Reclassifications | 99 | | -99 | | 0 |
| Translation difference during the year | 7 | | | | 7 |
| <i>Closing accumulated write-downs</i> | -204 | | -163 | | -367 |
| <i>Closing planned residual value</i> | 1 076 | 201 | 278 | 982 | 2 537 |
| The securities above include: | | Book value | Market value | | |
| Neptune Maritime Abp | | 143 | 131 | | |
| OM-gruppen | | 3 | 5 | | |
| Realia Fastighets AB | | 49 | 47 | | |
| Oyrane Eiendom AS | | 2 | 2 | | |
| Other unlisted shares | | 81 | | | |

Cont.

Amounts in SEK M., unless otherwise specified.

CONT. NOTE 18 FINANCIAL FIXED ASSETS

| 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 | 9 647 | 1 000 | 866 | 154 | 508 | 8 | 12 183 |
| Assets added | 2 800 | 70 | 15 | 3 | | 2 | 2 890 |
| Reclassifications | -60 | | -666 | | 256 | | -470 |
| Assets removed | -554 | -291 | -4 | | -491 | | -1 340 |
| Translation difference during the year | | 2 | | | | | 2 |
| <i>Closing accumulated acquisition value</i> | <i>11 833</i> | <i>781</i> | <i>211</i> | <i>157</i> | <i>273</i> | <i>10</i> | <i>13 265</i> |
| Opening write-downs of acquisition value | -469 | | -251 | | -47 | | -767 |
| Reclassifications | | | 250 | | -250 | | 0 |
| Assets removed | | | | | 175 | | 175 |
| Write-downs during the year | -2 356 | | -6 | | | | -2 362 |
| <i>Closing accumulated write-downs</i> | <i>-2 825</i> | | <i>-7</i> | | <i>-122</i> | | <i>-2 954</i> |
| <i>Closing planned residual value</i> | <i>9 008</i> | <i>781</i> | <i>204</i> | <i>157</i> | <i>151</i> | <i>10</i> | <i>10 311</i> |

NOTE 19 PROPERTIES HELD FOR FUTURE DEVELOPMENT

| | Group | | | Parent Company | | |
|--|------------|--------------|--------------|----------------|------------|------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Properties held for future development, buildings and land | 802 | 1075 | 1849 | 393 | 397 | 400 |
| Ongoing investments in properties held for future development | 97 | 79 | 21 | | | |
| <i>Total properties held for future development</i> | <i>899</i> | <i>1 154</i> | <i>1 870</i> | <i>393</i> | <i>397</i> | <i>400</i> |
| Buildings and land | | | | | | |
| On January 1 | 299 | 811 | 1 083 | 237 | 395 | 400 |
| New acquisitions | 805 | 528 | 1 221 | 178 | 142 | 142 |
| Through acquired companies | | | 379 | | | |
| Divestment and scrappage | -260 | -275 | -749 | -20 | -114 | -134 |
| Reclassifications | -12 | -23 | -4 | | -23 | -4 |
| Translation difference | -21 | 42 | -72 | | | |
| <i>Closing accumulated acquisition value¹⁾</i> | <i>811</i> | <i>1083</i> | <i>1 858</i> | <i>395</i> | <i>400</i> | <i>404</i> |
| Opening depreciation and write-downs | -7 | -9 | -8 | -5 | -2 | -3 |
| Divestment and scrappage | 23 | 2 | | 3 | | |
| Through acquired companies | -27 | -1 | | | -1 | |
| Reclassifications | | | | | | |
| Translation difference during the year | 2 | | | | | |
| Reversal of write-downs | | | | | | |
| Write-downs and depreciation according to plan during the year | | | -1 | | | -1 |
| <i>Closing accumulated depreciation and write-downs²⁾</i> | <i>-9</i> | <i>-8</i> | <i>-9</i> | <i>-2</i> | <i>-3</i> | <i>-4</i> |
| <i>Closing planned residual value</i> | <i>802</i> | <i>1075</i> | <i>1 849</i> | <i>393</i> | <i>397</i> | <i>400</i> |
| 1) Acquisition values include capitalized interest in an amount of | 6 | 6 | 10 | 6 | 6 | 10 |
| 2) Accumulated write-downs at year-end | -9 | -8 | -9 | -2 | -2 | -4 |
| <i>Tax assessment value</i> | <i>263</i> | <i>289</i> | <i>277</i> | <i>233</i> | <i>255</i> | <i>256</i> |
| <i>Book value of properties assigned tax assessment values</i> | | | <i>523</i> | | | <i>400</i> |

NOTE 20 MATERIALS- AND INVENTORIES

| | Group | | | Parent Company | | |
|--|------------|------------|------------|----------------|-----------|-----------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Crushed products | 179 | 188 | 280 | | | |
| Building materials | 218 | 209 | 169 | | | |
| Other | 56 | 31 | 46 | 20 | 31 | 32 |
| <i>Total materials and inventories</i> | <i>453</i> | <i>428</i> | <i>495</i> | <i>20</i> | <i>31</i> | <i>32</i> |

NOTE 21 SHARE CAPITAL

The share capital is divided into 108,435,822 shares with a par value of SEK 25 each. They are distributed as follows by class of shares:

| | Series A shares | Series B shares | Total |
|--------------|-----------------|-----------------|-------------|
| Unrestricted | 63 111 682 | 45 324 140 | 108 435 822 |

Each Series A share entitles the holder to ten votes and each Series B share to one vote.

| Changes in share capital | Number of shares | Share capital, SEK M |
|---|------------------|----------------------|
| 1988 Start of year | 6 720 000 | 672 |
| Split 1:4 | 20 160 000 | - |
| Directed placement, in connection with the acquisition of ABV | 16 259 454 | 407 |
| 1991 Conversions of debentures | 1 449 111 | 36 |
| 1993 Conversions of debentures | 468 928 | 11 |
| Directed placement in connection with purchase of minority-held NK shares | 1 838 437 | 46 |
| 1994 New issue | 19 841 991 | 496 |
| Conversion of debentures | 13 394 804 | 335 |
| 1997 Directed placement, in connection with acquisition of SIAB | 28 303 097 | 708 |
| 1999 Year-end | 108 435 822 | 2 711 |

NOTE 22 SHAREHOLDERS' EQUITY

| Group | Restricted equity | | Unrestricted equity | |
|--|-------------------|--------------|---------------------|------------|
| | Share- | Re- | Unre- | Net |
| | capital | stricted | stricted | income/ |
| | reserves | reserver | reserver | loss |
| Balance on Dec 31, 1998 | 2 711 | 5 449 | 968 ³⁾ | 543 |
| Transfer between unrestricted and restricted capital | | -1 546 | 1 546 | |
| Dividend | | | -678 | |
| Translation differences, etc. | | -69 | 33 | |
| Other profit allocations | | | 543 | -543 |
| Net income for the year | | | | 838 |
| <i>Closing balance on Dec 31, 1999</i> | <i>2 711</i> | <i>3 834</i> | <i>2 412</i> | <i>838</i> |

Cont.

COMMENTS AND NOTES

Amounts in SEK M., unless otherwise specified.

CONT. NOTE 22 SHAREHOLDERS' EQUITY

| Parent Company | Restricted equity | | | Unrestricted equity | |
|---|-------------------|---------------|------------------|---------------------|-----------------|
| | Share-capital | Legal reserve | Pre-mium reserve | Retained earnings | Net income/loss |
| Balance on Dec 31, 1998 | 2 711 | 1 639 | 1 751 | 1 808 | -667 |
| New issue | | | | | |
| Dividend ¹⁾ | | | | -678 | |
| Write-down of premium reserve ¹⁾ | | | -1 751 | 1 751 | |
| Other profit allocations | | | | -667 | 667 |
| Group contributions granted ²⁾ | | | | 169 | |
| Net income/loss for the year | | | | | 1 092 |
| Closing balance on Dec 31, 1999 | 2 711 | 1 639 | 0 | 2 383 | 1 092 |

1) In accordance with an Annual General Meeting decision and a verdict from Solna District Court.
2) In accordance with a statement from the Financial Accounting Standards Council's Urgent Issues Committee, however, the tax effect was not taken into account. See the Reporting of Group contributions section of the accounting principles, pages 76-78.
3) Cash dividend 271
Hufvudstaden shares 407
Total dividend 678

NOTE 23 UNTAXED RESERVES AND APPROPRIATIONS

| Parent Company | Untaxed reserves | | | Appropriations | | |
|--|------------------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Accumulated depreciation in excess of plan | | | | | | |
| - buildings and land | 21 | 20 | 20 | 2 | 1 | |
| - machinery and equipment | 1 | 1 | 1 | 30 | | |
| Foreign exchange reserve | 4 | | | -4 | 4 | |
| Other untaxed reserves | | | | | | |
| Reserve for obsolescence in work in progress | 1 | 1 | 82 | 153 | | -81 |
| Total untaxed reserves and appropriations | 27 | 22 | 103 | 181 | 5 | -81 |

NOTE 24 PROVISIONS FOR PENSIONS

| Parent Company | Group | | | Parent Company | | |
|---------------------------------|-------|-------|-------|----------------|-------|-------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Provisions for FPG/PRI pensions | 1 186 | 1 298 | 1 398 | 1 160 | 1 272 | 1 369 |
| Provisions for other pensions | 86 | 58 | 47 | 44 | 21 | 22 |
| Total provisions for pensions | 1 272 | 1 356 | 1 445 | 1 204 | 1 293 | 1 391 |

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

| Parent Company | Group | | | Parent Company | | |
|--|-------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Deferred tax due to different principles for computing revenues from contracting assignments when reported by the Group and by other legal entities in the Group | 294 | 445 | 532 | | | |
| Other taxes | -117 | -111 | -19 | | | |
| Total provisions for taxes | 177 | 334 | 513 | | | |
| Swedish income tax | -6 | -8 | -87 | | | |
| Foreign tax | -12 | -23 | -103 | 4 | -7 | -3 |
| Total Group tax, excl. deferred tax and shares in associated companies | -18 | -31 | -190 | 4 | -7 | -3 |
| Deferred tax | 74 | -140 | -208 | | | |
| Shares in taxes of associated companies | -21 | -13 | -10 | | | |
| Total tax on net income for the year | 35 | -184 | -408 | 4 | -7 | -3 |

During 1993-1998, the NCC Group invested in jointly owned aircraft-leasing companies. The investments made for 1997 have been scrutinized by the tax authorities, which during 1999 rejected a tax deduction for depreciation. The tax authorities have also imposed a tax surcharge. These decisions will be appealed.

NOTE 26 OTHER PROVISIONS

| Parent Company | Group | | | Parent Company | | |
|------------------------|-------|------|------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Guarantees | 206 | 191 | 176 | 24 | 91 | 85 |
| Other provisions | 588 | 460 | 481 | 145 | 71 | 60 |
| Total other provisions | 794 | 651 | 657 | 169 | 162 | 145 |

NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS

| Parent Company | Group | | | Parent Company | | |
|--|-------|-------|-------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Overdraft facility (Limit) | 48 | 22 | 136 | | | 14 |
| (Limit) | (248) | (30) | (312) | | | (14) |
| Other liabilities to credit institutions | 7 368 | 6 716 | 7 232 | 54 | 52 | 50 |
| Total liabilities to credit institutions | 7 416 | 6 738 | 7 368 | 54 | 66 | 50 |
| Pledged collateral | 4 384 | 2 775 | 1 631 | 61 | 57 | 53 |

NOTE 28 INTEREST-BEARING LIABILITIES

| Group | 1997 | | 1998 | | 1999 | |
|--|------------|-------|--------|-------|--------|-------|
| | Amount | SEK M | Amount | SEK M | Amount | SEK M |
| Current interest-bearing liabilities | 4 383 | | 4 801 | | 3 505 | |
| Long-term interest-bearing liabilities | 3 343 | | 2 260 | | 3 878 | |
| Provisions for pensions | 1 230 | | 1 320 | | 1 419 | |
| Total interest-bearing liabilities | 8 956 | | 8 381 | | 8 802 | |
| Swedish kronor | MSEK 4 837 | 4 837 | 4 069 | 4 069 | 4 191 | 4 191 |
| Pounds sterling | MGBP 41 | 537 | 28 | 382 | 26 | 355 |
| German marks | MDEM 124 | 544 | 247 | 1 196 | 48 | 212 |
| Norwegian kronor | MNOK 1 048 | 1 124 | 451 | 478 | 406 | 430 |
| Danish kronor | MDKK 727 | 842 | 638 | 811 | 2 229 | 2 564 |
| Belgian francs | MBEF 2 222 | 475 | 2 715 | 636 | 873 | 186 |
| Finnish mark | MFIM 379 | 551 | 459 | 730 | 180 | 259 |
| Euro | MEUR | 46 | | 79 | 65 | 560 |
| Other currencies | | | | | | 45 |
| Total | | 8 956 | | 8 381 | | 8 802 |
| Of which, current liabilities | | 4 383 | | 4 801 | | 3 505 |
| Total long-term liabilities | | 4 573 | | 3 580 | | 5 297 |
| Repayment plan | 1999 | 1 407 | 2000 | 823 | 2001 | 1 001 |
| | 2000 | 828 | 2001 | 743 | 2002 | 902 |
| | 2001 | 633 | 2002 | 93 | 2003 | 654 |
| | 2002 | 109 | 2003 | 334 | 2004 | 832 |
| | 2003- | 1 596 | 2004- | 1 587 | 2005- | 1 908 |
| Total long-term liabilities | | 4 573 | | 3 580 | | 5 297 |

NOTE 29 WORK IN PROGRESS ON THE ACCOUNT OF OTHERS

| Parent Company | 1997 | 1998 | 1999 |
|---|--------|---------|---------|
| Invoiced sales | 7 895 | 13 951 | 16 121 |
| Costs incurred | -6 436 | -11 850 | -14 125 |
| Total work in progress on the account of others | 1 459 | 2 101 | 1 996 |

NOTE 30 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

| Parent Company | Group | | | Parent Company | | |
|--------------------------------|-------|-------|-------|----------------|------|------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Pledged collateral | | | | | | |
| For own liabilities: | | | | | | |
| Property mortgages | 3 822 | 1 975 | 1 475 | 10 | 10 | 10 |
| Chattel mortgages | 93 | 448 | 27 | | | |
| Assets with attached liens | 127 | 55 | 82 | 51 | 47 | 43 |
| Restricted bank deposits | 342 | 297 | 19 | | | 18 |
| Total | 4 384 | 2 775 | 1 603 | 61 | 57 | 71 |
| Other pledged collateral: | | | | | | |
| Shares in associated companies | 247 | 158 | 145 | 87 | 176 | 176 |
| Total | 247 | 158 | 145 | 87 | 176 | 176 |
| Total pledged collateral | 4 631 | 2 933 | 1 748 | 148 | 233 | 247 |

Amounts in SEK M., unless otherwise specified.

CONT. NOTE 30 OTHER PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

| | Group | | | Parent Company | | |
|--|--------------|--------------|---------------------|----------------|---------------|---------------|
| | 1997 | 1998 | 1999 | 1997 | 1998 | 1999 |
| Contingent liabilities | | | | | | |
| Own contingent liabilities: | | | | | | |
| Guarantees on behalf of Group companies | | | | 7 937 | 9 166 | 11 069 |
| Other guarantee and contingent liabilities | 1 102 | 1 422 | 3 878 ¹⁾ | 329 | 669 | 2 193 |
| Held jointly with other companies: | | | | | | |
| Liabilities in consortiums, partnerships and limited partnership | 2 182 | 2 927 | 1 603 | 133 | 165 | 85 |
| Total contingent liabilities | 3 284 | 4 349 | 5 481 | 8 399 | 10 000 | 13 347 |

1) The item other guarantees and contingent liabilities includes SEK 158 M. relating to the negative effects of a reassessment by the tax authorities of NCC's income tax returns for 1997. The authorities rejected a capital loss of SEK 565 M. on sales of shares. The increased taxable amount corresponds to a tax demand of SEK 158 M. NCC is of the opinion that the tax authorities will be unable to pursue this matter successfully in a court of law.

Other guarantees and contingent liabilities also include tax demands from German tax authorities. The main basis for these claims is that the tax authorities have ignored the fact that the properties are owned by Dutch companies, applying a so-called transparency rationale. Since NCC is of the opinion that the tax authorities will be unable to pursue this matter successfully in a court of law, no provision is deemed to be necessary for this liability. The tax demand amounts to SEK 227 M.

NOTE 31 AVERAGE NUMBER OF EMPLOYEES

| | 1997 | 1997 | 1998 | 1998 | 1999 | 1999 |
|------------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| | Total no. of employee | Of whom men | Total no. of employee | Of whom men | Total no. of employee | Of whom men |
| Parent Company | | | | | | |
| Sweden | 10 261 | 9 666 | 11 202 | 10 521 | 11 328 | 10 658 |
| Subsidiaries | | | | | | |
| Sweden | 3 399 | 3 019 | 2 991 | 2 618 | 3 118 | 2 845 |
| Belgium | 10 | 6 | 10 | 7 | 10 | 8 |
| Costa Rica | 9 | 9 | 3 | 3 | 2 | 2 |
| Denmark | 2 639 | 572 | 2 648 | 2 398 | 4 512 | 4 124 |
| Estonia | | | 14 | 10 | 14 | 13 |
| Finland | 1 634 | 1 422 | 1 814 | 1 597 | 1 967 | 1 740 |
| India | 16 | 16 | | | | |
| Latvia | 16 | 15 | 93 | 92 | 95 | 93 |
| Lithuania | | | 45 | 43 | 70 | 65 |
| The Netherlands | 1 | | 1 | | 1 | |
| Norway | 1 601 | 1 488 | 2 059 | 1 971 | 2 235 | 2 080 |
| Poland | 48 | 43 | 51 | 45 | 101 | 84 |
| Russia | 19 | 18 | 166 | 144 | 121 | 105 |
| Saudi Arabia | 38 | 38 | 14 | 14 | 3 | 3 |
| United Kingdom | 2 | 1 | | | | |
| Germany | 580 | 580 | 525 | 466 | 539 | 475 |
| Hungary | 10 | 8 | 9 | 6 | 6 | 4 |
| Total in subsidiaries | 10 022 | 7 235 | 10 443 | 9 414 | 12 794 | 11 641 |
| Group total | 20 283 | 16 901 | 21 645 | 19 935 | 24 122 | 22 299 |

NOTE 32 WAGES, SALARIES AND OTHER REMUNERATION

| | 1997 | | | 1998 | | | 1999 | | |
|--|--|--------------------------|-------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|
| | Board of Directors and presidents (of which bonuses) | Other employees | Total | Board of Directors and presidents (of which bonuses) | Other employees | Total | Board of Directors and presidents (of which bonuses) | Other employees | Total |
| Parent Company | | | | | | | | | |
| Sweden | 6 | 2 590 | 2 596 | 9 | 3 362 | 3 371 | 10 | 3 168 | 3 178 |
| Total in Parent Company | 6 | 2 590 | 2 596 | 9 | 3 362 | 3 371 | 10 | 3 168 | 3 178 |
| (of which bonuses) | (1) | | (1) | (2) | | (2) | (2,7) | | (2,7) |
| Subsidiaries | | | | | | | | | |
| Sweden | 14 | 805 | 819 | 13 | 733 | 746 | 13 | 799 | 812 |
| (of which bonuses) | (1) | | (1) | (1) | | (1) | (1,3) | | (1,3) |
| Belgium | 1 | 3 | 4 | 1 | 3 | 4 | 1 | 3 | 4 |
| Costa Rica | | | | | 3 | 3 | | | |
| Denmark | 12 | 891 | 903 | 20 | 1 076 | 1 096 | 15 | 1 526 | 1 541 |
| Finland | 4 | 370 | 374 | 5 | 455 | 460 | 6 | 479 | 485 |
| Estonia | | | | | 2 | 2 | | 1 | 1 |
| India | | 3 | 3 | | | | | | |
| Latvia | | | | | 6 | 6 | | 6 | 6 |
| Lithuania | | | | | 2 | 2 | | 3 | 3 |
| The Netherlands | 1 | | 1 | | | | | | |
| Norway | 5 | 560 | 565 | 5 | 591 | 596 | 2 | 741 | 743 |
| (of which bonuses) | | | | | | | (0,3) | | (0,3) |
| Poland | | 6 | 6 | 1 | 5 | 6 | 1 | 7 | 8 |
| (of which bonuses) | | | | | | | (0,2) | | (0,2) |
| Russia | | 9 | 9 | | 7 | 7 | | 6 | 6 |
| Saudi Arabia | | 6 | 6 | | 3 | 3 | | | |
| United Kingdom | | 1 | 1 | | | | | | |
| Germany | 3 | 123 | 126 | 3 | 133 | 136 | 1 | 162 | 163 |
| (of which bonuses) | (2) | | (2) | (1) | | (1) | (0,4) | | (0,4) |
| Hungary | | 3 | 3 | | | | | 2 | 2 |
| Total in subsidiaries | 40 | 2 780 | 2 820 | 48 | 3 019 | 3 067 | 39 | 3 735 | 3 774 |
| (of which bonuses) | (3) | | (3) | (2) | | (2) | (2,2) | | (2,2) |
| Group total | 46 | 5 370 | 5 416 | 57 | 6 381 | 6 438 | 49 | 6 903 | 6 952 |
| (of which bonuses) | (4) | | (4) | (4) | | (4) | (4,9) | | (4,9) |
| | | | | | | | | | |
| | | 1997 | | | 1998 | | | 1999 | |
| Wages, salaries, other remuneration and social security expenses | Wages, salaries and other remuneration | Social security expenses | Of which pensions costs | Wages, salaries and other remuneration | Social security expenses | Of which pensions costs* | Wages, salaries and other remuneration | Social security expenses | Of which pensions costs* |
| Parent Company | 2 596 | 1 089 | 152 | 3 371 | 1 479 | 177 | 3 178 | 1 334 | 194 |
| Subsidiaries | 2 820 | 666 | 184 | 3 067 | 647 | 166 | 3 774 | 828 | 233 |
| Group total | 5 416 | 1 755 | 336 | 6 438 | 2 126 | 343 | 6 952 | 2 162 | 427 |

*) Of the Parent Company's pensions costs, the Board of Directors and President category accounts for SEK 2 M. (2). The Company's outstanding pension commitments to these persons amounts to SEK 54 M. (47). The stated pension costs are reported net after compensation from the pension foundation. Of the Group's pensions costs, Boards of Directors and Presidents account for SEK 8 M. (6). The Group's outstanding pension commitments to these persons amounts to SEK 83 M. (74). The stated pension costs are reported net after compensation from the pension foundation.

Cont.

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Imagine. Reflect. Innovate. Or just see things from a new perspective. Innovativeness is a key concept in our operations. And this applies to everything, from our business conduct to how we organize our work, design our services and run our R&D activities.

Our focus on innovativeness reflects our ambition of being at the leading edge of development in our sector. But it also reflects a change of direction for the entire Group. NCC has switched from being a traditional construction and real estate company to a development-intensive service company that focuses on profitable growth in a mature sector with the help of our special methods for problem solving and our new approach to professional roles and working processes. As is the case for all service companies, intellectual resources play a major role in the value-creation process.

NCC's business model is based on the aim of being active throughout the value chain from project concept to final sale. This demands considerable innovativeness, which is why development activity is intense throughout the Group. Innovative capital is our most valuable asset, since it is the foundation for our future profitability.

NCC – the Innovators

