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NCC discontinues NCC Complete development project

NCC is discontinuing NCC Komplet (NCC Complete), the development project involving the industrialized construction of apartment blocks. The change will affect 200 employees in Hallstahammar and Solna. The discontinuation will result in costs and additional losses, for which about SEK 300 million will be charged against fourth-quarter earnings.

The project is being discontinued because it will not be possible to attain the anticipated cost reductions based on this production method.

In September 2002, NCC started its efforts to find a completely new manufacturing process for the construction of apartment blocks. In May 2006, a completely new, partly patented, construction system was presented under the name NCC Komplet (NCC Complete). The system was inspired by the engineering industry.

“NCC’s initiative, based on industrialized residential construction in a factory, was important to NCC and to the entire construction industry. The aim of NCC Complete was to radically reduce construction costs for apartment blocks. This is currently not adjudged to be possible, since it is more difficult, takes longer and costs more than initially expected. However, the project has provided us with essential knowledge, which in turns gives us important competitive benefits for the future. NCC has invested or incurred costs totaling slightly more than SEK 1 billion for this project,” says NCC’s Chief Executive Officer, Olle Ehrlén.

At an unscheduled Board meeting held on November 21, the NCC Board of Directors decided to commission NCC’s management to initiate trade union negotiations in order to commence the discontinuation of NCC Complete. As a result of this decision, the operations in Hallstahammar will be discontinued in stages up to May 2008, when the final modules will leave the factory.

Notice regarding the lay off of all 200 employees has been sent to the County Labor Board. “In the months ahead, we will help those who have become redundant to find new jobs. We believe that it will be possible to offer about half of these other positions within NCC. With the help of external partners, we will also help those who cannot be offered continued employment within NCC,” says Olle Ehrlén.

NCC Complete is one of several initiatives that NCC has taken to reduce construction costs. “Our other initiatives are developing well, such as international purchasing, new forms of cooperation and technical platforms. Now we can focus on transferring all the valuable

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knowledge, in terms of both personnel and our processes, to other industrial development areas within NCC,” explains Olle Ehrlén.

Up to summer 2008, NCC will build a total of about 300 apartments in 16 apartment blocks with the NCC Complete construction system. The production of apartment blocks that is under way in Järfälla, Råcksta and Brandholmen will be finalized. Other orders for buildings will be completed on site, following agreement with the customers.

The NCC Group’s earnings for January September 2007 were charged with SEK 342 million for the NCC Complete initiative, of which SEK 155 million was charged against the third quarter. SEK 300 million will be charged against the fourth quarter. This amount comprises operating and discontinuation costs of about SEK 300 million and impairment of assets totaling some SEK 200 million, which will be partially offset by a reversal of provisions in an amount of approximately SEK 200 million. No additional losses are expected during 2008.

Also refer to the appended financial specification of net sales and operating profit, in which NCC Complete is reported separately.

Negotiations with the local trade unions of SIF and IF Metall have been initiated. Negotiations have also been initiated with Ledarna and SI.

Meeting with the press

The media are invited to a meeting at Hallstahammar on 10.30 a.m. today, November 22. Tomas Carlsson, President of NCC Construction Sweden, and Fredrik Anheim, President of NCC Komponent, will be participating.
Location: Rallstavägen 76, NCC’s factory in Hallstahammar.

Teleconference with media and capital market representatives

A teleconference with media and capital market representatives will be held at 1 p.m. NCC’s representatives will be Chief Executive Officer Olle Ehrlén, Chief Financial Officer Ann-Sofie Danielsson and Senior Vice President Corporate Communications Annica Gerentz.

Call the conference telephone number **+46 (0)8 5052 0110** and state “NCC” when asked. Please call five minutes in advance of this time. The presentation will be held in Swedish.

For further information, please contact:

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All of NCC’s press releases are available on www.ncc.info

NCC is one of the leading construction and property development companies in the Nordic region. NCC had in 2006 sales of SEK 56 billion, with 22,000 employees.

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