Annual Report 2016

NCC

NCC Annual Report 2016
Contents

The formal Annual Accounts, which have been signed by the Board of Directors and examined by the auditors, are pages 46–98.

"We will renew our industry providing superior sustainable solutions."

Cash flow before financing

1,050 SEK M

Orders received

56,506 SEK M

Return on equity

23%

Operating profit

1,453 SEK M

Net sales

52,934 SEK M

Key figures above pertain to remaining operations in NCC, excluding Bonava.

COVER
Aarhus: Library and Municipal Building at Aarhus Harbor – completed in 2016.

NCC in brief

NCC is one of the leading Nordic construction and property development companies. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction and accounts for paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

BUSINESS CONCEPT – RESPONSIBLE ENTERPRISE

NCC develops and builds future environments for working, living and communication. Supported by the company's values, NCC and its customers jointly identify needs-based, cost-effective and high-quality solutions that generate added value for all of NCC's stakeholders and contribute to sustainable social development.

VISION

We will renew our industry providing superior sustainable solutions.

CORE VALUES

The company's values and Code of Conduct function as the backbone for the way NCC works and operates. Together, they also serve as a compass for how employees are to conduct themselves and act in everyday situations, and provide guidance when decisions have to be made.

- **HONESTY**
- **RESPECT**
- **TRUST**
- **PIONEERING SPIRIT**

NCC's market

The Nordic construction market generated sales of SEK 1,352 billion (1,226) in 2016. NCC is one of the largest players, with a market share of 4 percent.

The Nordic construction market is national, highly fragmented and characterized by intense local competition. In local markets, NCC competes with thousands of small building contractors. Large-scale civil engineering projects in the Nordic region are often procured in the face of international competition from Europe's large and midsize construction companies, with the really major projects frequently conducted in consortia.

At the Nordic level, NCC's main competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke and AF-Gruppen of Norway, as well as YIT and Lemminkäinen of Finland, Strabag of Austria and Implenia of Switzerland.

In civil engineering projects and road construction, as well as asphalt and paving in the Nordic region, central government production units, such as Svevia in Sweden, are also significant competitors.

In Denmark and Finland, Colas and CRH are also competitors in asphalt and stone materials. Only a few major players serve the property development market from a Nordic perspective, with NCC as one of the market leaders. Skanska is another major player. In local markets, other players may also be significant competitors, such as SRV of Finland.

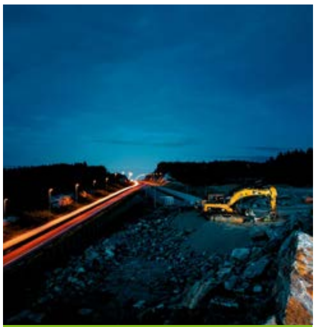
Total sales
Nordic construction market

SEK 1,352 billion

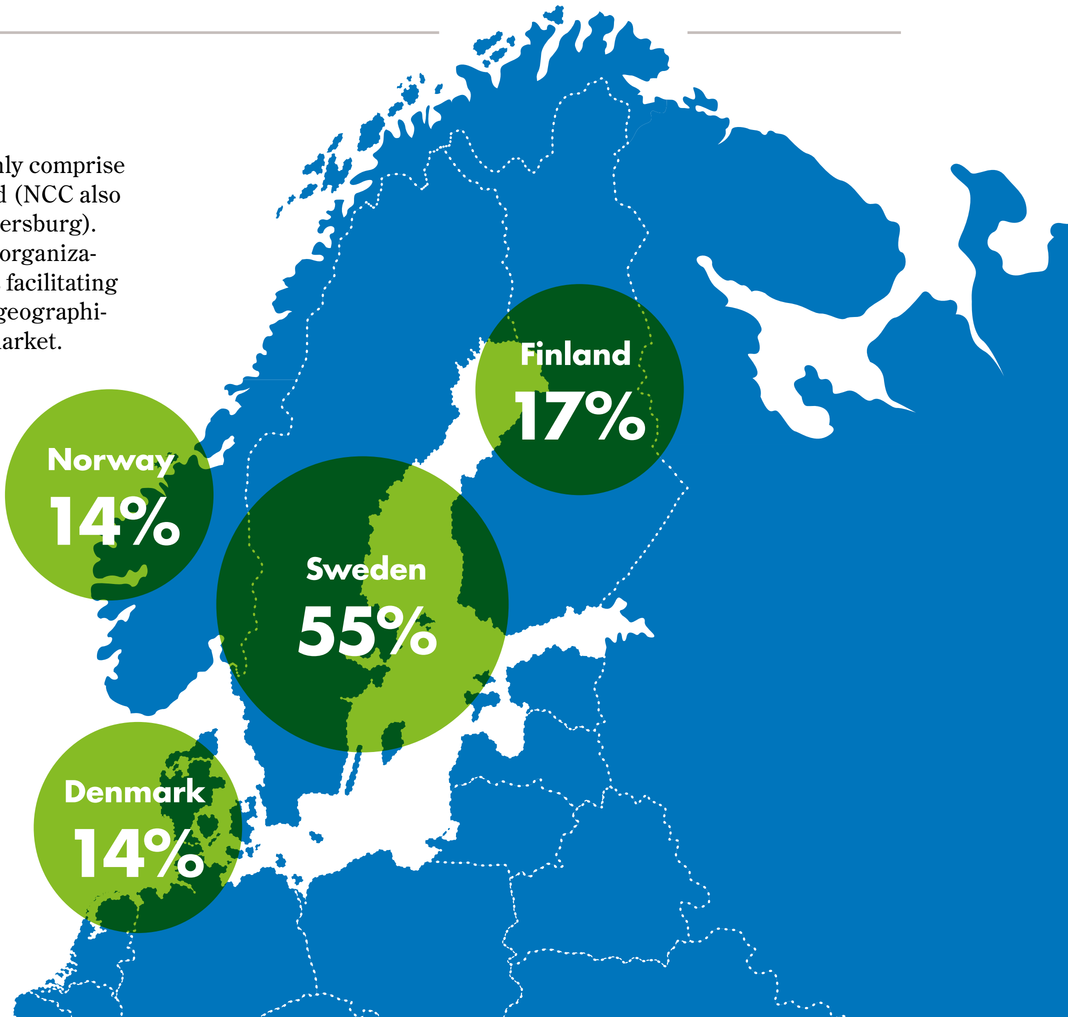
NCC's market share

4%

Four Nordic business areas

Industrial	Construction and civil engineering		Development
			
NCC Industry NCC Industry offers products and services for and concerning roads. Operations comprise production of stone materials and asphalt products, piling works and paving assignments.	**NCC Building** NCC Building constructs housing and offices, as well as public and commercial premises. The refurbishment of housing and offices is included as an increasingly important feature of operations.	**NCC Infrastructure** NCC Infrastructure supplies entire infrastructure projects, from design and construction to production and service. Activities comprise projects of all sizes, as well as operation and road services.	**NCC Property Development** NCC Property Development develops and sells sustainable office, commercial and logistics properties in prime locations in defined growth markets in the Nordic region.

Geographically, NCC's operations mainly comprise Sweden, Norway, Denmark and Finland (NCC also operates two asphalt facilities in St. Petersburg). Work is conducted in specialist Nordic organizations in various areas of expertise, thus facilitating efficient work methods that transcend geographical borders. Sweden is NCC's largest market.



A streamlined and stronger NCC

» I am disappointed with sales and earnings during the year but simultaneously satisfied with how our new organization worked on the new strategy and how we implemented the spinoff and listing of Bonava.

Something that attracted a little extra focus among our shareholders was the June spinoff of our housing development business, Bonava. The preparations for demerging the Group started as early as autumn 2015 motivated by the assessment that long-term shareholder value would increase and that greater growth potential could be created as two independent companies. I can state that to date this has been a wise decision. Those shareholders who held shares in NCC and Bonava throughout the year received a total return of 40 percent. NCC has become more streamlined and specialist, and also has the financial strength required to implement initiatives in identified growth segments.

New strategy in place

We can also look back on an eventful year with our new strategy. The megatrends, spearheaded by urbanization and globalization, are increasingly impacting our market and entail that we have to be even more responsive and flexible when developing new solutions. The market is quite simply changing faster than before, and competition is intensifying. We have formulated our strategy in three must-win battles: we must become stronger operationally (Operational Excellence), we must secure significant positions in growing market segments (Market Excellence) and we must leverage networks and strong finances in order to add growth through acquisitions and partnerships (Investment Initiatives). During 2016, we were fully focused on the first two factors, but primarily on establishing the specialist Nordic organization, which is so important for our ability to fully leverage our strategy.

Platform for increased knowledge and higher growth

NCC has about 17,000 employees who are engaged in a variety of projects throughout the Nordic region. Moving from a country-based organization in which all competencies were concentrated to a Nordic organization with a focus on specialist knowledge that is to be divided up over national borders takes time and energy. And it must be allowed to do this, as long as it is done correctly. I am impressed at the commitment shown and the insight into the need to get this organization in place and, step by step, I now see how, in accordance with the strategy, we are enhancing our offering and strengthening our position. This realignment has been toughest within our largest business areas, NCC Building and NCC Infrastructure. It has negatively affected activity and profitability to some extent, at the same time as we implemented a comprehensive overhaul of our Norwegian construction operations, which resulted in impairment losses on projects. However, I am satisfied with the sharply increased orders received in both of these business areas.

With the new organization in place, I also believe that prospects are favorable to capture an increasing share of business in identified growth segments, such as large-scale infrastructure projects and complex refurbishment assignments. We now have dedicated competencies for these initiatives, whereby considerable focus will be on calculating tenders and sharing know-how and methods in order to secure the right projects. Sizeable infrastructure investments are under way in both Norway and Sweden, and it is becoming increasingly important throughout the Nordic region to refurbish older property portfolios to satisfy the requirements of those who live and work in the properties. We intend to take part in this development and have already secured a number of major contracts. The need for new housing is also considerable and NCC, one of the largest home builders in the Nordic region, occupies a strong position here.

Within the NCC Industry business area, we are continuing to strengthen our leading position in sustainable products and services for and concerning roads. The business area, which was reorganized into a Nordic organization as early as 2014, recorded its best year ever in 2016. Although this trend benefited from strong market conditions, I am relatively sure that the specialization has had a major impact. We have succeeded in capturing new growth areas, and innovations and new knowledge are being spread rapidly among the countries.

"Our new, specialist Nordic organization enables a sharper focus on initiatives in growth segments."

More opportunities with greater responsibility

Sustainable urban development is an important growth area. Urbanization is driving needs for solutions that are not only environmentally compatible but that above all take into account the people who are to live and work in the new areas that are emerging. Our theinclusivecity.com platform is based on a survey, conducted in cooperation with United Minds, into how the inhabitants of the Nordic capital cities perceive their residential situation. It shows clearly that many residents did not feel that they were participating at all in the city's development, a trend that we at NCC have noticed for a long time and have therefore wanted to illuminate. Within our commercial property development business, NCC Property Development, we have been focusing on sustainable urban development by means of frequent and early dialog with those affected by the new offices and shopping areas that we build. In 2016, we were involved in projects in the cities of all of the countries we serve, and we could see the importance of this dialog for ensuring that the outcome will be favorable both financially and socially. During 2017, we will facilitate investments in property development projects whereby public sector users or large stable private companies rent large parts of a property before the project start in more cities than today.

The new initiatives in NCC Property Development are excellent examples of what our new strategy and organization will lead to. This is simultaneously facilitated by our stronger financial position. Although I am not satisfied with our margins and sales during 2016, I can state that we continued to generate a high return on equity and a stable cash flow, and that we reduced our net indebtedness and improved our equity/assets ratio. This provides scope to seriously commence our third must-win battle, Investment Initiatives. We continuously monitor the market to identify opportunities for supplementary acquisitions, and we are looking for new types of partnership models to enable us to leverage our strong positions. The initiative within NCC Property Development is one example, another is developing our cooperation with housing developers. Our considerable production expertise in housing development should be able to benefit many others, whereby we enter into the planning stage at an early stage in order to provide packaged solutions and also by sharing certain selected risks with the developer.

A sustainable future with NCC

No matter where we are and what we do, we use sustainable solutions as our point of departure, which is a prerequisite for any possibility of taking part in building for the future. During 2016, we at NCC placed an even sharper focus on sustainability, in order to strengthen our leading position in the area. Previously communicated sustainability targets of halving carbon emissions and occupational accidents up to 2020 have been complemented with important targets for social inclusion, materials and waste, business ethics and compliance, as well as our portfolio performance.

The strategy will continue to contribute to value generation, for both society and our shareholders, in part by enabling us to achieve our financial objectives. In 2017, we will continue to work to strengthen our positions and renew the industry. We have the organization, the solutions and the projects. And above all we have the most skillful employees in the industry. This is what makes us the leading and most innovative construction company in the Nordic region.

Solna, February 2017

Peter Wågström
President and CEO

The inclusive city

An initiative to include more people in cities

» NCC has created the interactive platform – theinclusivecity.com – through which 4,000 Stockholm, Copenhagen, Oslo and Helsinki residents share their views of city life, insights that are intended to inspire the visitors to find new solutions for inclusive cities.

NCC looks beyond the individual construction project and is working to build and create socially sustainable cities where the inhabitants feel secure and can afford to live. This entails, together with other players in society, creating the right conditions for people to feel included in the city where they live. The survey arranged by NCC in early 2016, to find out how inhabitants of the Nordic capital cities view their residential situation, served as a platform for this work. About 1,000 residents of each of the Nordic capitals, a total of slightly more than 4,000 respondents, were asked questions about wellbeing, security and participation.

The results speak for themselves. In the Nordic capitals, which have long been regarded as equal, the inhabitants are experiencing growing segregation and insecurity and that they are not part of the city. Six of ten dwellers regard it is a problem that the gaps are growing. Three of ten find it difficult to get around the city and believe that the infrastructure is lacking, while a full six of ten perceive their potential to influence the development of their area as poor.

"The survey shows that city dwellers in all Nordic countries feel excluded from their cities and that segregation is rising"

Anna Trane (Head of Corporate Media Relations at NCC and responsible for the report)

ABOUT THE PLATFORM

Theinclusivecity.com is an interactive platform based on a survey about life and urban development in the four Nordic capitals. It was implemented in January 2016 and comprised 4,039 respondents. The participants accounted for a representative portion in terms of gender and age. Using a special data tool, it is possible to compare the results from city to city and see the differences that exist depending on such factors as age, income level and gender.

Four themes

The platform is divided into four different themes that highlight the degree of inclusion in the city. These comprise differences in incomes (mind the gap), the attractiveness of the various areas (laws of attraction), access to good transport solutions (access to the city) and accelerating isolation and anonymity (the human factor).

Mind the gap

In recent years, there has been a lively discussion about accelerating differences in incomes in the Nordic region, which are most apparent in the capital cities. The survey shows that six of ten respondents regard it is a problem that affluent areas are becoming richer and underprivileged areas poorer.

Laws of attraction

Generally, the inhabitants of the Nordic capitals are content with their living conditions, although some are more satisfied than others. More than half of those who live in areas where incomes significantly exceed the national average are extremely pleased with how they live, which can be compared with only two of ten in areas with the lowest incomes. This difference is the greatest in Stockholm.

Access to the city

Although this debate has not become a major issue in the Nordic capital cities, poor transport links are a growing problem in many areas. This applies primarily to Helsinki, while Copenhagen appears to be doing a better job of joining together all the parts of the city.

The human factor

A majority of those who live in the Nordic capitals do not talk to their neighbors, which applies particularly to younger people. At the same time, four of ten say that they would like to get to know their neighbors better. The survey shows that the more contact people have with their neighbors, the more content they are with the area in which they live.

The Inclusive City Academy 2016

Sustainable development and inclusive urbanization require new exchanges of knowledge. Using theinclusivecity.com platform as the starting point, NCC then implemented The Inclusive City Academy. For 36 hours, ten selected students from the KTH and Chalmers universities, in teams of three to four members, formulated solutions to a concrete sustainability challenge derived from one of NCC's ongoing construction projects. The year's assignment was based on NCC's sustainable refurbishment concept for the Million Homes Program and the cooperation NCC has with Botkyrkabyggen, a housing company active in Fittja, south of Stockholm. The winning contribution will be further developed and be realized by NCC, together with the winning team. The winning proposal contained new ideas for developing living space between buildings to enable a more inclusive citizens dialog.

The jury's commendation: *"For the team's commitment to the area as a whole, for not only looking at the buildings but also life between the buildings. For their three-phase idea comprising cooperation with local organizations, digitalized communication and the focus on strengthening the external media image of Fittja."*

With the Inclusive City Academy, NCC wants more and new groupings to show an interest in a career in the construction industry. During the course of the competition, the students gain an insight into how a modern construction process works, the social sustainability requirements, interaction between the many participants and delivery of innovative solutions.

"We want to bring the consultative process to Fittja, rather than taking Fittja to the consultation, and to build on the living space between the buildings to make it easier for people to meet."

Åsa Östman (Public Building Development, construction project management)

From left to right: Åsa Östman (Public Building Development, construction project management); Nicole Ferreira (Public Building Development, construction project management); Abraham Elias Daoud (construction engineer and design); and Jessica Schering (industrial economics) all from KTH in Stockholm.

Driving forces for long-term value generation

» A thorough and continuous analysis of trends and driving forces that impact on the construction industry contributes to ensuring that NCC, as a leading industry player, can create long-term value for its stakeholders. The focus is on profitable growth and the development of sustainable solutions.

#1 Urbanization

Forecasts indicate that within 20 years more than five billion people will live in the world's cities, an increase of more than one and a half billion compared with today. According to Eurostat, Norway, Sweden and Denmark are showing the fastest percentage growth in urban population in Europe.

Nearly five billion people will live in the world's cities in 20 years' time.

#2 Sustainability

As cities become larger and more densely populated, the importance of developing innovative and sustainable building and infrastructure solutions rises. To cope with the challenges of the future, we have to create inclusive and secure residential environments with a minimal environmental impact and maximum resistance to climate change.

#3 Globalization

To an ever greater extent, globalization is also impacting the construction industry. In recent years, international competition has increased in the Nordic region, particularly in large-scale and complex construction and infrastructure projects. At the same time, international procurement enables cost reductions.

#4 Competition for talent

The ability to attract and retain well-educated and skilled employees is decisive for competitiveness in many sectors, including the construction industry. A workforce that reflects the diversity of society creates conditions for an inclusive society.

#5 New technology

Digitalization is becoming increasingly important as a productivity driver in the construction industry. With VDC (Virtual Design and Construction), a major technology leap has been taken that is resulting in higher quality and lower costs in the projects.

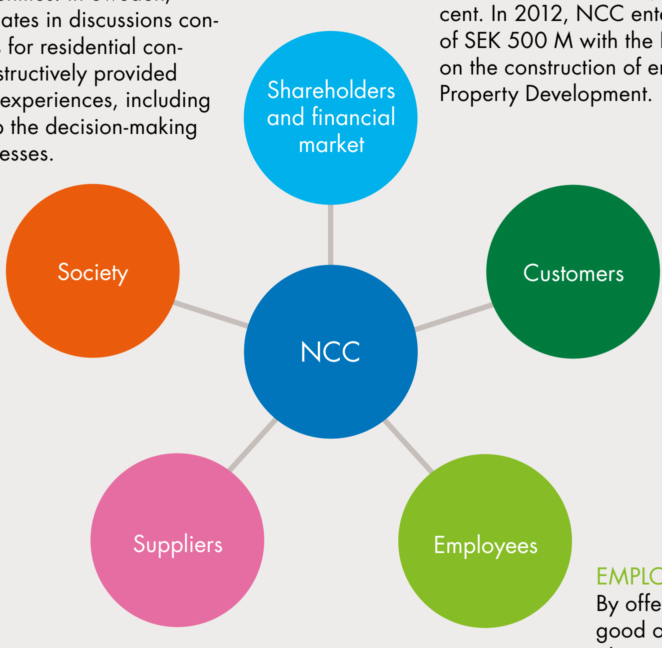
The importance of digitalization is becoming increasingly important for work in the construction industry.

SOCIETY

NCC participates in developing the physical environment of communities. In Sweden, NCC actively participates in discussions concrening the conditions for residential construction and has constructively provided valuable insights and experiences, including proposals to speed up the decision-making and construction processes.

SHAREHOLDERS AND FINANCIAL MARKET

During 2016, the total return (share-price performance and reinvested dividends) on NCC's Series B share was 33 percent. Over a five-year period, NCC has generated a total return of 252 percent for its shareholders, equal to an annual average return of 29 percent. In 2012, NCC entered into a long-term borrowing agreement of SEK 500 M with the Nordic Investment Bank. This was based on the construction of energy-efficient office buildings within NCC Property Development.



CUSTOMERS

NCC has made a long-term commitment to contributing to its customers' success by delivering sustainable buildings and structures. Through strategic partnering, the efficiency of this cooperation can be enhanced, ensuring that the projects can be delivered on time, with the right quality and cost and lead to more satisfied customers. NCC regularly performs thorough market and customer satisfaction surveys to better understand the customers' needs and preferences.

SUPPLIERS

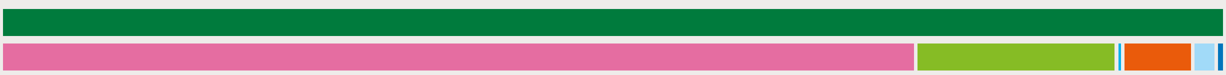
Developing sustainable and competitive purchasing is a key issue for NCC. On top of financial value, NCC contributes, through cooperation with suppliers, to the development of products and services and to improved processes. Value is created through the transfer of competencies and various types of cooperative projects.

EMPLOYEES

By offering competitive employment conditions, good opportunities for skills development and a pleasant and stimulating work environment, value is created for the employees. NCC implements annual employee-satisfaction surveys to identify views and obtain improvement proposals.

ECONOMIC VALUE GENERATED, SEK M

Customers 52,946 (53,149)



ECONOMIC VALUE DISTRIBUTED, SEK M

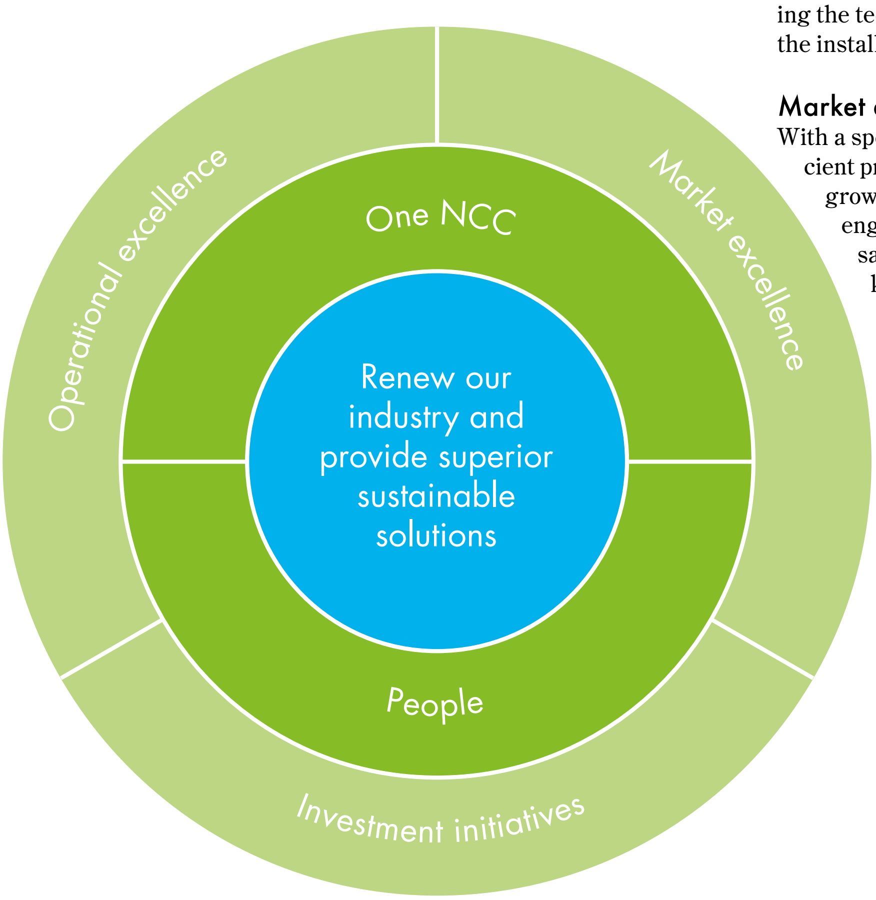
Suppliers 40,148 (40,335) Employees 8,650 (8,478) Lenders 112 (39) The Swedish government 2,920 (2,981)
Shareholders 865[1] (324) Economic value retained 251 (997)

[1] Proposed dividend.

Strategy for profitable growth

» By analyzing and leveraging identified megatrends, NCC will create opportunities for both higher growth and increased profitability. The aim is to grow at an average annual rate of 5 percent while increasing the operating margin to at least 4 percent during the 2016–2020 strategy period.

NCC's strategy for profitable growth derives from the company's vision of renewing the industry and providing superior sustainable solutions. A broad geographic presence, leading expertise in growth areas and close, strong customer relationships throughout the value chain are some of the strengths NCC must continue to develop in order to attain this potential and achieve the financial objectives. The strategy initiatives can be summarized as our three must-win battles - operational excellence, market excellence and investment initiatives.



Operational excellence

NCC aims to become more efficient and profitable by strengthening its existing expertise, having more efficient processes and more centralized purchasing processes and increasing support for digitized information flows. One part of this effort is the Nordic specialization brought about by the new organization, which is facilitating more efficient cross-border work methods. NCC will also work to come closer to its customers and take greater responsibility for the totality and will own the project, in part by strengthening the technical expertise and thus be able to account for the installation phase of the actual building assignment.

Market excellence

With a specialized organization combined with shared, efficient processes, improved prospects are created for growth. NCC sees major growth potential in the civil engineering and refurbishment segments through sales of sustainable lifecycle offerings, early marketing of these solutions and by being the customer's first choice.

In addition to its infrastructure and refurbishment initiatives, NCC sees opportunities to continue to grow and gain market share in areas including housing construction and recycling.

ONE NCC

NCC will enhance and develop customer offerings for the entire Nordic business, while developing Group-wide production methods, technical platforms and IT systems.

PEOPLE

NCC will recruit and develop human resources, in part to enhance the ability to implement change and create conditions for cooperation, knowledge transfer and exercise of best practice.

Investment initiatives

NCC must primarily grow organically but, assuming that the new strategy increases profitability and growth, increased scope will be created for investments in areas that add growth. These may be complementary company acquisitions to strengthen the company's position regionally or in certain competency areas, or investments in project development or in licenses in "PPP" projects (Public Private Partnerships).

New NCC but the same business model

NCC's three different yet complementary businesses, together with a leading position in selected markets, provide significant competitive advantages when, for example, procuring and implementing complex large-scale construction and infrastructure projects.

Three different businesses with different business logic

- **The industrial business,** which is conducted in the NCC Industry business area, focuses on the production of stone materials and asphalt. This business ties up capital in pits and quarries, as well as in crushing and asphalt works with high fixed costs.
- **The construction and civil engineering business**, which is conducted in the NCC Building and NCC Infrastructure business areas, requires little tied-up capital, has a strong cash flow and is project oriented.
- **The development business,** which is conducted in NCC Property Development, ties up capital in properties held for future development and ongoing projects. The business is transaction oriented and is subject to a higher market risk than the other businesses.

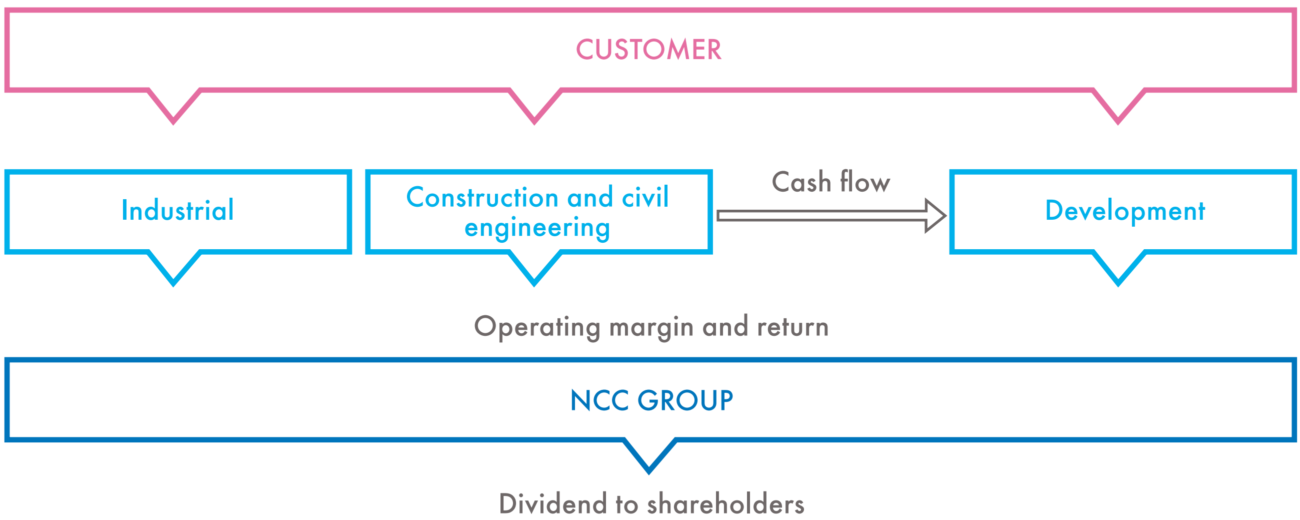
Synergies between the businesses

The operational synergies include the support that the industrial business provides to the construction and civil engineering business by providing stone materials, asphalt and paving. For major roadworks, in particular, the synergies are significant. In addition, the development business provides construction contracts to the construction units when commercial properties are developed.

The financial synergies mainly comprise the fact that the construction and civil engineering business frequently generates healthy cash flows, which are invested in the development business, thus generating a higher return over time.

The industrial business and the civil engineering business usually remain relatively stable when the economy recedes, while the construction and development businesses are more cyclical.

NCC's business model



NCC's objectives

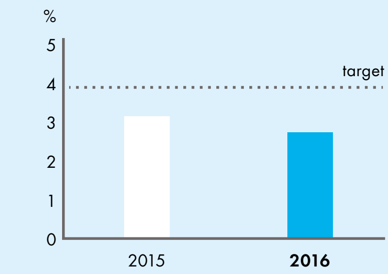
» The overriding objective is to create value for customers and shareholders. The following objectives have been adopted for the Group for the 2016–2020 strategy period:

Strategic objectives

Operating margin

Because of the lower margin in construction operations, NCC's operating margin declined in 2016 and did not achieve the objective. NCC Industry and NCC Property Development reached their targets for the operating margin.

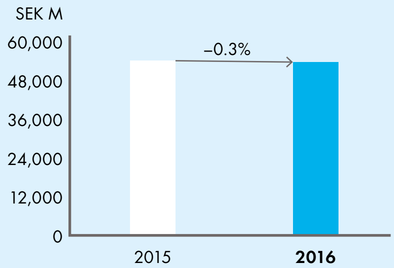
Objective
≥4.0%
Outcome 2016
2.7%



Average annual sales growth

The target of 5-percent sales growth during the year was not achieved. NCC Building and NCC Industry reported higher sales but NCC Property Development's sales were lower because fewer property projects were recognized in profit in 2016.

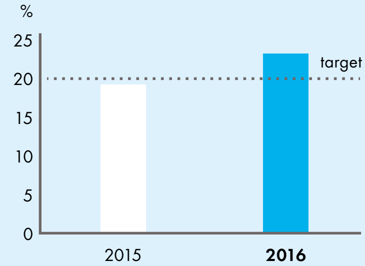
Objective
≥5%
Outcome 2016
–0.3%



Annual return on equity

The target for the return on shareholders' equity was achieved. The return is calculated based on NCC's earnings excluding Bonava.

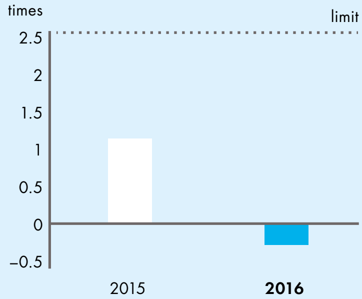
Objective
≥20%
Outcome 2016
22.8%



Net indebtedness

The objective of net indebtedness of less than 2.5 times EBITDA was achieved in 2016. Due to the spinoff of Bonava, the Group's net indebtedness was reduced during the year to a negative 0.3 times EBITDA.

Objective
<2.5 times EBITDA
Outcome 2016
–0.3 times EBITDA



Equity/assets ratio

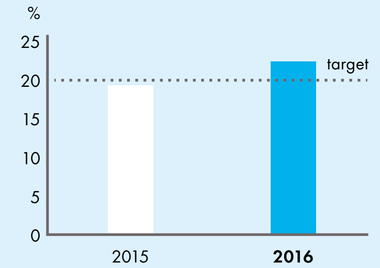
At the end of 2016, NCC's equity/assets ratio was 22 percent and thus achieved the objective. The calculation has been performed for the remaining organization excluding Bonava. To enable comparable, amounts for 2015 have been restated.

Objective

≥20%

Outcome 2016

22%



Dividend policy

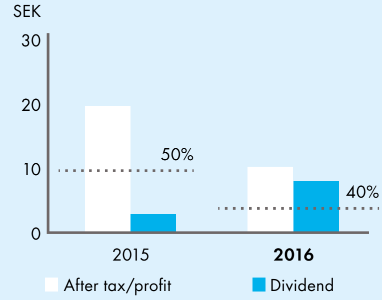
NCC's dividend policy is to distribute at least 40 percent of after-tax profit for the year to the shareholders. The aim of the policy is to generate a healthy return for NCC's shareholders and to provide NCC with the potential to invest in its operations and thus ensure that future growth can be created while maintaining financial stability. The Board of Directors proposes a cash dividend of SEK 8 (3 + shares in Bonava) per share for the 2016 fiscal year. The proposed dividend for 2016 corresponds to 78 percent of profit after tax.

Objective

≥40% of profit for the year

Outcome 2016

78%



Health and Safety

A positive work environment and a safe workplace are highly prioritized areas and NCC works systematically to eliminate the number of accidents, in order to achieve its zero-accident target.

Target for 2020

50%

reduction in number of accidents compared with 2015

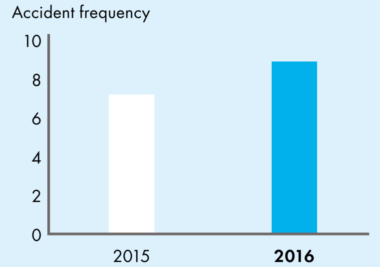
Target for 2016
Accident frequency*

≤5

Outcome 2016

8.8

*Accident frequency: Worksite accidents resulting in one day or more of absence from ordinary work per million worked hours.



We have had a downward accident trend since 2011. For 2016, we saw an increase in accidents. The work environment and health constitute one of our foremost focus areas for 2017 and our long-term aim of halving accidents between 2015 and 2020 stands firm.

Climate and Energy

NCC's goal is to continuously reduce the company's climate impact by lowering emissions of greenhouse gases from its own operations. During the strategy period of 2015–2020, emissions from own operations are to be reduced by 50 percent to 2.9 CO_2e/SEK M. A long-term aim of becoming climate neutral has been set.

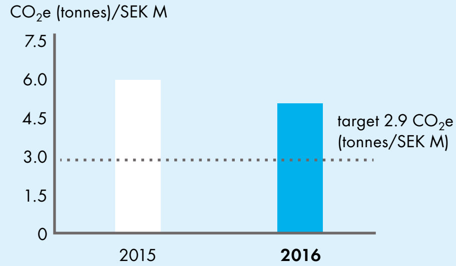
Objective

50%

reduction in CO_2 emissions by 2020, compared with 2015

Outcome 2016

14% reduction



Other sustainability targets

Materials and Waste

Pursuant to the EU's Waste Directive, NCC's objective is that by 2020 at least 70 percent of the company's building and construction waste will be reused or used for material recycling; definitions and exceptions comply with those stated in the directive. In addition to this objective, there is also a target for continuous efforts to reduce the amount of building and construction. One to the fact that NCC during prior years have complied with and reported other waste fractions than those stated in the objective, it is not meaningful to report figures for and compare with the preceding year.

Target for 2016

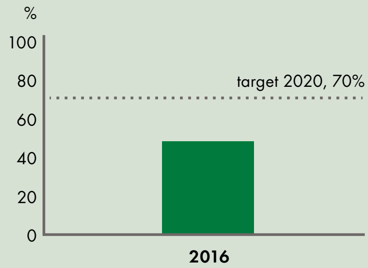
70% of NCC's building and construction waste is reused or material recycled by 2020.

Ton waste/ SEK M turnover decreases.

Outcome 2016

48%

Materials reused/recycled



The amount of building and construction waste per SEK M of sales increased slightly during 2016, from 1.64 tons/SEK M in 2015 to 1.67 tons/SEK M in 2016. A number of measures are planned to ensure that the amount of waste is reduced by 2020.

Compliance

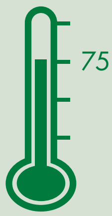
Target:

CULTURE: Our aim is a compliant culture in NCC, having a very active compliance work.

PERCEPTION: We track all employees perception of our compliance culture in Pulse with the aim to significantly increase the perception value during the strategy period. Perception value was 75/100 in 2016.

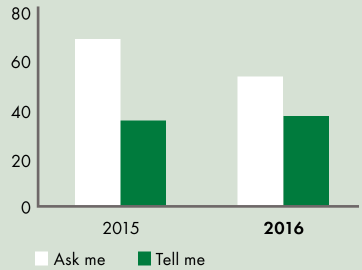
TRANSPARENCY: We disclose our number of Tell Me matters and Ask Me questions in our annual report.

Index rating in NCC Pulse



High rating (75–100)
Average rating (60–74)
Low rating (0–59)

Number of Ask-me questions and Tell-me matters



The "Ask Me" function received 53 questions during the year, somewhat fewer than the 68 received in 2015. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. In 2016, 23 suspicious matters were reported to the Tell-me function, which represents an increase compared with 2015. A number of incidents were also reported in other ways, which resulted in a total of 37 cases that warranted investigation. The incidents involved such matter as suspicions of fraud and theft, conflicts of interests or other transgressions from NCC's Code of Conduct. Of the matters that were closed, four led to dismissal and 14 to other measures, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

Social inclusion

An inclusive workplace, with a distribution that reflects the diversity of society in respect of gender, age and background, contributes to creativity, innovative thinking and ensuring that various competencies are utilized. Since NCC is convinced that this will ultimately also contribute to increased profitability, diversity is a high-priority area for the strategy period.

Target, gender: No gender should represent a higher share of a team* than 70 percent.	Target, age: No age group (<34 years, 35–50 years, >50 years) should represent a higher share of a team than 70 percent.	Target, diversity: The team should mirror society.
Outcome	Outcome	Outcome
43%	100%	44%

*Management team

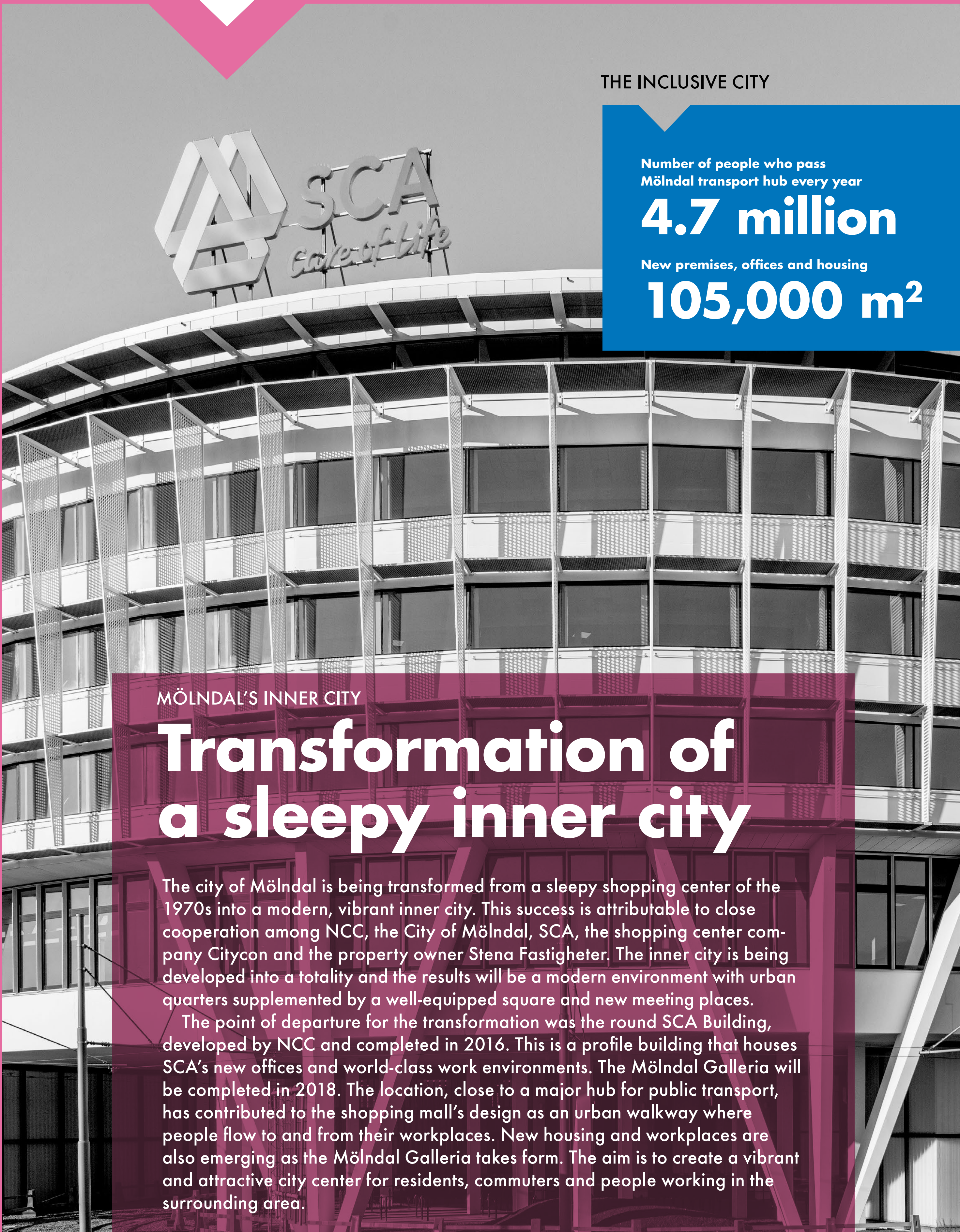
Portfolio performance

A prerequisite for achieving our vision – "to renew our industry and provide superior sustainable solutions" – is to transform the conventional operations in a more sustainable direction. NCC has therefore decided to measure how the company's product portfolio of sustainable products is developing.

The key performance index's (KPI's) that NCC will measure and monitor are:

- Net sales of sustainable products, services and concepts
- Number of sustainable products given and hitrate

During 2017, NCC will develop and establish a process for monitoring these KPI's and will formulate a base line that will be used as the starting point for designing the target.



THE INCLUSIVE CITY

Number of people who pass Mölndal transport hub every year

4.7 million

New premises, offices and housing

105,000 m²

MÖLNDAL'S INNER CITY

Transformation of a sleepy inner city

The city of Mölndal is being transformed from a sleepy shopping center of the 1970s into a modern, vibrant inner city. This success is attributable to close cooperation among NCC, the City of Mölndal, SCA, the shopping center company Citycon and the property owner Stena Fastigheter. The inner city is being developed into a totality and the results will be a modern environment with urban quarters supplemented by a well-equipped square and new meeting places.

The point of departure for the transformation was the round SCA Building, developed by NCC and completed in 2016. This is a profile building that houses SCA's new offices and world-class work environments. The Mölndal Galleria will be completed in 2018. The location, close to a major hub for public transport, has contributed to the shopping mall's design as an urban walkway where people flow to and from their workplaces. New housing and workplaces are also emerging as the Mölndal Galleria takes form. The aim is to create a vibrant and attractive city center for residents, commuters and people working in the surrounding area.

NCC SHARE

» 2016 was an exciting and successful year for the NCC share. In June, NCC's housing development operation, Bonava, was spun off to the shareholders and was listed on Nasdaq Stockholm's Large Cap list. The NCC share outperformed the Exchange as a whole in 2016.

The NASDAQ OMX Stockholm exchange started the year sluggishly, but then recovered and finished off with a rise of 5.7 percent for 2016. The NCC share substantially outperformed the Exchange as a whole in 2016. NCC's Series B share (adjusted for the spinoff of Bonava) rose 30.9 percent during the year and closed at a price of SEK 225.40. The Series A share finished the year at SEK 223.00. The year-end prices of NCC shares corresponded to market capitalization of SEK 24.3 billion.

The total return for the Series B share (share-price trend and reinvested dividend) was 32.7 percent in 2016. For 2012–2016, the share generated a total return of 252 percent, equal to an annual average return of 28.8 percent. For the Exchange as a whole (OMXS Benchmark GI), the total return was 13.0 percent in 2016 and 95.1 percent for the most recent five-year period.

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name, and are divided into Series A and Series B shares. The shares are traded on the Nasdaq Stockholm Large Cap list and are included in the Construction & Materials sector index. In 2016, a total of about 154 million (127) NCC shares were traded. Nasdaq Stockholm accounted for 62 percent of trading, which means that other marketplaces, such as Chi-X and BATS, accounted for 38 percent. The turnover rate for Series A shares was 15 percent (9) on all marketplaces and the rate for Series B shares was 162 percent (151).

THE NCC SHARE IN 2016

	Series A shares	Series B shares
Total number of shares[1]	25,523,097	82,344,671
Voting rights	10 votes	1 vote
Total share turnover, including late entries, millions	2.23	151.9
– of which, on Nasdaq Stockholm	2.2	94.6
Total value of share turnover, SEK M	533	34,852
– of which, on Nasdaq Stockholm	526	20,929
Turnover rate, %		
– total, all marketplaces	15.4	162
– on Nasdaq Stockholm	15.2	100
Share price at start of year, SEK	263	263
Share price at year-end, SEK	223	225.4
Highest price paid, SEK	309.3	309.5
Lowest price paid, SEK	178	178
Beta value	0.97	1.03
Paid-out dividend, SEK	3.00	3.00
Total return, including dividend, %[2]	27.7	32.7

[1] Excluding treasury shares.

[2] In the calculation, NCC's share price has been adjusted to take into account the value of Bonava at the time of the spinoff.

Ownership structure

At year-end, Nordstjernan AB, the largest individual holder of NCC shares, accounted for 17.3 percent of the share capital and 48.2 percent of the voting rights in NCC AB. To avoid taxation on the dividend represented by the spinoff of Bonava in accordance with Lex ASEA, NCC's principal owner Nordstjernan reduced its shareholding, before the spinoff, to less than 50 percent of the voting rights in NCC. During the year, Carnegie Funds, JP Morgan Asset Management, Vanguard and BlackRock joined the list of the ten largest shareholders. The proportion of foreign shareholders increased and represented 23 percent (18) of the year-end share capital. The US, the UK and Norway accounted for the largest foreign holdings. The current list of shareholders is available on www.ncc.se.

Share repurchases and conversions

During 2016, NCC sold 483,947 Series B shares and bought back 362,222 Series B shares, while distributing 84,107 Series B shares to participants in the long-term performance-based incentive program from 2012. Thereafter, the company holds 362,222 Series B shares in treasury. In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. A total of 49.3 million shares have been converted since 1996. Written

FIVE-YEAR TREND IN NCC SHARES

	2012	2013	2014	2015	2016
Market price at year-end, NCC B share, SEK	136.2	209.9	246.8	263.0	172.1[3]
Market capitalization, SEK M	14,706	22,748	26,720	28,518	24,325
Earnings per share, SEK[1]	17.51	18.40	17.01	12.19	10.30
Ordinary dividend, SEK	10.00	12.00	12.00	3.00	8.00[2]
Dividend yield, %	7.3	5.7	4.9	1.1	3.5
Total return, %	21	64	24	11	33[3]
Number of shares outstanding at year-end (millions)	108.0	107.8	107.8	107.8	108.1

Key figures per share are presented in the Multi-year review on p. 104.

[1] After tax and full dilution.

[2] Proposed dividend.

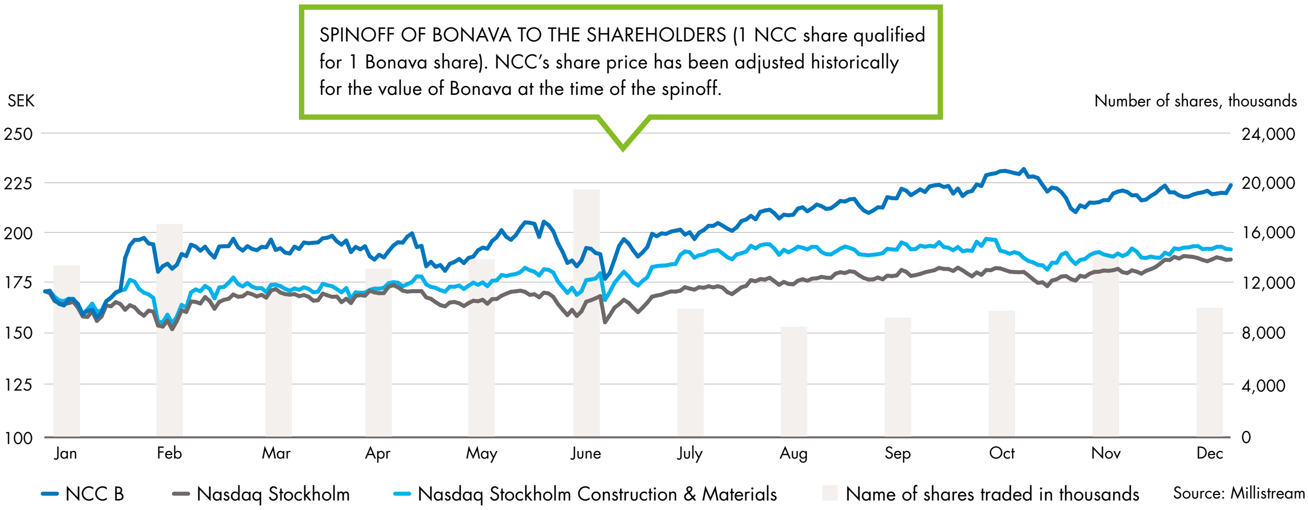
[3] NCC's share price adjusted for the value of Bonava at the time of the spinoff.

requests regarding conversion must be submitted to the Board of Directors.

Dividend

NCC's dividend policy states that at least 40 percent of profit after taxes will be distributed as dividends. For 2016, the Board proposes a cash dividend of SEK 8.00 (3.00 + Bonava shares) per share, divided into two payments. The proposal for the record date for the first payment of SEK 3.00 is April 7, 2017 and the proposal for the second payment of SEK 5.00 is November 6. The proposed dividend corresponds to 78 percent of profit after tax.

SHARE-PRICE TREND AND TURNOVER, 2016

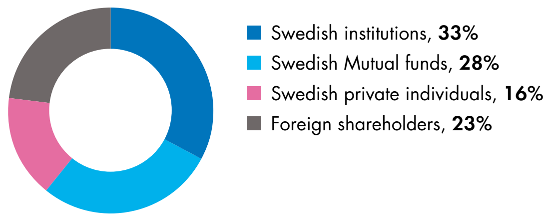


OWNERSHIP STRUCTURE AT DECEMBER 31, 2016

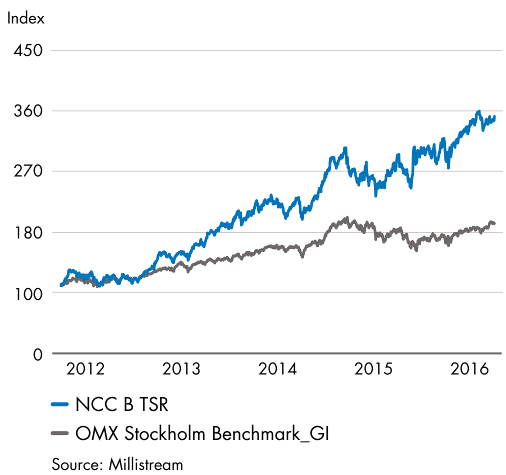
	Number Series A	No. of Series B shares	Total no. of shares	Percentage of Share capital	Percentage of Voting rights
Nordstjernan	10,700,000	8,023,759	18,723,759	17.3	48.2
AMF Insurance & Funds		7,619,975	7,619,975	7.0	3.2
SEB funds		5,869,630	5,869,630	5.4	2.5
Carnegie Funds		4,500,000	4,500,000	4.1	1.9
Norges Bank	4,239	2,911,664	2,915,903	2.7	1.2
Lannebo funds		2,651,525	2,651,525	2.4	1.1
Swedbank Robur funds	97,432	2,230,998	2,328,430	2.1	1.
JP Morgan Asset Management		2,125,867	2,125,867	2.0	0.9
Vanguard	86,491	1,776,998	1,863,489	1.7	1.1
BlackRock	2,978	1,852,539	1,855,517	1.7	0.8
Total ten largest shareholders	**10,891,140**	**39,562,955**	**50,454,095**	**46.4**	**62.2**
Total other	3,600,763	54,018,742	57,619,505	53.6	17.8
Total number of shares outstanding	14,491,903	93,581,697	108,073,600		
Buyback of company shares		362,222	362,222	0.3	0.2
Total number of shares	**14,491,903**	**93,943,919**	**108,435,822**	**100.0**	**100.0**

(Source: Euroclear Sweden AB.)

SHAREHOLDER CATEGORIES, PERCENTAGE OF SHARE CAPITAL



TOTAL RETURN, 2012–2016



Sustainable solutions for long-term growth

NCC Industry is continuing to leverage the economies of scale generated by the Nordic organization. By securing access to stone materials from own quarries and producing asphalt close to growth markets, the offering of innovative solutions that add customer value and reduce environmental impact is growing.

The operations of the NCC Industry business area comprise production of stone materials and asphalt, asphalt paving, concrete piling and rebar. Operations are divided into three divisions: Hercules (piling and rebar), Stone Materials and Asphalt. Stone materials, which are primarily extracted from proprietary quarries, are used in asphalt production and as input material in construction and civil engineering projects. Asphalt is produced in proprietary asphalt works and used in various types of paving.

Broad application area

NCC delivers stone materials and asphalt to everything from garage driveways and small roads to major infrastructure projects. Deliveries are also made to other construction and civil engineering operations. Stone materials are used when laying foundations for housing, offices and industrial sites, as well as in the concrete industry. Customers are found in both the private sector and in municipal and central government administrations. The private market accounts for the largest portion of the customer base. In an effort to meet the public sector's need for long-term solutions, NCC offers total-package undertakings – referred to as function contracts – which include multi-year planning of production and service resources.

A Nordic work method in place

NCC Industry occupies a leading position in the Nordic region, with Sweden as the largest single market, and capitalizes on economies of scale generated by a Nordic organization. The operations focus on business development and satisfying the future needs of customers, with the aim of becoming the customers' first choice. In 2016, the focus continued to be on increasing the efficiency of purchasing and production, whereby such operations as asphalt production also contributes to lower costs. The expanded number of total-package undertakings enables more efficient resource planning. Within stone materials, work is under way to optimize and increase the profitability of the operation, while improving materials utilization and securing access to raw materials in areas with favorable growth opportunities. Since opening a new quarry can take five to ten years, long-term planning and analysis of the market potential is required. To increase efficiency and integration with customers, all divisions utilize shared work methods and IT systems. In recent years, rapid and comprehensive technological advances have occurred. Several operational areas have been digitalized, with mobile solutions deployed in all markets. A Nordic-wide operational system has also begun to take shape. The system includes quality, safety and environment, and also facilitates the provision of documentation in relation to customers, suppliers and subcontractors.

Growth in new segments

Long-term growth opportunities are favorable in the market for stone materials and asphalt and, by leveraging NCC's combined operations, it will be possible to realize this potential. This mainly entails closer cooperation with construction and civil engineering operations, in part by growing together when engaging in large-scale infrastructure projects and in project engineering of sustainable city districts, areas where NCC Industry's offering has an important role to play. Growing in new markets and new segments has also been assigned a high priority. Publicly financed projects are growing in importance throughout the Nordic region, thus resulting in a need for both stone materials and asphalt. To strengthen NCC's position in the four Nordic capitals, new operations are being established in these areas. During 2016, for example, new asphalt plants were built in Oslo and Stockholm and these will operate at full production in 2017. There are also plans for establishing a facility in Helsinki. Being close to the areas where most projects will be located is important, since asphalt cannot be transported over long distances because it has to be hot when paving is conducted. NCC also has mobile asphalt plants which, when needed, can be moved and thus minimize the need to transport asphalt. The business area earmarks considerable

Financial objectives for the strategy period 2016–2020

Operating margin target

≥4%

Target for average annual return on capital employed

≥10%

resources for research and development in order to develop new highly processed products. In 2016, the pace of innovation remained high and included the development of new innovative paving material that meets a variety of challenges and reduces environmental impact. To reduce the risk of flooding, NCC has developed NCC Drænstabil®, a stone-material product that ensures that water quickly and readily penetrates the soil, while the stone materials functions as bearing structure.

Solutions for reduced carbon footprint

Demand for products and services that reduce the environmental impact continues to rise. Within the business area, such initiatives as energy-efficient paving techniques, asphalt recycling and alternative fuels are under way. Products and methods that reduce the adverse impact on the environment have been developed and concentrated under the NCC Green Concept® name, of which NCC Green Asphalt® is the best known. Green Asphalt® is produced at a lower temperature than usual. In addition, all types of asphalt are recyclable, and NCC also has resources for removing and recycling old asphalt. Sometimes the asphalt is recycled in-situ on the road itself, a technique known as repaving or remixing. The generally lengthy contract periods also enable optimization of asphalt paving from a life-cycle perspective, thus benefiting customers while NCC's product development moves towards more sustainable solutions.

Focus in 2017

Growth is in focus during 2017. NCC will continue to digitalize increasing amounts of its processes, which will contribute to efficiency and sales increases. Joint initiatives with NCC Infrastructure will also contribute to increased sales. Sales processes will be followed up and resources expanded to increase sales. In addition, efforts to boost efficiency and to introduce more shared work methods will continue.

LOOPROCKS – AWARD-WINNING PLATFORM FOR SMARTER HANDLING OF SECONDARY MATERIAL

The World Economic Forum nominated Loop Rocks, NCC's platform for the smarter management of secondary masses, as a finalist for the 2017 Circular Economy Digital Disruptor award. At the Gartner Symposium ITXPO 2016, the US research firm, Gartner Group, also nominated NCC and Loop Rocks as one of three international companies for the Circular Economy Digital Disruptor award, based on the disruptive approach to traditional management of masses. In Sweden, Loop Rocks was named a superior sustainable project by CIO.

Loop Rocks is an open platform and app for the smarter and more efficient handling of rock, earth and other secondary construction masses at construction sites, between businesses and private individuals. Using Loop Rocks, NCC matches supply and demand for secondary materials at construction sites by "looping" masses directly between the locations.

"We wanted to make it possible to efficiently handle secondary masses and aggregates in the construction industry. With Loop Rocks, we challenge players who make money from today's inefficient handling while also opening up for others to join the ecosystem," says Anders Torell, Head of Business Transformation and Digitalization at NCC Industry.

Loop Rocks was launched at the end of June 2016 and, by year-end, NCC had already handled almost half a million tons of secondary masses and added more than 100 construction sites throughout Sweden to the platform.

2016 IN BRIEF

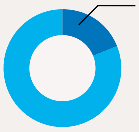
NCC Industry improved its net sales. Sales of stone materials increased in all markets, apart from Denmark. The sold volume of asphalt increased in all markets, apart from Russia. Hercules' (foundation engineering) sales rose slightly, driven by the Swedish market. Operating profit improved for both asphalt and stone materials, and for Hercules in the Swedish market. NCC Industry fulfilled its financial objectives in 2016.

KEY DATA

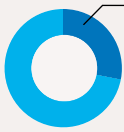
SEK M	2016	2015	Change, %
Net sales	10,760	10,571	2%
Operating profit	533	374	42%
Operating margin, %	4.9	3.5	40%
Capital employed	3,975	3,564	12%
Return on capital employed, %	13.5	9.4	44%
Average no. of employees	4,364	4,612	–5%
Stone materials, 1,000 tons [1]	28,110	27,506	2%
Asphalt, 1,000 tons[1]	6,350	6,139	3%

1) Sold volume

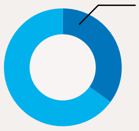
SHARE OF NCC TOTAL



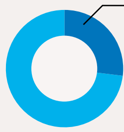
Net sales, **19** (19)%



Capital employed, **31** (30)%



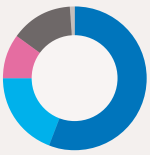
Operation profit, **35** (20)%



Average number of employees, **27** (31)%

GEOGRAPHIC MARKETS, SHARE OF NET SALES

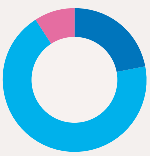
The distribution between the various markets is relatively constant and tracks market trends in the construction market.



- Sweden, **56**%
- Denmark, **19**%
- Finland, **10**%
- Norway, **14**%
- Russia, **1**%

PRODUCT MIX, SHARE OF NET SALES

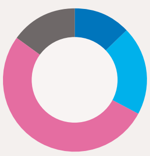
Asphalt and paving account for most of sales in the industrial operation.



- Stone materials, **22**%
- Asphalt and paving, **69**%
- Foundation, **9**%

CUSTOMER MIX, SHARE OF NET SALES

Private customers account for over 50 percent of sales.



- Central government, **13**%
- Municipalities/County councils, **20**%
- Private customers, **52**%
- Internal in NCC, **15**%

MARKET

STONE MATERIALS

The market for stone materials is fragmented and local. Securing access to stone materials from proprietary quarries requires a long-term strategy and is critical to a sustainable stone materials operation. The general trend is that it is becoming more difficult to be granted quarry permits and processing periods are getting longer. It normally takes five to ten years to open a new operation.

ASPHALT AND PAVING

Competition in the asphalt production market primarily consists of other nationwide companies. On the other hand, numerous smaller local players are active in paving operations. The maintenance market for road networks is growing in pace with increased road traffic, offering potential for future asphalt operations. The energy requirements for production are significant and energy prices are highly volatile. Action is being taken to reduce energy dependence and gain control over energy costs, as are initiatives to satisfy customer demands for lower carbon emissions.

ASPHALT AND STONE MATERIALS

The overall Nordic market is expected to show sharp growth, driven by large-scale civil engineering investments in primarily Sweden and Norway. During 2017, growth of 5–10 percent is expected in Sweden and Norway. The Finnish market is showing weaker but positive growth, due to urbanization. In Denmark, growth is under pressure pending the start-up of the Fehrman Belt Link, and due to lower volume from the Copenhagen city circle line and public sector investments.

Innovativeness and cooperation for growing business

NCC Building By becoming involved in projects at an early stage and developing long-term partnerships, NCC offers its customers a higher total value that also contributes to sustainable social development.

The NCC Building business area is NCC's largest business area, accounting for approximately 46 percent of consolidated sales. Operations are represented throughout the Nordic region, although the business area's principal market is Sweden, where NCC occupies a strong position. NCC primarily builds housing and offices, but also constructs public premises, such as schools, hospitals and sporting facilities, as well as commercial premises, such as stores and warehouses. The refurbishment of housing and offices is included as an increasingly important feature of operations. Many buildings from the 1960s and 1970s are in great need of upgrading and NCC is investing in new concepts to become a major player in this market. By capitalizing on the strengths generated by a specialist Nordic organization, NCC will enhance its positions and profitability in all markets and segments. With an increased focus on purchasing issues and specialized procurement processes, NCC will strengthen its competitiveness and the entire business. Such strategic areas as partnering, VDC, platforms and digitization contribute to further sharpening the efficiency of operations and creating increased customer value. By generating value in every single phase of its projects, NCC will be able to deliver a higher total value to customers and simultaneously contribute to positive social development.

Excellent insight into customer requirements

NCC adds value for its customers by having well-developed planning and production processes and cooperative formats based on dialog and shared goals. Ideas are realized in interaction with municipalities, county councils, government agencies and public-utility housing companies in the public sector, and with retail, industrial and service companies in the private sector. By understanding the customer's operations and business and being aware of what is possible to develop and construct, NCC and the customer can jointly add important value that also contributes to satisfying the needs of society. Every year, for example, NCC constructs many schools, public baths, offices and housing units and thus creates opportunities for efficient processes, development of platforms and knowledge of best practice. The combined know-how is valuable for customers who, perhaps, build a school once in a decade.

Leader in partnering

Becoming a partner at an early stage of the projects, as early as in connection with purchasing and planning, provides NCC with a better impression of the entirety and enables the company to minimize costs for everyone involved in the project. NCC already occupies a leading position in the strategic partnering collaboration format, which generates advantages when the share of publicly financed construction and refurbishment projects increases. Strategic partnering entails that the parties create long-term customer relations and lengthy framework agreements extending over a number of projects. This permits the parties to work in a more structured format and share best practices, while the repetition enhances quality and reduces costs. NCC's experience in the area demonstrates that cooperation results in more satisfied customers, faster project implementation, improved financial results and fewer disputes. In cooperation with Telge Fastigheter and Södertälje Municipality, NCC has constructed 26 different structures at a value of SEK 1.3 billion over a period of ten years, including Brunnäng School, the ongoing project Viksbergs School, sports facilities and preschools. In 2015, a new strategic partnering agreement was concluded with Nacka Municipality, with the aim of building schools and preschools in the municipality at a total value of SEK 2 billion within six years, and in 2016 an agreement was concluded with Tyresö Municipality, under which a large housing project has already been launched.

Platforms for collected knowledge

A large construction company such as NCC is able to negotiate volume discounts when purchasing goods and services, and can also develop efficient project engineering and planning tools, as well as platforms. The platforms have defined technical solutions and governing project engineering requirements, as well as instructions for choosing effective production methods. This results in production becoming more repetitive, which provides opportunities for continuous improvement. The platform approach simplifies project engineering, purchasing and construction, ultimately enabling improved control of costs, quality and sustainability performance. An example of when a platform-based approach goes hand in hand with technological advances and sustainability is NCC's Design Duo and Design Quattro housing products. NCC can build these well-designed Nordic Swan ecolabeled housing units at a low price, with short construction periods. Thanks to pre-project engineering and a controlled and standardized construction process, the customer receives a quality-assured product with low energy consumption and a predictable construction period. In addition to standardized platforms that satisfy a multitude of needs, NCC develops platform-based housing units for specific customer requirements, such as the Stockholmshuset building for Svenska Bostäder, a unique initiative to help counter the housing shortage in Sweden's capital city. This demonstrates the possibilities of fully leveraging the platform concept.

Sustainable refurbishment – a growing business

The market for refurbishment is highly fragmented but offers great potential. NCC is active in all segments, such as housing and commercial and public buildings. The focus is

Financial objectives for the strategy period 2016–2020

Operating margin target

≥3.5%

on concepts for sustainable refurbishment, whereby economic and social aspects are a central feature. The need for sustainable refurbishment projects is substantial in all Nordic countries, although the attitudes to financing and approaches differ. In Denmark, equity is continuously allocated to a refurbishment fund for each property, which has resulted in an increased number of large-scale public refurbishment projects of, for example, dilapidated suburbs. In Sweden, there is no similar model. To be able to implement major refurbishments, it could be necessary to raise rents, which is not always possible. Instead, refurbishment projects have to be implemented in stages, a careful process that requires both economic and social considerations. To be able finance upgrades, methods such as property sales and densification projects are applied. This applies particularly to properties in the Million Homes Program, whereby the municipality may enter into a partnership model with players such as NCC and other specialists in the area. NCC focuses primarily on large complex projects, where its overall competencies enable it to control the entire process. In 2016, a project was implemented to identify the total market potential. At the same time, a number of major refurbishment projects were initiated in Denmark and two large framework agreements were signed for the refurbishment of areas in the Million Homes Program in Sweden.

VDC and digitization strengthening the process

Being able to implement cost-effective, high-quality projects that generate a higher total value for customers is often intimately linked to digitization solutions and the use of systems such as Virtual Design and Construction (VDC). It is also becoming increasingly common to use digital aids at construction sites, and communication and control often occurs digitally. VDC is used in all types of construction projects, including major refurbishment projects. VDC enables NCC to enter into a dialog with the customer at an early stage and, together with all of the involved parties, creates an overview of project solutions, quality, time and cost. Since the project is created virtually, customers can start planning their particular activities and management even before construction begins, using credible, data-based models. The next step in the development of VDC is to integrate even more dimensions concerning time and costs, for example, to be able to digitize the entire control process. Digitization and partnerships go hand in hand. For example, NCC has created the NCC Project Studio to promote and develop cooperation and quality. Aided by computer models, the project studio gathers project participants to visualize, optimize and evaluate the project solutions. The result is efficient, quality-assured and controlled products optimized throughout the entire process, from planning to execution.

Solutions for a sustainable society

Construction operations are active on a broad front to achieve a more sustainable society, with activities ranging from resource conservation at the construction stage, control of purchasing, offering energy-efficient buildings with a healthy indoor climate and solutions for greater security, enables operational assessment from a lifecycle perspective. The strong population growth and urbanization are resulting in an ever greater need to face the challenge of involving the social perspective when constructing both individual properties and entire city districts. This includes taking into consideration as early as the construction start all of those who will be affected in some way by the project when it is ready, so that things are done in the right way from the very start. The long-term objective is to always create areas representing values that make more people want to live and work there.

Focus in 2017

NCC will strengthen its market position in the refurbishment of apartment blocks and increase the number of strategic partnering agreements with municipalities regarding such public buildings as preschools, schools and sporting facilities. The market for new hospitals and swimming centers is also expected to be strong. The ongoing urbanization process is resulting in favorable demand for apartment blocks in high-growth locations. NCC is also planning to develop its collaboration with housing developers in the Nordic region.

SUSPENDED BATHROOMS EQUALS SATISFIED STAFF

In Järvenpää, north of Helsinki, NCC has constructed a Y-formed building containing healthcare units for rehabilitation, dental care and a central warehouse for medical aids. The project is a good example of what strategic partnering can achieve. Planning also included those who will work in the finished building, such as dentists and nursing staff, who were involved and influenced the project. As as result, as many as 350 people had a say in the layout of and equipment in the building, compared with the 15–20 people usually involved in the planning of a partnering project.
NCC first created VDC rooms that the care staff were able to "enter" to see if they felt functional. Subsequently, prototypes were built close to the construction site, in which nurses and dentists could test practice their professions. They then provided their opinions on the layout and placement of equipment, which resulted in, for example, the bathrooms being suspended on the facade while the reception rooms were made smaller, all in order to save time for the staff and make their work more effective.

Number of people who had a say in the layout

350

Number of inhabitants in Järvenpää

41,000

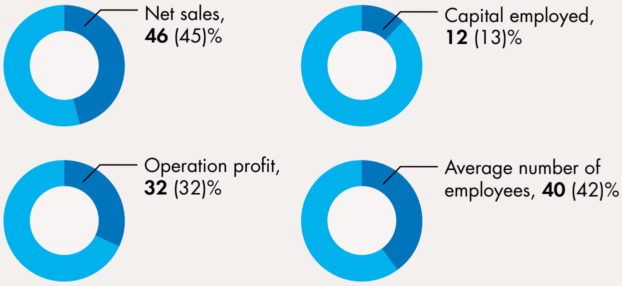
2016 IN BRIEF

NCC Building noted a rise in orders received during the year, thus substantially increasing the order backlog. Net sales rose during the three final quarters of 2016, with housing and refurbishment as the largest products. The Swedish market accounts for more than half of the business area's net sales. Operating profit was lower than in 2015, primarily due to impairment losses on projects in the Norwegian market. The business area did not achieve its financial objective of an operating margin of 3.5 percent.

KEY DATA

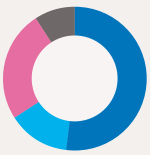
SEK M	2016	2015	Change, %
Orders received	28,738	26,066	10%
Net sales	25,681	25,001	3%
Operating profit	489	602	–19%
Operating margin, %	1.9	2.4	–21%
Average no. of employees	6,490	6,190	5%
Cash flow before financing	493	673	–27%

SHARE OF NCC TOTAL



GEOGRAPHIC MARKETS, SHARE OF NET SALES

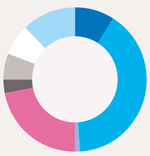
Sweden is the largest market for NCC Building, accounting for 52 percent of sales.



- Sweden, **52**%
- Denmark, **14**%
- Finland, **25**%
- Norway, **9**%

PRODUCT MIX, SHARE OF NET SALES

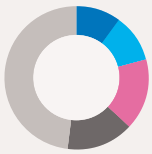
Housing represented the largest portion of the product mix, followed by refurbishment. The share for hospitals increased during the year.



- Office, **9**%
- Housing, **40**%
- Industry, **1**%
- Refurbishment, **22**%
- Retail, **3**%
- Hospital, **6**%
- School, **7**%
- Other, **12**%

CUSTOMER MIX, SHARE OF NET SALES

Private customers are the dominant customer category for construction operations. Municipalities/county councils declined slightly while central government and public utility housing companies increased compared with the preceding year.



- Internal in NCC, **10**%
- Central government, **11**%
- Public utility housing companies, **16**%
- Municipalities/County councils, **15**%
- Private customers, **48**%

MARKET

Although the Nordic construction market noted strong growth during the year, there are distinct indications that a capacity ceiling has begun to be reached, particularly in terms of access to production personnel.

Demand in the Swedish construction market was favorable in all segments during 2016. Growth of 30 percent was noted in Swedish housing production during the year and of 5 percent in the professional refurbishment market. The Finnish construction market grew 10 percent in 2016, with the growth concentrated to expansive regions. In Denmark, growth in the construction market was primarily noted in the metropolitan regions of Copenhagen and Aarhus in the housing and other buildings segments, in both new builds and refurbishment. The Norwegian construction market was mainly driven by housing construction, with a decline in private investments being offset by central government investments.

THE INCLUSIVE CITY

Number of commuters per day at Citystation

250,000

The new tunnel will be

6 kilometers
long

CITY LINE, STOCKHOLM

Cooperation improves commuter services

Delays and crowds are an everyday experience for Stockholm commuters. One reason is that there are not enough rail tracks in central Stockholm. All train traffic – commuter trains, regional trains, inter-city trains and freight trains – has to share two tracks. The new Stockholm City Line, which will open in 2017, will make everyone's lives a little easier. The commuter trains will have their own tracks in a six-km tunnel and two new stations will be opened at Odenplan and T-Centralen. With this solution, track capacity in Stockholm will be doubled and all trains will be able to depart more frequently and more punctually, and the switch to buses and subway trains will become smoother.

In cooperation with the Swedish Transport Administration, NCC designed solutions for parts of this complex project, which are facilitating its implementation. NCC is constructing a section of the City Line, namely the Norrström Tunnel under Stockholm Central Station. This work includes three exits from the new Stockholm City station, located 40 meters under ground level and under the T-centralen station, and adjacent to subway lines. Each day, more than 250,000 passengers will pass through the new City Station, hopefully a little more satisfied commuter train travelers.

Strong position in high-potential market

NCC Infrastructure Nordic infrastructure market offers healthy growth potential. Thanks to its total-package undertaking that includes responsibility for production methods and sustainable solutions, as well as for structured structured partnering methods, NCC should be able to grow in pace with the market and boost its profitability.

The NCC Infrastructure business area supplies entire infrastructure projects, from design and planning to production and service. Operations are divided into two divisions: The Civil Engineering Division, which specializes in large-scale infrastructure projects such as tunnels, roads and railways, as well as projects with complex concrete structures. The Infra Services Division, which focuses on small and midsize assignments in the infrastructure area. Operations mainly involve various types of concepts and services, ranging from groundwork and plumbing assignments to total-package solutions for safe traffic environments, in addition to operation and service. The aim of NCC's initiatives is to become the leading company in the Nordic region in large-scale infrastructure projects, with strong and profitable local operations.

Major potential but increased competition

The past few years have been characterized by a change in customer behavior, combined with accelerating international competition. NCC is countering this with a specialist Nordic organization hallmarked by state-of-the-art competencies in such areas as roads, railways, bridges, tunnels, underground areas, groundwork, heavy industry, supply mains and energy-producing facilities. At present, the strongest positions are occupied in Sweden and Norway, as well as in the markets with the best growth potential. In other parts of the Nordic region, NCC has lower market shares, although these areas offer favorable growth potential through the sharing of the organization's know-how and capacity. Customers are found primarily in the public sector, although private operators are important customer groups. Local presence is frequently a requirement, not least for the small and midsize assignments for which local competition can be extensive. Major projects, which are exposed to intensifying competition from both domestic and large and midsize international operators, usually demand considerable specialist competencies.

Early commitment important

The customers' changing behavior is resulting in new requirements in terms of procurement and supplier competencies, including demands for more support at an early stage of the process because the projects have become both larger and more complex. By participating in the design and planning of projects, NCC can increase their quality and simultaneously contribute to reducing costs for everyone involved in the project. NCC aims to become a turnkey supplier of various infrastructure projects, covering all phases from design and planning to purchasing, production and subsequent service. NCC's experience and size, together with its leading position in various partnership models, strengthens it in this objective and generates added value for both customers and end users, while contributing to sustainable social development.

Considerable competitive edge

As one of the leading construction and civil engineering companies in the Nordic region, NCC also has access to a series of strengths that provide a competitive edge. By applying a Nordic approach to its way of doing business, combined with a strong presence in local organizations, NCC is able secure the truly large contracts as well as small local projects. NCC is a turnkey supplier with an offering encompassing the entire value chain from the design phase to the servicing of roads, tunnels and other important social services. In common with other parts of the Group, the focus on sustainable solutions is strong, with concepts for more efficient resource consumption in the production phase and for including various social aspects both during and after a project's implementation. Experience of long-term and frequent customer collaborations, such as various partnership models, is another strength that facilitates and promotes the need of a dialog throughout the value chain.

Digitization enhances the process

To be the customer's first choice when tendering and to be able to offer sustainable, leading-edge solutions encompassing the entire lifecycle perspective, specialist competencies in design and planning are required. NCC's leading position in Virtual Design and Construction (VDC) provides support for efficient planning and monitoring. NCC uses VDC to manage information digitally throughout the project's lifecycle. The project is initially simulated, predicted and analyzed and then, in the production phase, its progress is followed up, documented and visualized, followed by the end product. This results in a lower risk of error and provides an optimal implementation framework, with the focus on sustainable solutions, quality and reliability. NCC also offers project portals for superior control, surveillance and analysis using drones. Other innovations include sensors installed in roads, which transmit signals to the road service unit in connection with snowfall to ensure prompt and efficient service. In common with NCC's other business areas, continuous communication and planning occurs in the production phase by means of various digital tools, whereby all information on the project is made available in databases that are updated in real time by all parties involved. NCC is investing heavily in VDC and digitization continuously seeks new possibilities and methods. NCC is an active member of such organizations as buildingSMART and is the industry leader in applied research and development projects into digital construction methods.

Growth within major projects

To achieve the growth targets for infrastructure, it is important to be able to compete for large-scale and complex

Financial objectives for the strategy period 2016–2020

Operating margin target

≥3.5%

projects in the market, the segment that is expected to grow the quickest in the future. Initiatives involving tunnels, bridges, dams and complex arterial roads and city solutions for managing both urbanization and new logistical patterns hallmark activity in all of the Nordic countries, with Norway and Sweden spearheading development. As one of the largest Nordic operators in the industry, NCC has a responsibility to develop methods, technology, materials and cooperative formats that lead infrastructure building into the future. In Norway, a powerful build-out of the infrastructure, encompassing roads and railways, is under way to join together different regions, as are initiatives to expand cities through upgrades and investments in entirely new projects. In Sweden in the decade ahead, a historic program will be implemented to develop the transportation system. New roads and railways will be built, with the main focus on large cities. NCC's experience and size, together with it leading position in partnering contracts and superior sustainable solutions, constitute a solid platform for increasing participation in large-scale complex projects in the years ahead both in Norway and Sweden. As of January 1, 2017, a completely new Nordic unit has been established in the business area that will focus solely on winning large-scale infrastructure projects in the Nordic region.

Importance of service is increasing

Upkeep and maintenance of finished infrastructure constitute an important and growing aspect of operations, and safeguard NCC's ability to accept responsibility for the entire value chain of a project. NCC already held a strong position in road maintenance, mainly in Sweden, and using this as a basis, this operation is now being expanded into such other areas as maintenance of bridges and tunnels. Road assignments encompass both preventive activities and emergency actions to ensure that the road network is safe for traffic for all motorists all year round. NCC ViaSafe is a special center of excellence in the business area that provides services that improve traffic safety in connection with road works, projects and major events.

Focus in 2017

NCC intends to additionally strengthen its market share in large-scale infrastructure projects, while ensuring that orders received remain favorable and implementing small and midsize projects. It is also important for NCC to become involved at an early stage of the projects, which enables it to optimize its technical solutions, efficient work processes and knowledge transfer. NCC is to be active at the cutting edge and offer sustainable solutions both in the implementation of infrastructure projects and from a lifecycle perspective. Since sustainability also entails having safe construction sites, NCC aims to have zero accidents and also has zero tolerance for work-environment shortcomings and risky behavior.

NORWAY'S SECOND LONGEST SUSPENSION BRIDGE

The Hålogaland Bridge is a road bridge being constructed over the Rombaksfjorden fiord outside Narvik in Northern Norway. On completion in 2017, the bridge will be Norway's second longest suspension bridge. It is part of the project to make the E6 expressway between Narvik and Bjerkvik safer and more accessible. In addition to considerable time savings, the section of road between the two cities will be shortened by 18 kilometers.

The total length of the bridge is 1,533 meters, with a longest span of 1,145 meters. NCC is responsible for the bridge's concrete structures, which comprise two 180-meter-high pillars and two viaducts with a combined measurement of 400 meters. The assignment includes molding of 32,000 cubic meters of concrete and laying 5,400 tons of rebar, as well as blasting and transporting some 10,000 fm3 of rock and establishing anchoring combs in the rock for being able to attach the suspended cabling. Since the bridge pillars are anchored underwater, NCC developed and positioned five cofferdams on the seabed, which are about 30 meters high and have a diameter of 10 meters. The viaducts were built using a 120-meter-long, specially constructed molding wagon weighing 800 metric tons.

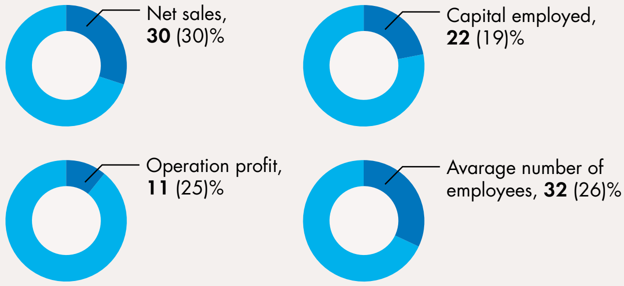
2016 IN BRIEF

NCC Infrastructure increased its orders received during the final three quarters of 2016, thus contributing to a year-on-year rise in the order backlog. Net sales were at the same level as in 2015, which was primarily due to lower sales in the Civil Engineering division. Operating profit was lower than in the preceding year, due mainly to impairment losses on projects, lower net sales and final settlement of projects and disputes. The business area did not achieve its financial objective of an operating margin of 3.5 percent.

KEY DATA

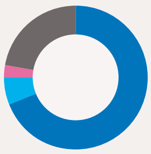
SEK M	**2016**	2015	Change, %
Orders received	18,664	15,621	19%
Net sales	17,007	17,105	–1%
Operating profit	162	469	–66%
Operating margin, %	1.0	2.7	–65%
Average no. of employees	5,066	3,827	32%
Cash flow before financing	–405	338	–220%

SHARE OF NCC TOTAL



GEOGRAPHIC MARKETS, SHARE OF NET SALES

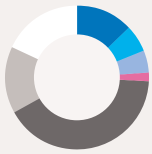
Sweden is the largest market for NCC Infrastructure, accounting for 69 percent of sales.



- Sweden, **69**%
- Denmark, **6**%
- Finland, **3**%
- Norway, **22**%

PRODUCT MIX, SHARE OF NET SALES

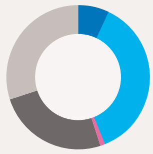
Earth and groundworks represented the largest portion of sales.



- Roads, **13**%
- Railways, **6**%
- Tunnels, **5**%
- Bridges, **2**%
- Earth and groundworks, **41**%
- Operation and maintenance, **15**%
- Other, **18**%

CUSTOMER MIX, SHARE OF NET SALES

Public sector customers accounted for the largest share.



- Internal in NCC, **7**%
- Central government, **37**%
- Public utility housing companies, **1**%
- Municipalities/County council, **25**%
- Private customers, **30**%

MARKET

Although the Nordic civil engineering market noted strong growth during the year, there are distinct indications that a capacity ceiling is beginning to be reached, particularly in terms of access to production personnel. The competitive situation in the local Nordic markets has been characterized by increased competition from major international construction and civil engineering companies. The Swedish civil engineering market increased 2 percent during the year. In Norway, infrastructure investments contributed to an expanding civil-engineering market, with growth of 9 percent. The Finnish civil engineering market has been stimulated by extra government contributions. The civil engineering market in Denmark has declined, which is primarily due to lower investments in state-owned roads pending major forthcoming infrastructure projects.

THE INCLUSIVE CITY

The percentage of total floor space that can be used as living area

75%

The number of Folkboende housing units registered among NCC's orders in 2016

1,040

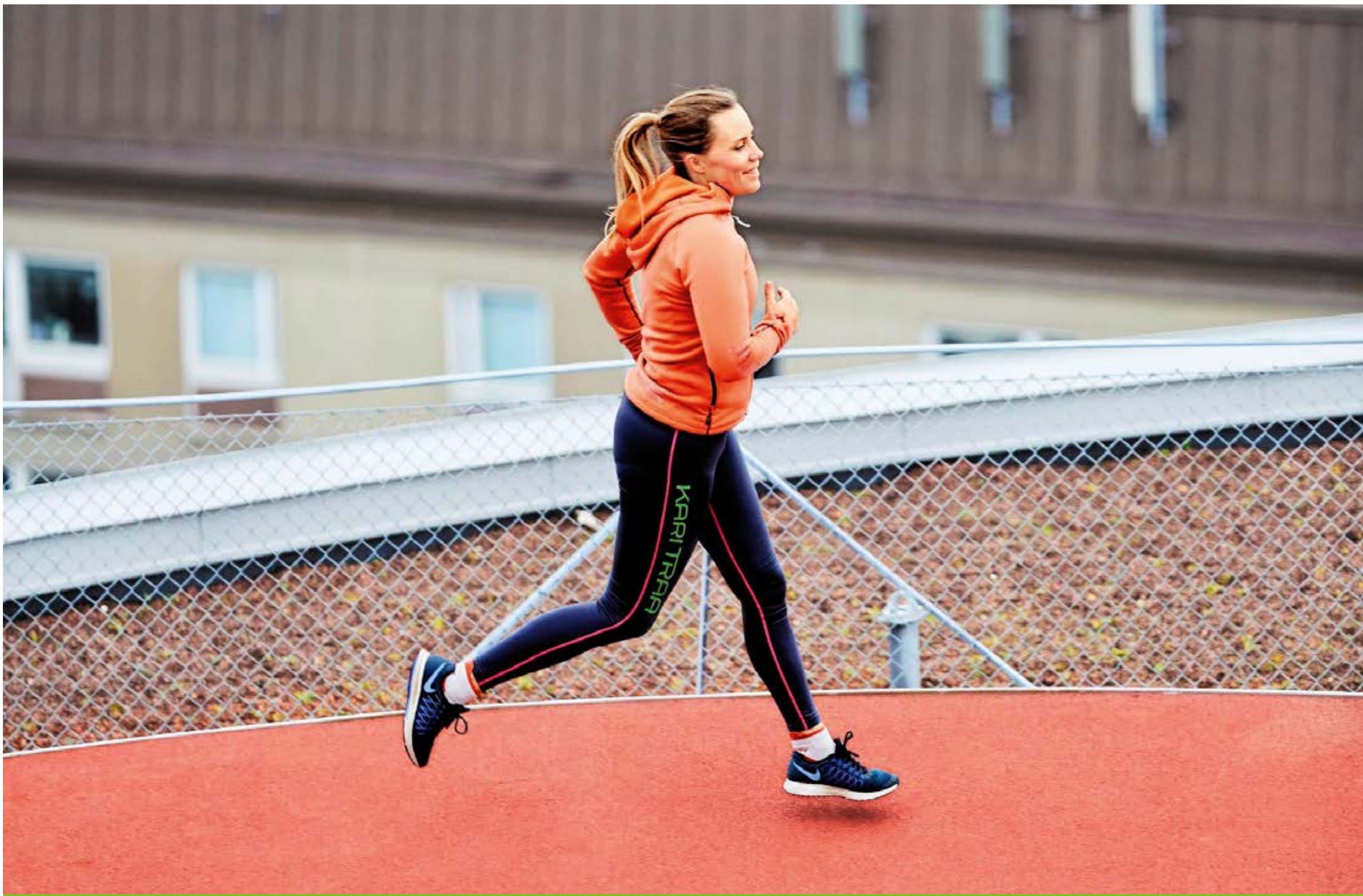
FOLKBOENDE

Housing that everyone can afford

The need for new housing in Sweden currently exceeds the level that most municipalities can satisfy, particularly demand for affordable housing units. NCC has developed the NCC Folkboende concept for apartments that everyone can afford, and that meet requirements for high housing quality and advantageous real estate economy. Thorough planning, solid materials and genuine craftsmanship also enable the buildings to be constructed both quickly and cost-effectively, adapted to the environment and the needs of each location.

The concept was launched as early as 2009 and since then some 3,000 housing units have been built throughout in Sweden, with demand accelerating in recent years. In Norrköping during 2016, NCC completed 266 affordable housing units near the IFK Norrköping soccer arena, an area that is close to public transport and within cycling and walking distance of the city center. For a number of years, NCC has had framework agreements with SABO concerning the NCC Folkboende product, involving the construction of high-quality, affordable apartment blocks. Demand from both municipal and private clients has been very high. Of Sweden's 290 municipalities, 240 have stated that their particular housing markets are suffering from shortages.

Development of sustainable city districts



NCC Property Development Urbanization is leading to the need for city development whereby all functions of the city are planned simultaneously and are aligned with infrastructure initiatives. NCC's property development expertise and solutions contribute to a favorable mix of stores, worksites and housing that facilitates the transformation of entire city districts where people want to live, work and reside.

The NCC Property Development business area develops and sells commercial properties in metropolitan regions of Sweden, Norway, Denmark and Finland. The business focuses on office, retail and logistics properties in attractive locations. Operations encompass the entire value chain, from project concept and analysis to land acquisition, concept development, production and finally sales, when capital is released for new development projects. The business concept is to develop appropriate land sites for new, sustainable work environments in which buildings are adapted to customer requirements and needs, as well as the area's unique circumstances. At the year-end, the portfolio comprised a total of 19 projects, divided among all four prioritized markets. A number of projects are being conducted in several phases and constitute features of the development of entire urban districts.

In line with the business area's growth ambitions, a strategic initiative was launched late in the year to leverage new investment opportunities by expanding geographic presence and serving more segments. This includes development of properties in the public sector in midsize cities in the Nordic region and intensified cooperation with NCC Building for investments in more commercial property development projects in cities where NCC Building is already active and has local knowledge.

Long-term responsibility

The development business is capital-intensive, which means that NCC's knowledge of the areas in various markets that can generate the highest return is critical. The process of developing properties and areas is conducted in close cooperation with customers, municipalities, landowners, architects and other stakeholders. Taking long-term responsibility contributes to the positive development of urban districts and enhances property values. It involves developing creative new solutions with sustainability high on the agenda. In a dialog with various stakeholders, the aim is to develop inclusive and safe city districts and dynamic locations where businesses can flourish and people want to live, work and reside.

A feel for customer needs

Since property development is a protracted process, it is crucial to accumulate trend insights in an effort to predict the demands and requirements of tomorrow's customers. It is important to know the geographic locations and types of property that customers are likely to choose for their workplaces in five to ten years' time. NCC works systematically to gather intelligence through future studies, customer interviews and trend monitoring. Megatrends such as urbanization and competition for talent strengthen NCC's potential to develop urban centers offering attractive offices and shopping areas, while supporting the need for smoothly functioning infrastructure. NCC guides municipalities and companies in developing and building needs-based commercial spaces. This guidance takes into consideration such values as the significance of the office for the company's brand, access and peripheral services; values that contribute to boosting the attractiveness of the urban district and customers, while above all enhancing the value for investors. NCC also works proactively to reduce project risks by securing tenants for premises well before completion. When the office property in Malmö Hyllie was sold in November 2015, 94 percent of total leasable space of 7,300 square meters had been leased. At the date of occupancy in April 2016, 98 percent of the property was leased.

Workplaces of the future

Unique workplaces are created in close cooperation with customers. NCC combines expertise with a deep-rooted understanding of the customers' operations, processes and challenges. NCC endeavors to inspire, support and provide consultancy to the customer. Cooperation is characterized by a shared aim of creating a flexible workplace that not only creates conditions for efficient customer operations, but also improves the work situation of employees in terms of health, work environment and comfort. For each individual project, NCC contributes solid knowledge of how good workplaces function, based on long experience of working closely with the customer and relevant research findings in the field. This process is exemplified by Future Office by NCC, which is based on a comprehensive study of the workplaces and work environments of the future.

Logistics and retail solutions of the future

For a customer utilizing warehouse and logistics solutions, the location and a highly efficient goods flow are the two individually most important criteria when a new property is to be built. NCC's specialist expertise in optimizing warehouse solutions, combined with standardized solutions for warehouse buildings, provides superior conditions for offering the optimal solution for every customer. When developing a commercial property, NCC performs a detailed analysis to ensure an excellent commercial location that can offer substantial customer flows, as well as premises that are optimized for selling the tenant's products or services. Future

Financial objectives for the strategy period 2016–2020

Operating margin target

≥10%

Target for average annual return on capital employed

≥10%

Retail by NCC and Future Logistics by NCC are NCC's successful concepts for creating unique shopping centers and logistics facilities.

Development of sustainable city districts

NCC is a leader in sustainable property development, offering solutions that help transform entire urban districts, such as Valle Hovin in Oslo, Mölndal city center, Frihamnen in Gothenburg, Hyllie in Malmö and Fredriksberg in Helsinki. Totally new neighborhoods are emerging in these areas, where creative solutions are integrated with new infrastructure and attractive architecture. These are solutions that help awaken slumbering neighborhoods and provide them with a new commercial purpose and design, where people can live and develop side by side. Over the years, NCC has implemented many successful projects whereby efficient cooperation with municipalities, city planners and other stakeholders has facilitated successful urban development and added value for all parties. As a solution to the challenges resulting from accelerating urbanization, sustainable urban development with the focus mainly on social issues for those who are to work and live in the area when all of the buildings have been constructed, has been an important priority for NCC. A prerequisite for the creation of a new city for everyone is that residential construction progresses in interaction with infrastructure initiatives, new workplaces and other societal functions.

Sustainable property development

NCC works purposefully to reduce its own and its customers' environmental impact. NCC's property development has a long-term aim of having a positive net effect for society and the environment. In brief, this entails that the properties created and developed by NCC are to generate more positive values than negative effects in terms of sustainability. The aim of having a positive net effect is a lodestar and is broken down into three separate focus areas, which embrace several parts of NCC's sustainability framework. For example, NCC is one of the Nordic property development companies that has had the most properties certified under the international certification system, BREEAM. NCC's retail and office building at Torsplan 2 in Stockholm was the first building in Sweden to achieve the highest BREEAM level: Outstanding. This property also attracted attention in 2016 at the Concrete Gala in Stockholm, at which it received the Environmental Prize for 2016, as well as at the prestigious BREEAM Awards in London, where it was named Best Retail Park.

Focus in 2017

To ensure profitable growth over time, NCC will focus on continuously having a flow of new project starts combined with a balanced risk profile in metropolitan regions showing growth. To satisfy the ongoing urbanization, NCC intends to strengthen its market position in sustainable urban development, where the Group has unique full-service competencies. NCC has also maintained a sharp focus on HR development and on attracting new competencies to achieve the target of being the first choice for talents. In 2017, NCC will invest more capital in the development business in order to develop commercial properties in more geographic markets in the Nordic region and in new segments, by increasing cooperation between NCC Property Development and NCC Building.

NEW CITY DISTRICT IN NORWAY WITH ITS OWN STADIUM

In the Valle Hovin area of the Helsfyr city district in Oslo, NCC is developing commercial properties with a total of some 60,000 square meters of office space. To date, development in the Valle Hovin area has been relatively low; however, in close cooperation with Vålerenga Kultur og Idrettspark AS, NCC was quick to enter the planning process for this city district and was an active driving force for the implementation of changes in the area. The aim is that Valle Hovin, with a new stadium, new worksites, housing units, a preschool and a school, will become an attractive and vibrant city district in Oslo. In spring 2017, housing starts for the first phase of a total of five will commence, including the Valle Wood office project, will become the largest solid wood commercial property in Norway. Valle Wood will represent simplicity and style, while simultaneously conveying an impression of being close to the Nordic countryside. Since Norway is a country with an abundance of forestland, it was important to launch a solid wood construction project. The benefits of solid wood include the fact that wood is recyclable and sustainable, at the same time as it opens up new opportunities for forestry.

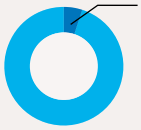
2016 IN BRIEF

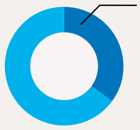
NCC Property Development's reported lower net sales year-on-year. During 2016, five property projects were recognized in profit, three fewer than in 2015. Operating profit declined year-on-year, primarily due to having fewer projects recognized in profit. Ten projects were started during the year, which means a total of 19 projects are in progress. The business area achieved its target for the operating margin but not for the return on capital employed.

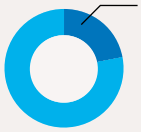
KEY DATA

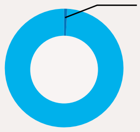
SEK M	**2016**	2015	Change, %
Net sales	2,823	3,427	–18%
Operating profit	327	417	–22%
Capital employed	4,450	4,527	–2%
Operating margin, %	11.6	12.2	–5%
Return on capital employed, %	7.0	8.3	–16%
Average no. of employees	89	99	–10%

SHARE OF NCC TOTAL



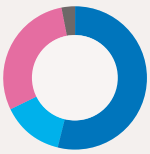






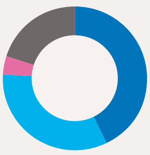
GEOGRAPHIC MARKETS, SHARE OF NET SALES

Net sales per geographic market in 2016 reflected the favorable Swedish market, which increased in relation to the others. Projects were recognized in profit in Sweden and Finland. Net sales in Denmark primarily pertained to sales of land.



PRODUCT MIX, SHARE OF NET SALES

The office segment was the largest segment for NCC Property Development during 2016. During the year, a total of five projects were recognized in profit. Other comprises rental revenues and other revenues.



THE PROPERTY MARKET

Properties continue to be an attractive investment for both domestic and international investors. The Nordic region has experienced relatively strong economic growth in recent years with increasing demand for new offices and other commercial premises in most regions. The main focus has been on well-located, sustainable and space-efficient properties that contribute to life in the cities where they were built. Attractive, space-efficient offices are also important for companies to attract skilled employees. For investors, properties represent a healthy long-term return, compared with alternative investments with similar risk levels. Properties in attractive, growing cities in the Nordic region provide both continual cash flow and opportunities for value growth. The Nordic cities will continue to need to construct and upgrade commercial premises in the future, with such factors as accelerating urbanization as the driving force. In 2016, new transaction records were noted in the Nordic property market. In total, properties with a value of SEK 380 billion (342) were traded, a year-on-year increase of 11 percent. The Swedish market accounted for SEK 150 billion (134). Volumes increased sharply in both Denmark and Finland, by 82 and 47 percent, respectively. In Norway, transaction volume declined by 31 percent.

OFFICE MARKET IN THE NORDIC REGION, 2016[1]

	Vacancy rate, %	Rent, m2/year	Required yield, %
Stockholm	4.0	SEK 3,400	4.1
Oslo	7.7	NOK 2,881	4.5
Copenhagen	14.6	DKK 1,300	4.5
Helsinki	12.9	EUR 264	6.7

[1] Refers to the inner city

Source: Newsec

Toward a more sustainable society

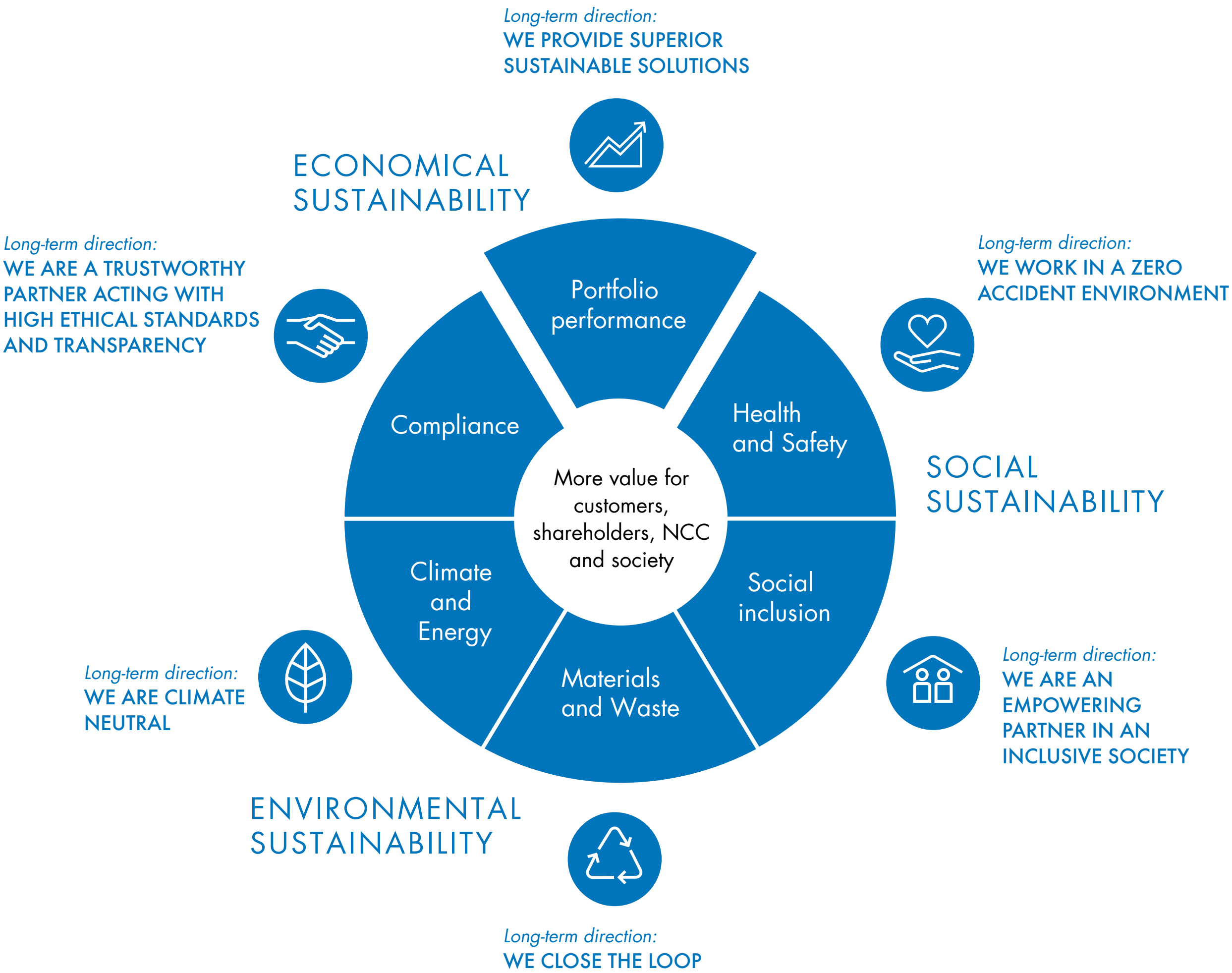
Sustainability As a leading industry player, NCC is involved in and drives development toward a more sustainable society. Sustainability efforts are based on the company's vision – to renew the industry and provide superior sustainable solutions.

By working together with customers and suppliers, and through active engagement in society, NCC contributes to a sustainable future. The company actively contributes to reduced use of resources and to developing new technical solutions, products and work methods that provide economic, environmental and social values.

A proactive approach is required to tackle today's challenge of transforming the construction sector into a long-term, sustainable industry. As one of the leading construction and property development companies in the Nordic region, NCC plays a key role in this transformation. NCC works actively to build a more inclusive society to face the increasing population, urbanization and segregation.

By working continuously to develop additional energy-efficient, climate-compatible and resource-efficient products and services, both independently and together with customers, the impact on the environment is minimized. NCC is also working to strengthen the industry's reputation through the active use of tools that help to prevent the risk of bribery and corruption.

NCC's sustainability framework



NCC's sustainability framework

NCC's sustainability work is based on a framework that provides an outline of what sustainability means to NCC. The aim of NCC's sustainability work is to increase value for shareholders, customers and society as a whole, while also reducing the impact on the environment. The framework was launched in 2016 and clarifies the most important areas in NCC's sustainability work – occupational health and safety, social inclusion, materials and waste, climate and energy, compliance and portfolio performance. NCC has set strategic sustainability targets for all areas in the framework of the strategy period of 2016–2020. The targets and this year's outcome are reported on pages 13–14.

Support for the framework and identified significant issues was secured with stakeholders through an online questionnaire in autumn 2016. More than 2,800 people from Sweden, Denmark, Finland and Norway participated in the questionnaire, jointly representing employees, suppliers, customers, investors and students. Stakeholders confirmed NCC's standpoint on the material issues.

THE GLOBAL GOALS For Sustainable Development

The UN's Sustainable Development Goals were adopted by a UN summit in New York on September 25, 2015. These global goals will lead the world toward more peaceful and sustainable development by 2030 through initiatives at both global and national level.

More value for customers, shareholders, NCC and society	Health and Safety	Social inclusion	Materials and Waste	Climate and Energy	Compliance	Portfolio performance
8 Decent work and economic growth	3 Good health and well-being	10 Reduced inequalities; 11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	16 Peace, justice and strong institutions	9 Industry, innovation and infrastructure; 17 Partnerships for the goals

A long-term player

During the year, NCC also established long-term sustainability directions for the focus areas in the framework. They relate to the long-term changes in market conditions provide a direction for the Group's long-term sustainability work, beyond the strategy period. These long-term directions have also been supplemented by a selection of the UN Sustainable Development Goals. These global goals help ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active by creating change where it is needed the most. The process of implementing these goals into the operations is under way.

NCC's values

NCC's values of honesty, respect, trust and pioneering spirit are inherent in all of the Group's sustainability work. These four values are prerequisites for achieving NCC's vision – to renew the industry and provide superior sustainable solutions.

NCC'S Code of Conduct

NCC's Code of Conduct is based on the company's values and on voluntary initiatives adopted by NCC, such as the World Economic Forum Partnering Against Corruption (PACI) and the UN Global Compact. In December 2016, NCC adopted a revised Code of Conduct. Among other revisions, the Code of Conduct was supplemented with practical advice in each area to help NCC's employees.

All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work. NCC's Executive Management Group is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Knowledge of the Code of Conduct at NCC is very high. According to NCC's human capital survey, NCC Pulse, employees believe to a great extent that NCC's values and Code of Conduct provide guidance in their work.

Organization and governance

The CEO is ultimately responsibility for NCC's sustainability efforts. The SVP Corporate Sustainability is responsible for the implementation and has a team that works daily with sustainability issues. The unit cooperates with other functions in the organization, such as representatives of the company's business areas as well as purchasing and HR functions.

Sustainability work is governed by the Group's SVP Corporate Sustainability in cooperation with the sustainability managers of each particular business area. The group meets regularly and sets shared targets, while following up developments regarding sustainability work. NCC's compliance work is conducted via the NCC Group Compliance Officer and selected representatives in each business area and Group staff. This organization includes both the Ask me and the Tell me functions.

ABOUT THIS REPORT

For the seventh consecutive year, NCC is presenting a sustainability report in accordance with the international framework of the Global Reporting Initiative (GRI). Although the Sustainability Report has not been audited by a third party, NCC is of the opinion that the information in the 2016 Annual and Sustainability Reports, together with information on the NCC website, fulfills the GRI disclosure requirements for G4 Core. Unless otherwise stated, all the information pertains to the entire NCC Group in 2016. A GRI appendix with a GRI index and detailed information about NCC's stakeholder dialogs and materiality analysis are available on NCC's website, www.ncc.se/griappendix. Contact: Senior Vice President Corporate Sustainability Christina Lindbäck.

Health and Safety

3 GOOD HEALTH AND WELL-BEING

Occupational health and safety includes both safe and secure workplaces for the Group's employees and better health for everyone in the value chain. NCC endeavors to ensure a sound work environment for the company's suppliers and a healthy indoor environment for people who use the buildings and structures provided by NCC.

Safe and secure workplaces

At least 80 percent of worksite accidents in the construction industry are linked to incorrect behaviour and many worksite accidents could have been avoided by employees having identified unsafe situations and taking action to make them secure even before the accident occurred. Awareness Day – one of the Group's most important joint activities – was held for the sixth consecutive year in September 2016 to increase awareness of health and safety. The theme of the day was again Time Out. A Time Out means taking action in unsafe situations by stopping work and ensuring safety before resuming work again. Time Out is an important part of NCC's efforts to strengthen its safety culture.

In May 2016, NCC arranged its first Health & Safety Week – a Group-wide initiative to promote the safety culture and a supplement to Awareness Day. Each workplace carried out at least two activities based on its specific nature and needs. For example, an exercise was held at the Valtimotie housing project in Vantaa, Finland, to demonstrate the importance of planning escape routes in buildings that the emergency services can easily access. The Health & Safety Week will be held every year with the aim of highlighting inspiring activities that enhance health and safety awareness in the workplace.

During the year, NCC launched a new digital system – Synergi – throughout the Group for reporting work environment incidents. This reporting system has been used successfully in Norway for nine years. Using Synergi, employees can report accidents and incidents, as well as negative and positive observations. Synergi gives NCC an overview and improved potential for collecting Nordic-wide information. This information further improves the ability to conduct safety-enhancing efforts and thus to prevent worksite accidents. Synergi is available as both a web-based system and an app.

Since a secure and safe workplace also encompasses good employment conditions and a healthy balance between work and leisure, NCC complies with collective bargaining agreements, conducts HR surveys and promotes skills development. In all of our markets, with the exception of Russia, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. In Russia, employee interests are instead monitored through government agencies and inspectors.

Better health for all stakeholders in the value chain

People in the Nordic region spend up to 90 percent of their time indoors and the indoor climate in the premises and residences in which they work, shop and live have a considerable impact on their well-being. NCC has ambitious objectives when it comes to building housing, offices and premises in which people feel good, are in good heath and have a stimulating indoor climate, all of which can contribute to major socio-economic gains and a reduction in sickness figures. For example, NCC focuses on ventilation, vapor barriers and building materials that contain no hazardous substances with respect to both environment and health aspects, thus create the best possible indoor climate. NCC also works to improve traffic safety for both road-users and road workers, in part through the NCC ViaSafe safety concept. The concept was used in, for example, the Velothon bicycle race in Stockholm, for which NCC was responsible for cordoning off traffic along the route.

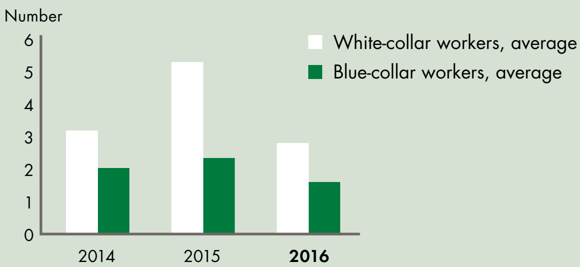
Work-related injuries, accidents and incidents, Group

		Total, NCC
Injuries	Number of injuries resulting in one day or more of sickness absence	246 (202)
Claims frequency	Number of injuries per million worked hours	8.8 (7.2)
Work-related fatalities	Number, own employees and subcontractors	3 (2)
Close calls and observations	Number	33,815 (23,500)

Figures for 2015, excl. Bonava, within parentheses

Although NCC has a strong safety culture, the declining trend in worksite accidents was unfortunately reversed in 2016. Regrettably, three employees died at the workplace during 2016. Efforts to continue strengthening the safety culture and achieving the zero vision are in progress at an undiminished pace.

Hours of training, Sweden



Within NCC, training is considered important and employees are offered various types of training programs, practical and theoretical, as well as instructor-led and digital. The accompanying statistics do not include local training programs or the time spent on interactive courses. Due to the reorganization, it has not been possible to include all hours of training conducted in 2016 in the statistics.

Social inclusion

NCC is a major operator in the industry and endeavors to be a driving force in efforts to achieve an inclusive society. For the whole company, NCC is also working to create an inclusive work environment characterized by diversity and equal opportunities.

An inclusive city

Six of ten city dwellers in the Nordic region regard it is a problem that the gaps between inhabitants are growing, that affluent areas are becoming richer and underprivileged areas poorer, according to a study conducted by market research firm United Minds on behalf of NCC. The lack of infrastructure joining a city together is another hinder to more inclusive cities. A clear majority also wishes that they had greater opportunities to influence their local area.

NCC is thus endeavoring, by means of cooperation with other players in society and via increased dialog with citizens, to create healthy, safe and inclusive environments. Within the framework of NCC's Sustainable Refurbishment holistic concept, profitable synergies are found between refurbishment, energy-efficiency and maintenance. This creates scope for sustainable investments in which quality of life and financial considerations go hand in hand; for example, by creating meeting places in stores, outdoor gyms and playgrounds, which result in a vibrant outdoor environment.

Sustainable leases

Creating sustainable buildings and sustainable infrastructure alone is not sufficient for a sustainable society to be built. How the buildings are used and interaction in the city district are at least equally important. By offering Sustainable Leases to customers who lease commercial premises, NCC proactively contributes its expertise in the sustainability area. NCC Sustainable leases are an appendix to the ordinary lease that include obligations in such areas as energy consumption, as well as the health and wellbeing of the tenant's employees. The lease is monitored in regular follow-up meetings and accompanies the new owner when NCC sells the building.

An inclusive workplace

Recruitment and ensuring that the right expertise will be available in the future are key issues for the industry. The construction industry is facing a generation change over the next few years, and NCC is working on multiple fronts to contribute to skills development in the industry. Employees are offered continuous skills development in the form of traditional courses, e-learning or mentorship, all adapted to the requirements and needs of the individual.

Diversity is important at NCC. An inclusive workplace, with a distribution that reflects the diversity of society in respect of gender, age and background, contributes to creativity and innovative thinking while ensuring that various competencies are utilized. Since NCC is convinced that this will ultimately also contribute to increased profitability, this is a high-priority area for the strategy period.

The Public Employment Service, "the Kunskapsskolan" school company and NCC have jointly initiated NCC Nystart – a labor market training program for engineering educated adults born abroad. The 46-week training program includes practical studies sandwiched with theory about such subjects as health and safety and the work environment. A total of 18 people from nine countries, including four women, participated in the first round of the training program. The program offers a fast lane into the labor market and is also a key feature of the ambition of increasing diversity at NCC's worksites.

Women currently account for only 8.6 percent of employees in the Swedish construction industry. At NCC, women comprise 12 percent of the workforce, and NCC aims to further increase the percentage of women, in both the company at large and in executive positions. Such initiatives as the women's network Stella, a site manager program for women and a newly established Diversity Committee in NCC Industry help to create a more equal workplace. In 2016, NCC, in cooperation with a portacabin manufacturer, was the first construction company in the Nordic region to launch unisex site cabins. This new type of cabin has changing rooms with lockable individual units, thus enabling all employees to change clothing in the same site cabin, regardless of gender, religion or sexual preference.

SUSTAINABLE REFURBISHMENT

As part of Sustainable Refurbishment, NCC's holistic concept for refurbishing properties from the Million Homes Program, great importance is attached to developing and improving the outdoor environment for the wellbeing of residents. The aim is to create secure and attractive environments, which also contributes to raising both the area's status and appeal. Creating meeting places and recreation opportunities results in a vibrant town center. New green spaces, allotments and dams can also contribute to an improved ecosystem and greater biodiversity in the area.

Materials and Waste

Since the construction process is material-intensive and considerable resources are required for completing a building or structure, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products, minimizing and managing the waste that arises from the construction process and design buildings and constructions prepared for reuse and material recycling.

Sustainable materials

NCC aims to be able to produce buildings and civil engineering structures that are content-declared and only comprise sustainable products that are sound from both an environmental and health perspective.

In the long term, this will result to a greater extent in buildings being designed to allow for their input materials to be recycled when their useful life expires.

In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain.

Increased traceability

NCC works continuously to create conditions for increased traceability and wants to offer its customers insight and transparency in respect of the choice of material. Since it is important that the currently available information on the content of a building is available for the future, NCC has been working to develop well-functioning processes for the content declaration of its buildings, known as logbooks or materials passports. During 2015 and 2016, NCC implemented two pilot projects whereby logbooks were linked to the digital building information model that is used in Virtual Design and Construction. This provides potential to effectively trace materials and products in buildings even after they have been completed, thus facilitating both recycling and reuse of the materials contained in the building in connection with future remodeling or refurbishment or when the building is to be demolished.

Recycling a core component of the business

In the NCC Recycling operation, the recycling of construction and civil engineering materials forms a core part of the business. Recycling of asphalt and other materials is more energy and cost effective than new production. Recycling terminals, where such used materials as stone products, gravel, sand and soil products are already processed and sold as new products, are increasingly being established in the various markets.

NCC Recycling is being refined continuously and recycling terminals can currently accept increasing types of construction waste. At present, a total of five terminals are in operation in Sweden, Denmark and Finland.

NCC also continuously improves its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2016, recycled asphalt granulate accounted for 19.0 percent (18.8) of total hot asphalt production.

Decrease in construction waste

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has initiated an effort to create a platform that enables projects to share surplus materials in other projects within the Group. Other examples of efforts to contribute to a circular flow include NCC Recycling, which uses excess building materials by grinding them into pellets and as fuel in the Group's asphalt plants, and the acclaimed Loop Rocks platform, which assists in the smarter handling of surplus construction materials; see p. 20.

COOPERATION FOR WASTE MANAGEMENT

As of summer 2016, NCC Recycling and an external partner company account for all waste handling for NCC in Sweden. By working consistently with two suppliers of waste, NCC reduces its costs and its carbon emissions and gains more efficient work methods and a better work environment.

Climate and Energy

Since the construction industry has a major environmental impact, NCC works actively to influence the development in the society in a sustainable direction. Using, for example, new technology, emissions from both production and finished products are being reduced.

NCC's long-term objective is to have a climate-neutral operation. In order to achieve this, the company works continuously to reduce its carbon footprint. The target for the strategy period is a 50-percent reduction in carbon emissions from own operations by 2020, compared with 2015 levels. Increasingly efficient energy consumption, more resource-efficient products and a transition from fossil to more eco-friendly energy sources are high on the agenda in order to further reduce the climate impact of operations. These measures also contribute to reduced costs for customers.

New solutions for a changed climate

The frequency of extreme weather conditions, such as heavy rain and extreme temperatures, will increase in the future. NCC endeavors to create conditions for society to adapt to climate change by offering customers solutions to cope with these challenges, such as for example sustainable surface-water management. By means of careful planning and smart solutions for local surface water disposal, the risk of flooding is minimized. Surface water solutions such as open dams could also create recreational spaces that contribute to increased quality of life for residents in the area.

Reduced biodiversity is another consequence of climate change. NCC has tools for ensuring that the impact on biodiversity, and ultimately the ecosystem services on which society is dependent, is minimized, at the same time as the value is maximized when designing buildings and civil engineering structures and when acquiring land. For example, vegetation on buildings in densely populated areas can be used to dampen the impact of heavy rain, at the same time as it creates wellbeing for nearby residents and absorbs carbon dioxide from the air.

A successful example of NCC using ecosystem services is the Stora Sjöfallet property block in Norra Djurgårdsstaden, Stockholm, where NCC is building new climate-smart apartments for Bonava. At this project, NCC has built roofs that have a variety of greenery with elements of micro-environments, such as stones, gravel and dead wood from the surrounding park area, Royal Djurgården. A couple of roofs also boast bat houses.

Reduced environmental impact from asphalt production

NCC Asphalt accounts for some 60 percent the Group's own carbon emissions and a large part of the carbon-dioxide emissions derives from the combustion of fossil fuels for asphalt production. By switching to such renewable fuels as wood pellets, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. NCC is also endeavoring to develop more eco-friendly products, in part by increasing the portion of recycled asphalt in production. Another example is NCC Green Asphalt®, which is hot asphalt produced by a manufacturing method that generates significantly lower carbon-dioxide emissions than conventional production of hot asphalt. NCC currently has some fifty facilities that can produce NCC Green Asphalt®

In 2016, NCC also initiated a project whereby GPS is used to measure the use of asphalting and rolling machinery in paving operations to ensure that the machinery is being used as efficiently as possible. The ambition for the years ahead is to switch to an increased share of biofuels for operating asphalting machinery and thus to further reduce the environmental impact.

Hercules energy piling

To reduce carbon emissions, new methods are required for heating buildings and other structures. Hercules energy piling is such a method. By using special concrete piling with space for an energy hose when conducting foundation engineering work, heat can be extracted from the earth and used to heat buildings, bridges or other structures. Energy piling can also be used to extract heat from the building, store it in the earth and then return it to the building when a need for heating arises.

Carbon emissions from NCC's operations

	2016	2015*	2014*
Greenhouse gas emissions (CO_2e (tons, 000s)	266	311	269
– of which, scope 1[1)]	222	254	245
– of which, scope 2[2)]	44	57	25
Net sales, SEK M	52,934	53,116	46,643
CO_2e (tons)/MSEK	5.0	5.9	5.8

[1)]Refers to direct emissions from NCC's operations
[2)]Refers to indirect emissions from electricity and heat

*Excl. Bonava

NCC's goal is to continuously reduce the company's climate impact by lowering emissions of greenhouse gases from its own operations. During the 2015–2020 strategy period, emissions from own operations are to be reduced by 50 percent. The long-term aim has been set on becoming climate neutral. As of 2015, the base year for the 2020 target, a market-based calculation method is used to measure carbon emissions deriving from electricity and heating.

NCC No Dig for reduced carbon footprint

Demand is on the rise for sustainable infrastructure solutions. Supply mains for water and waste, for example, are a few of our principal supply systems. Most of these systems were constructed in the 1900s and will have to be replaced and upgraded in the current century, at the same time as our communities are changing and being expanded rapidly.

By selecting No Dig methods for this upgrading of supply mains, carbon emissions are cut by nearly 70 percent compared with traditional excavation. The climate gains derive from, for example, fewer machine hours, minimized paving and the fact that crushed rock materials are no longer needed. The method also eases traffic congestion for local communities.

NCC Green Asphalt is a hot asphalt that can be manufactured at significantly lower carbon-dioxide emissions than conventional production of hot asphalt.

Energy consumption within the organization

MWh	**2016**	2015	2014
Electricity from renewable sources.	108,927	102,360	0[1]
Other electricity	102,861	131,120	219,311
District cooling	1,286	209	85
District heating	48,933	49,239	39,794
Renewable fuels	87,893	105,667	76,251
Fossil fuels	904,822	1,051,852	1,007,044

1) Not reported separately prior to 2015

Energy-efficiency is an important component in work on halving carbon emissions by 2020. Another component is to replace fossil-based energy with energy from renewable sources. The increased amount of district cooling in 2016 was due to the use of district cooling in a number of development projects in Finland. In respect of the transition to fuels from renewable fossil sources, the use of heating oil and fossil-based diesel has declined in favor of wood pellets and bio-based diesel. Nevertheless, the total volume of renewable fuels decreased during 2016, primarily because economic control instruments, in the form of tax relief for fossil fuels, are in place in one of NCC's markets.

Compliance

NCC works continuously to ensure compliance with its Code of Conduct in all of the Group's partnerships, and to ensure that no violations occur in respect of, for example, competitive situations and business ethics. NCC's long-term objective is to be a trustworthy partner acting with high ethical standards and transparency. In December 2016, a revised Code of Conduct was adopted, including an expanded section about anticorruption, anti-money laundering, personal information and a new section on how to behave in social media. The Code of Conduct has also been supplemented with practical advice in each area.

NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other players in the industry, a joint policy has been formulated: "Agreement on counteracting bribery and corruption."

NCC Compass

NCC Compass is easily accessible on the company's intranet and serves as a support to employees in their daily work, to make it easier for them to make the right decisions. In addition to guidelines and general advice, the tool has an "Ask Me" and a "Tell Me" function.

The Ask Me function was created to assist employees in always making the right decisions and is managed by 55 specially trained employees, known as "navigators", who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

The Tell Me function is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner by specially trained internal resources jointly with external expertise, to guarantee legally secure treatment. In recent years, an extensive training initiative has been implemented to establish and facilitate understanding of the issues addressed by NCC Compass. In December 2016, further training was launched in the area in the form of shorter, Web-based courses and 5,300 had undergone this training by January 2017.

Sustainable purchasing

Since about 75 percent of the Group's expenses is connected to the purchasing of materials and services, developing sustainable and competitive purchasing is a key issue for NCC. The company attaches major importance to establishing good contacts with suppliers and long-term relationships to ensure compliance with set environmental and social sustainability requirements. NCC works continuously to improve its processes and work methods for supplier evaluations and supplier performance appraisals in all Nordic countries.

To monitor and develop international suppliers, NCC undertakes audits of social responsibility, quality, the environment and the work environment. To ensure compliance and advances in these areas, NCC applies a 12-month supplier-assessment and supplier-performance audit cycle for all international suppliers who deliver to the Nordic region. Noncompliance that is noted under the supplier assessment and not corrected according to the action plan could lead to termination of cooperation with the supplier. For suppliers in high-risk countries (according to the BSCI definition), audits performed by own staff are combined with third-party audits, conducted with the help of consultants.

The Code of Conduct is an important feature of purchasing efforts, both as an internal compass for describing how NCC should act and as external communication to clarify NCC's expectations of its suppliers and business partners.

By working in a coordinated, efficient and responsible manner with purchasing issues, NCC adds value for its customers while contributing to a more sustainable society.

NCC MONTAGE

NCC Montage, the company's own staffing company, is an example of how NCC has strengthened its social responsibility in respect of staffing. NCC Montage is NCC's internal company for the recruitment of temporary employees to manage work peaks and its need of specialist skills. It serves as a complement to NCC's permanent blue-collar workers and currently comprises 120 Polish employees. The company guarantees that the employees receive the right wage, training and employment terms and conditions according to NCC's values.

Portfolio performance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

NCC's vision is to provide superior sustainable solutions to society. The Group's product portfolio includes NCC's initiatives in the sustainability area, which facilitate a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets.

Increased focus on sustainable business development

NCC's product portfolio contains a variety of sustainable products concept and services. To more effectively identify shared driving forces and to add value, for both the Group and its stakeholders, a business development group with representatives from all business areas was formed during 2016. The group's principal mission is to generate better conditions for more sustainable growth by means of increased cooperation.

Market leader in digital construction

Today, NCC uses Virtual Design Construction (VDC) in all large-scale construction projects. VDC digitalizes the construction process and all architectural drawings and other information about a construction project is stored in a database that is reached using a PC, a tablet or a smartphone. Since design errors can be identified long before a building has been constructed, both time and money can be saved. Suppliers receive information about the exact materials to deliver, when and where. This also means less waste, since the exact amount of material can be calculated. The construction industry's transition to digital tools increases reliability and prevents accidents. For example, VDC is used to plan dangerous aspects of work and to anticipate risks. During the year, NCC certified its 50th VDC specialist. Few other companies in the world have as many VDC specialists.

Environmentally certified solutions

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. In its proprietarily developed projects, NCC adheres to BREEAM for commercial buildings and city districts (in Denmark, NCC uses the German system, DGNB) and, for housing projects, it uses the Nordic Ecolabel as well as certification according to the Swedish system, "Miljöbyggnad".

NCC is the company in Nordic region that has most BREEAM-certified properties. At Torsplan, Stockholm, NCC has developed an office and retail building that satisfies the requirements for BREEAM Outstanding, which makes it one of the leading properties globally in terms of environmental performance and work environment. At the 2016 international BREEAM Awards gala, Torsplan 2 won the award in the Best Retail New Construction category.

Gladsaxe Company House is the first office building in Denmark that satisfies the requirements for DGNB Platinum, thanks to its holistic approach to sustainability and a distinct lifecycle perspective. For example, screws and bolts are used instead of glue and welding, making it easier to recycle materials when the building is no longer used.

At the Islo Omena shopping center in Espoo, Finland, NCC is extending retail space by 25,000 square meters to provide space for more stores. The extension is one of the first in the Nordic region to attain the highest green certification level (Platinum) from LEED. Leadership in Energy and Environmental Design (LEED) is the most widely accepted green building certification system in the world and is often used to evaluate commercial properties.

In connection with infrastructure initiatives, the focus on sustainability is being intensified. NCC was the first company in Sweden to apply CEEQUAL for Swedish conditions in the construction of two new road bridges over the East Coast Line at the E4 Expressway in Rotebro, outside Stockholm. The CEEQUAL certification system has been developed to promote sustainability in earth and groundworks and civil engineering projects, and is primarily used for assessing a project's success in managing environmental issues as well as social aspects.

In Denmark, NCC has also developed the Sustainable Building Site, an internal system for ensuring that construction sites have the best possible sustainability performance. Seven areas from the DGNB standard are used as the point of departure for the system, but it also includes social responsibility, work environment and measurement of risks and opportunities. In the same vein, NCC is now developing a Group-wide initiative for sustainable construction sites that is connected to NCC's sustainability framework. The initiative will be implemented in all business areas during 2017.

Sustainability-certified buildings

	NORDIC ECOLABEL	BREEAM		LEED		DGNB		"MILJÖBYGGNAD"	
Certification systems	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number
NCC	193	Pass	1	Bronze		Bronze		Bronze	1
		Good	4	Silver		Silver		Silver	14
		Very Good	4	Gold		Gold	4	Gold	2
		Excellent	4	Platinum	1	Platinum	1		
		Outstanding							
Total, 2016 (2015)	**193 (66)**		**13 (11)**		**1 (4)**		**5 (2)**		**17 (14)**

NCC sees that demand for environmentally certified buildings continues to increase. NCC certified 229 buildings and housing units in 2016, an increase compared with 2015. The increase resulted partly from a rise in completed internal NCC projects and partly from higher demand from external customers.

Report of the Board of Directors

The Board of Directors and the President of NCC AB (publ), corporate registration number 556034-5174 and headquartered in Solna, hereby submit the annual report and the consolidated financial statements for the 2016 fiscal year.

GROUP RELATIONSHIP

From January 22, 2003 through May 20, 2016, when nine million of Nordstjernan's Series A NCC shares were converted into Series B NCC shares, NCC AB was a subsidiary of Nordstjernan AB, corporate registration number 556000-1421. At the end of 2016, Nordstjernan had a holding corresponding to 48 percent of the voting rights in the remaining NCC AB.

OPERATION

NCC is one of the leading construction and property development companies in Northern Europe. NCC develops and constructs residential and commercial properties, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. It also offers input materials used in construction, such as aggregates and asphalt, and provides paving and road services. Operations are mainly conducted in the Nordic region. In St. Petersburg, NCC has an operation focusing on asphalt production and paving. On June 9, the shares in NCC's housing development operation NCC Housing were spun off to NCC's shareholders and the independent company Bonava was listed on Nasdaq OMX Stockholm.

OPERATIONS DURING THE YEAR

Market

Although the Nordic construction and civil engineering market noted strong growth during the year, there are distinct indications that a capacity ceiling is beginning to be reached, particularly in terms of access to production personnel. The competitive situation in the local Nordic markets has been characterized by increased competition from major international construction and civil engineering companies.

Demand in the Swedish construction market was favorable in all segments during 2016. Growth of 30 percent was noted in Swedish housing production during the year and of 5 percent in the professional refurbishment market. The Finnish construction market grew 10 percent in 2016, with the growth concentrated to expansive regions. In Denmark, growth in the construction market was primarily noted in the metropolitan regions of Copenhagen and Aarhus in the housing and other buildings segments, in both new builds and refurbishment. The Norwegian construction market was mainly driven by housing construction, with a decline in private investments offset by central government investments.

The Swedish civil engineering market increased 2 percent during the year. In Norway, infrastructure investments contributed to an expanding civil engineering market, with growth of 9 percent. The Finnish civil engineering market was stimulated by extra government contributions. The civil engineering market in Denmark has declined, which is primarily due to lower investments in state-owned roads pending major forthcoming infrastructure projects.

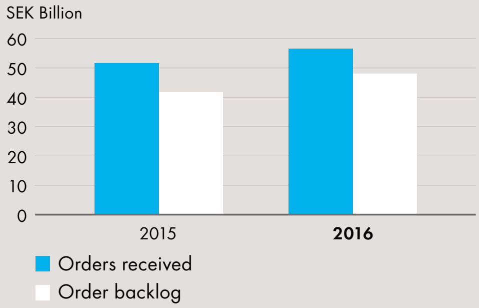
In NCC Industry's markets, demand for stone materials and asphalt was favorable. The stone materials market is benefitting from a high level of activity in construction operations. Demand for road services was stable, but the market was characterized by intense competition.

For commercial properties in Sweden, demand in the leasing market was favorable, vacancy rates declined and interest from investors was high. In Copenhagen, vacancy rates declined slightly but leasing is taking more time compared with previous years. Vacancy rates in Oslo are increasing, which is putting pressure on rent levels. In Helsinki, demand in the leasing market was weak, particularly in the portfolio of older offices.

The source of the above growth figures is NCC Market Outlook, based on analyses from NCC analysis, Newsec, EuroConstruct, national forecasting institutions, banks and industry organizations, as well as Global Construction.

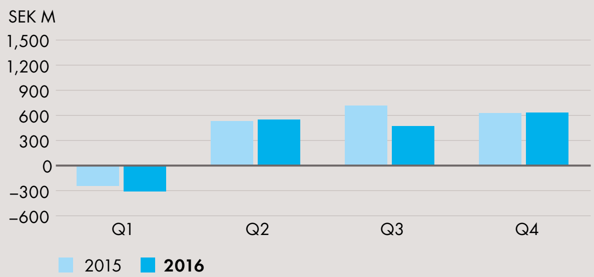
ORDERS RECEIVED AND ORDER BACKLOG

Orders received during 2016 increased year-on-year. The largest increase was accounted for by NCC Infrastructure, which received a number of major road and tunneling orders. Orders received by NCC Building for housing projects were favorable, primarily in Sweden and Finland. NCC Industry increased its orders received, primarily in stone materials.



PROFIT AFTER FINANCIAL ITEMS

In the final quarter of the year, profit increased mainly as a result of stone materials operations within NCC Industry, which also delivered excellent full-year earnings. The start of the year was seasonally weak and below 2015, primarily due to lower sales and margins in Norwegian construction projects, costs for accelerating projects and higher tendering costs. Profit was strengthened substantially in the second quarter, mainly as a result of stone materials operations in NCC Industry. Earnings declined somewhat in the third quarter due to impairment losses in construction operations and lower profit in the property development business.



NCC Housing spun off to the shareholders

According to a resolution passed by NCC's Annual General Meeting (AGM) on April 12, 2016, NCC's operation for housing development was spun off to NCC's shareholders and adopted the name Bonava.

The purpose of the spinoff was to capitalize on the growth opportunities existing in the remaining NCC operations, as well as in an independent operation in housing development. In connection with the spinoff resolution, the business model for the remaining operations was streamlined through the establishment of a commercially more distinct organization that supports a broad offering to the market based on the product mix that NCC can offer. The new business model entails moving from a geographic organization to segment specialization with a local geographic presence. The geographical Construction operations were divided into the business areas NCC Building and NCC Infrastructure.

HR, communication and sustainability have been integrated into a shared unit, Corporate Relations, which is represented in the Executive Management Team. Purchasing is another core element of NCC's operations that was raised to Executive Management Team level on January 1, 2016 and, as of January 1, 2017, was merged with IT, management systems and research and development in the Operational Support unit.

Changes among senior executives

As a result of changes in the Executive Management Team effective January 1, 2016, the Executive Management Team comprised CEO, Peter Wågström, CFO Mattias Lundgren, President of the NCC Building Business Area Klaus Kaae, President of the NCC Infrastructure Business Area Svante Hagman, President of the NCC Industry Business Area Jyri Salonen, President of the NCC Property Development Business Area Carola Lavén, Senior Legal Counsel Håkan Broman, SVP Corporate Relations Ann Lindell Saeby and SVP Purchasing Peter Gjörup.

A new member of the Executive Management Team effective January 1, 2017 is Harri Savolainen, Head of Operational Support, which includes IT, management systems, research and development and purchasing. Harri Savolainen joined NCC in 2001 and was President of NCC Building Finland until December 31. Prior to the reorganization of 2016, Harri Savolainen was Business Area Manager of NCC Construction Finland and member of NCC's Executive Management Team for three years. Harri holds a Master of Science in Technology at Helsinki University of Technology.

Peter Gjörup remains in his current position as Head of Purchasing and reports to Harri Savolainen but, due to the new organizational structure, he will leave the Executive Management team.

Orders received

Orders received by the NCC Group, excluding Bonava, amounted to SEK 56,506 M (51,492). Orders received were significantly higher for NCC Building and NCC Infrastructure and somewhat higher for NCC Industry.

Orders received during the fourth quarter of 2016 amounted to SEK 16,267 M (15,690). Notable examples included: Center for biotechnology research and business development in Copenhagen; Housing, parking facility and green area at Tegelholmen, Copenhagen; Four apartment blocks with some 200 housing units and a parking facility in Turku; Reconstructing Highway 26/47 between Månseryd and Mullsjö northwest of Jönköping into a 2+1 express road with median barrier; the new Faculty of Arts at the University of Gothenburg; Two road tunnels on the Faroe Islands and the new Nye Jordal Amfi sports arena in Oslo.

Net sales

The NCC Group's net sales, excluding Bonava, totaled SEK 52,934 M (53,116), with the marginally lower sales due mainly to fewer property projects being recognized in profit at NCC Property Development in 2016.

NCC Building increased its net sales mainly in Swedish construction operations. NCC Infrastructure' net sales were slightly lower year-on-year. NCC Industry increased its sales in all product areas: asphalt, stone materials and Hercules (foundation engineering).

Operating profit

The NCC Group's operating profit, excluding Bonava, totaled SEK 1,453 M (1,661). NCC Industry achieved its best operating profit ever, while the other business areas noted weaker year-on-year operating profit.

NCC Building's weaker performance derived primarily from NCC Building Norway, whose weaker year-on-year performance was due to impairment losses on projects. NCC Building Sweden showed slightly weaker year-on-year performance. NCC Building Denmark performed marginally positively and NCC Building Finland was in line with 2015.

NCC Infrastructure's operating profit was lower year-on-year, primarily in the Civil Engineering product area in Norway, due to impairment losses on projects and final settlement of disputes.

NCC Industry reported its best ever operating profit. The favorable performance was primarily attributable to the stone materials product area, but also to the asphalt product area.

NCC Property Development's operating profit was lower than in the preceding year. During the year, five (8) projects were recognized in profit but at a lower margin than in 2015.

"Other and eliminations" amounted to an expense of SEK 57 M (expense: 201), of which eliminations of inter-company gains accounted for SEK 109 M (29). Profit after financial items was SEK 1,341 M (1,623).

Net financial items amounted to an expense of SEK 112 M (expense: 39). The deterioration in net financial items was impacted mainly by a capital contribution paid to Bonava in April 2016. Net indebtedness during the year was an average of SEK 2.2 billion higher than in 2015.

Profit after tax for the year amounted to SEK 1,116 M (1,321). The effective tax rate for NCC was 17 (19) percent.

FINANCIAL POSITION

Profitability

The return on equity after tax was 19 percent (26).

Total assets

Total assets amounted to SEK 25,315 M (39,402).

Net indebtedness

Net indebtedness totaled SEK 222 M (4,552), of which net indebtedness in ongoing projects in Swedish housing associations and Finnish housing companies accounted for SEK 0 M (3,056). The change in net indebtedness was due primarily to the spinoff of Bonava.

Cash flow

Cash flow before financing was a negative SEK 11 M (positive: 3,331). Cash flow from changes in working capital was a negative SEK 336 M (positive: 624). Cash flow from operating activities deteriorated compared with 2015 due to the positive result after financial items from Bonava being included in the figures for 2015, lower adjustments for non-cash items and a negative change in cash flow from working capital compared with 2015, when Bonava was included. The spinoff of the assets in Bonava led to an outflow of cash and cash equivalents, which had an adverse impact on cash flow from investing activities in 2016.

Equity/assets and debt/equity ratio

On December 31, the equity/assets ratio was 22 percent (25). The debt/equity ratio was a multiple of 0.0 (0.5).

Seasonal effects

NCC Industry's operations and certain operations in NCC Building are impacted by seasonal variations due to cold weather. The first and final quarters are normally weaker than the rest of the year.

BUSINESS AREAS

NCC Building

Orders received by NCC Building totaled SEK 28,738 M (26,066). The increase was primarily due to higher orders received for housing and schools. Operating profit declined, due to impairment losses on projects in the Norwegian market, and amounted to SEK 489 M (602).

NCC Infrastructure

NCC Infrastructure's orders received totaled SEK 18,664 M (15,621). The increase resulted from favorable orders received in the three latest quarters. However, operating profit declined to SEK 162 M (469). The decline was mainly due to impairment losses on projects within Civil Engineering in Norway, lower net sales and the negative impact of final settlement of projects and disputes.

NCC Industry

NCC Industry's net sales amounted to SEK 10,760 M (10,571). The volume of stone materials sold was marginally higher in all markets apart from Denmark, which noted lower volumes due to the closure of quarries in western Denmark in 2015. In 2016, a higher sales volume for asphalt was noted in all countries apart from St. Petersburg where volumes were slightly lower year-on-year. Sales by Hercules (foundation engineering) in 2016 were slightly higher year-on-year, due to high activity in the Swedish market.

Operating profit for NCC Industry was SEK 533 M (374). Operating profit from the asphalt and stone materials divisions improved. Stone materials operations improved as a result of better earnings from projects in Sweden and effects of restructuring measures implemented in Denmark in 2015. Profit from asphalt operations improved in Sweden, Denmark and Norway. Hercules improved its earnings in the Swedish operations.

NCC Property Development

Sales for NCC Property Development amounted to SEK 2,823 M 3,427). Operating profit declined compared with 2015 to SEK 327 M (417). Five (8) projects were recognized in profit, four in Sweden and one in Finland. Sales of land were implemented in Denmark and Finland during the year. The operating net for the year was SEK 79 M (85).

At the end of 2016, 19 projects (14) were ongoing or completed at a total project cost of SEK 2.8 billion (2.6), equal to a completion rate of 59 percent (55), while the leasing rate was 59 percent (73). Leases were signed for 71,900 square meters (73,100) during the year.

BRANCHES OUTSIDE SWEDEN

From January 1, 2016, branches in Finland and Norway are included in NCC Infrastructure. NCC also has a dormant branch in Denmark. The branch in Singapore was closed during 2015.

ENVIRONMENTAL IMPACT

The Group conducts operations subject to permit and reporting obligations in accordance with the Environmental Code, which involve the Swedish Parent Company and subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations conducted by NCC Industry that affect the external environment, as well as the construction and civil engineering operations conducted by NCC Building and NCC Infrastructure. Within NCC Industry, quarries and harbors are subject to permit obligations, while asphalt production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Industry also conducts recycling operations that are subject to permit obligations. Some of these also include landfills, which are also subject to permit obligations. The external environment is mainly impacted by emissions to air, waste generation and noise. No significant injunctions according to the Environmental Code exist.

Identified sustainability risks associated with the operations are described in the Risk section.

COMPETITION ISSUES

In the wake of the Finnish asphalt cartel, during the period 1994-2002, which was finally concluded in court and regulated in 2009 with respect to competition-infringement fees, NCC and other construction companies have received claims for damages from a number of municipalities and road services in Finland. For NCC Industry's' Finnish company, this means that a total claim of some EUR 71 M is directed at the company, jointly with the other construction companies concerned. These claims are being heard in general courts of law. In November 2013, the Helsinki District Court handed down rulings in a number of the claims for damages in progress at the Court.

NCC Industry's' Finnish company was ordered to pay approximately EUR 1 M, including interest and process costs. This verdict was appealed to the Finnish Court of Appeal. In 2016, the Court of Appeal in Helsinki changed the District Court's verdict in five of the cases, whereby NCC will not have to pay damages.

PERSONNEL

The average number of employees in the NCC Group during the year was 16,793 (17,872). This represented a decline compared with 2015, which was mainly due to the spinoff of Bonava, which had an average of 1,331 employees. The remaining units noted a marginal increase in the average number of employees.

NCC SHARE

At December 31, 2016, NCC's registered share capital comprised 14,491,903 Series A shares and 93,943,919 Series B shares, of which 362,222 were held in treasury. The shares have a quotient value of SEK 8.00 each.

ORDERS RECEIVED, NET SALES AND EARNINGS PER BUSINESS AREA

	ORDERS RECEIVED		NET SALES		OPERATING PROFIT	
SEK M	**2016**	2015	**2016**	2015	**2016**	2015
NCC Building	28,738	26,066	25,681	25,001	489	602
NCC Infrastructure	18,664	15,621	17,007	17,105	161	469
NCC Industry	11,252	10,986	10,760	10,571	533	374
NCC Property Development	0	0	2,823	3,427	327	417
Total	**58,654**	**52,673**	**56,271**	**56,104**	**1,510**	**1,862**
Other and eliminations	-2,148	-1,181	-3,337	-2,988	-57	-201
Group	**56,506**	**51,492**	**52,934**	**53,116**	**1,453**	**1,661**

To cover commitments according to LTI 2016, the Annual General Meeting (AGM) on April 12, 2016 authorized the Board, until the next AGM, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 300,000 Series B shares to participants of LTI 2016. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2014, LTI 2015) and LTI 2016.

During 2016, NCC sold 483,947 Series B shares and bought back 362,222 Series B shares and distributed 84,107 Series B shares to participants in the long-term performance-based incentive program from 2012. Thereafter, the company holds 362,222 Series B shares in treasury.

Series A shares carry 10 votes and Series B shares one vote each. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 11,031,194 Series A shares were converted to Series B shares.

The number of NCC shareholders at year-end was 45,822 (46,757), with Nordstjernan AB as the largest individual holder accounting for 17 percent (20) of the share capital and 48 percent (64) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly account for 46 percent (48) of the share capital and 62 percent (75) of the voting rights.

At December 10, 2016, NCC exercised its five-year option to extend the revolving credit facility of EUR 400 M that was signed in December 2014; the volume now amounts to EUR 325 M.

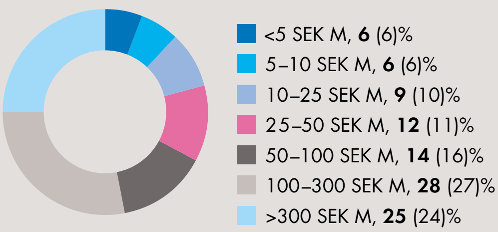
Should any major changes occur in NCC AB's ownership structure, meaning if a shareholder other than Nordstjernan AB acquires more than 30 percent of voting rights in NCC AB, or if NCC AB is delisted from Nasdaq Stockholm, the credit facility may be terminated by the lenders.

NOMINATION WORK

Ahead of the 2017 Annual General Meeting (AGM), NCC's Nomination Committee comprises Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB) and Johan Strandberg (Analyst at SEB Fonder), as well as Anders Oscarsson (equity manager AMF/AMF Fonder), with Viveca Ax:son Johnson as Chairman. Chairman of the NCC Board Tomas Billing is a co-opted member of the Nomination Committee but has no voting right.

PROJECT SIZE OF ORDERS RECEIVED, 2016, NCC BUILDING AND NCC INFRASTRUCTURE

Projects of SEK 100–300 M increased most in percentage terms during the year and projects exceeding SEK 100 M accounted for more than half of the orders received for the year. The diagram reflects SEK 47 billion of the total orders received of SEK 57 billion.
The Group's total orders received also include NCC Industry.



MAJOR ONGOING PROJECTS

Projects exceeding SEK 300 M		NCC's share of order value	Completion rate, Dec 31, 2016, %	Estimated year of completion
Campus, housing, offices and stores in Copenhagen	DK	2,039	96%	2017
National Highway 4, Hadeland	NO	1,704	99%	2017
University Hospital, Örebro	SE	1517	2%	2021
Tunnel construction, Faroe Islands	NO	1511	0%	2024
Tunnel construction, Sandvika-Wøyen	NO	1,304	71%	2019
Hospital extension, Stockholm	SE	1,294	28%	2019
Children's hospital extension, Gothenburg	SE	1,198	18%	2020
Svealandsbanan railway line, Strängnäs-Härad	SE	1,135	76%	2018
Tunnel construction, Gvammen-Aarhus	NO	1,108	55%	2019
E18, highway, Knapstad-Retvet	NO	1,058	98%	2017
Suspension bridge, Narvik	NO	942	99%	2017
Hotel, Stockholm	SE	927	89%	2017
Campus biotechnology research, Copenhagen	DK	911	2%	2019
Galleria, Mölndal	SE	849	47%	2018
Housing project, Aarhus	DK	848	95%	2017
Offices, Solna	SE	846	23%	2018
Interchange, Häggvik	SE	743	3%	2021
Interchange, Gothenburg	SE	657	34%	2020
Hospital, Jönköping	SE	638	13%	2019
Housing refurbishment, Copenhagen	DK	613	6%	2019
Housing, preschool & stores, Stockholm	SE	611	4%	2019
Interchange, Hjulsta	SE	608	2%	2020
School, research and hospital construction, Turku	FI	556	29%	2018
Refurbishment of housing units, Copenhagen	DK	548	62%	2019
Administrative building, Uppsala	SE	543	82%	2017
Hospital, Copenhagen	DK	533	90%	2017
Refurbishment and extension, university, Gothenburg	SE	470	5%	2019
Offices, Arlanda	SE	445	7%	2018
Apartment blocks, Uppsala	SE	443	9%	2019
Housing, Tyresö	SE	422	1%	2019
Offices, Helsingborg	SE	410	98%	2017
Housing development project, Malmö	SE	402	54%	2018
Housing, Copenhagen	DK	381	75%	2017
Housing, Copenhagen	DK	373	0%	2018
Refurbishment of retirement homes, Copenhagen	DK	369	46%	2018
Hospital, Copenhagen	DK	351	84%	2017
Energy refurbishment of housing, Copenhagen	DK	350	78%	2017
Housing, Uppsala	SE	340	24%	2019
District Court, Lund	SE	335	38%	2018
Offices, Trondheim	NO	334	85%	2017
School and sports hall, Trelleborg	SE	309	4%	2019
Housing, Haninge	SE	303	4%	2018

REMUNERATION

Board of Directors' motion concerning guidelines for determining fixed and variable remuneration of the CEO and other members of the company's management (Executive Management Team):

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's Executive Management Team (EMT), as resolved by the 2016 Annual General Meeting (AGM), and the applicable remuneration structures and remuneration levels in the company.

Due to the evaluation of the total remuneration package for the company's EMT, the Board proposes to the AGM that the long-term performance-based incentive program be repeated for 2017 and, accordingly, that the short-term variable remuneration be reduced by 10 percentage points from the basic level. These guidelines encompass the EMT, including the CEO, currently totaling nine people (9).

The objective of the guidelines for fixed and variable remuneration of the EMT is to enable NCC to offer market-based remuneration that facilitates the recruitment and retention of the best possible competencies within the NCC Group. The aim is that the total remuneration package will support NCC's long-term strategy. The total remuneration payable to the EMT comprises fixed and variable remuneration, the long-term performance-based incentive program and pension and other benefits.

Fixed remuneration. When determining fixed remuneration, the individual executive's sphere of responsibility, experience and achieved results are to be taken into account. The fixed salary is to be revised either annually or every second year.

Short-term variable remuneration The short-term variable remuneration must be capped and related to the fixed salary, as well as based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term operational and financial objectives.

Assuming that the long-term performance-based incentive program is adopted by the 2017 AGM, the short-term variable remuneration payable to the CEO will be capped at 50 percent of fixed salary and the amount payable to other members of the EMT will be capped at 30 or 40 percent of fixed salary. The variable short-term remuneration is to be revised annually. It is estimated that the company's undertakings in relation to the executives concerned will cost the company a maximum of SEK 17.1 M, including social security fees.

Should the AGM not vote in favor of a long-term performance-based incentive program, the variable remuneration payable to the CEO will be capped at 60 percent of fixed salary and that for other members of the EMT will be capped at 40 or 50 percent of fixed salary, which is equal to a maximum cost of SEK 21.4 M including social security fees.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's remuneration. Members of the EMT active in Sweden are entitled, in addition to basic pension, which is normally based on the ITP plan, to receive a defined-contribution supplementary pension for salary increments exceeding 30 income base amounts. The income base amount for 2017 is SEK 61,500. Members of the EMT active in another country are covered by pension solutions in accordance with local practices.

NCC aims to harmonize the retirement age of members of the EMT at 65 years.

Other benefits. NCC provides other benefits to members of the EMT in accordance with local practices. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the costs normally arising in the market.

Periods of notice and severance pay. A member of the EMT who terminates employment at NCC's initiative is normally entitled to a 12-month period of notice combined with severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new executive. The period of notice is normally six months if employment is terminated on the initiative of the employee.

These guidelines may be disapplied by the Board if there is special reason to do so in individual cases.

Long-term performance-based incentive plan

The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2017). The proposal essentially matches the long-term performance-based incentive programs earlier adopted by the AGM in April 2016. A total of 156 employees are included in LTI 2016. The Board is of the opinion that incentive programs of this type benefit the company's long-term development. The purpose of LTI programs is to ensure a focus on the company's long-term return on equity and to minimize the number of worksite accidents. It is proposed that LTI 2017 encompass a total of approximately 180 participants within the NCC Group. More detailed information on the proposal and earlier long-term incentive programs is available at www.ncc.se. Also refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives.

PARENT COMPANY

Commission agreement

In 2016, the Parent Company comprises the operations of NCC AB and NCC Sverige AB, which conducts its operations on a commission basis on behalf of NCC AB. In 2015, NCC Boende AB was also included for 11 months, when this operation was conducted on a commission basis on behalf of NCC AB.

The commission relationship between NCC AB and NCC Sverige AB was discontinued on January 1, 2017. As a result, employees will also switch to employer from NCC AB to NCC Sverige AB.

Net sales and earnings

Invoicing for the Parent Company amounted to SEK 20,873 M (20,340). Profit after financial items was SEK 1,129 M (1,511). In the Parent Company, profit is recognized when projects are completed. The average number of employees was 6,569 (6,675).

During the fourth quarter, dividends of SEK 324 M were paid to the shareholders, SEK 500 M of the reloaning with the Pension Foundation was repaid and shareholders' contributions of SEK 150 M were granted to NCC Norge AS. The spinoff of Bonava was effected in the second quarter and impacted shareholders' equity. The shareholders' contributions to Bonava were paid during the second quarter. Costs for the reorganization are included in selling and administrative expenses.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2016 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pages 106–109.

OUTLOOK

NCC expects the Nordic construction market to grow somewhat during 2017. The strongest development is expected to occur in the Swedish and Norwegian markets. In Sweden, demand is favorable in all operating areas. In Norway, infrastructure initiatives in particular are expected to drive growth during 2017. The Finnish construction market is expected to be generally weak. NCC has a solid platform in contracting operations entering 2017, with a healthy order backlog that is SEK 6 billion higher than in 2015.

For 2017, construction is expected to increase, particularly for housing, resulting in higher demand for stone materials The asphalt market also has the potential for growth in 2017. Demand for road services is stable, but the market is characterized by intense competition.

NCC will continue to develop its property business, in part through partnerships with housing developers, but will do so with a limited sales risk and without accumulating a portfolio of sites, and in part through increased scope for commercial development. NCC's ambition in this respect is to invest up to SEK 1 billion in property projects during 2017.

Indications that the resource ceiling is starting to be reached became more evident in 2016, primarily in respect of production personnel, which are of vital importance to profitable growth. In the short to medium term, innovative thinking is required for NCC to attract people to production, both from other industries and other geographical locations.

PROPOSED DIVIDEND

The Board proposes a dividend of SEK 8.00 per share (3.00 + shares in Bonava).

The proposed record date for the dividend of SEK 8.00 has been divided into two payment occasions. The proposed record date for the first payment of SEK 3.00 is April 7, 2017 and the proposal for the second payment of SEK 5.00 is November 6, 2017. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 12 and the second dividend on November 10, 2017. The Board's statement regarding the proposed dividend and the buyback of NCC's own shares will be available on the company's website and be distributed to shareholders at the AGM.

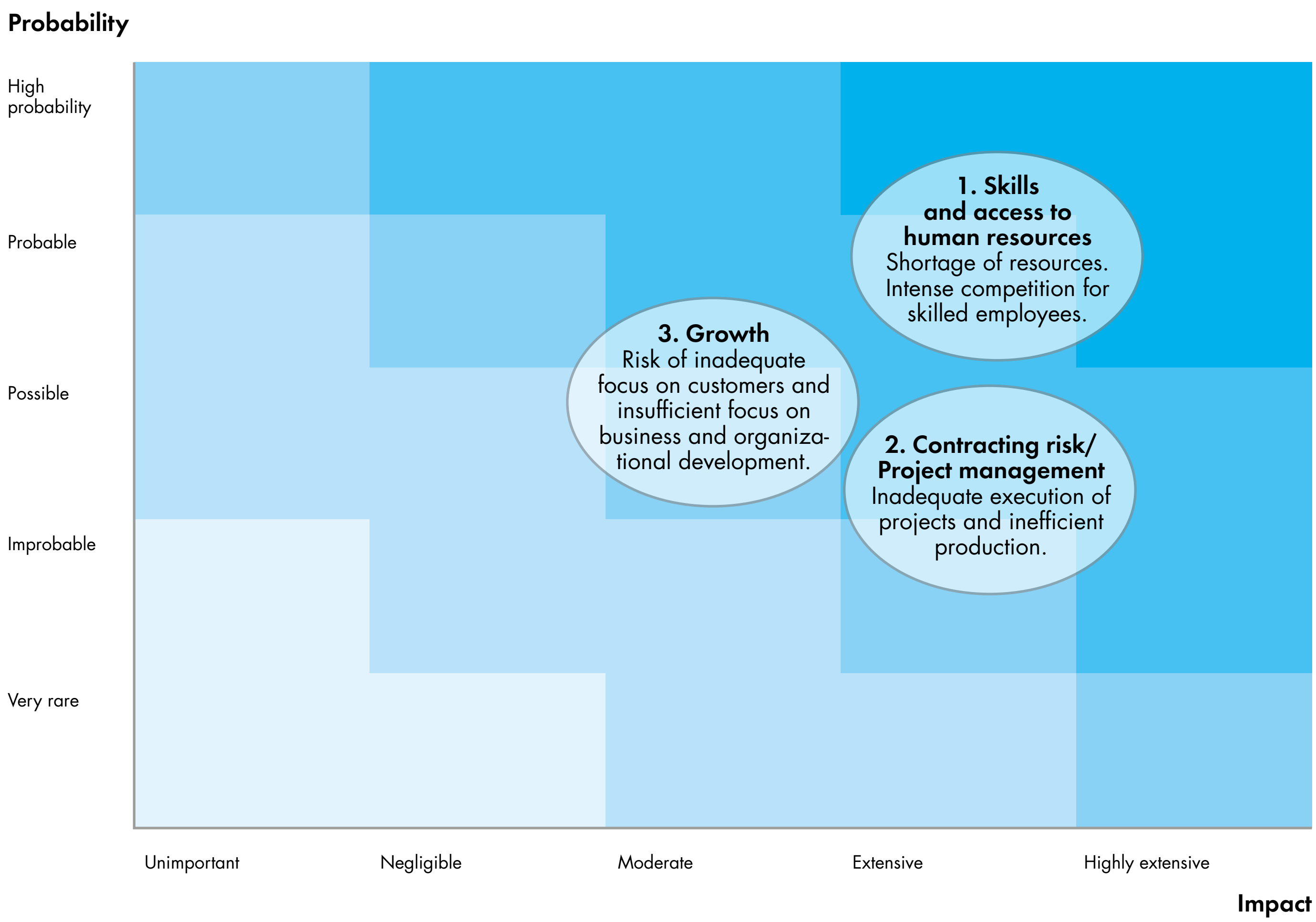
AMOUNTS AND DATES

Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to is January 1 – December 31 for income-statement items and December 31 for balance-sheet items. Rounding-off differences may arise.

Significant risks and uncertainties

Within NCC, the management of risks in the business environment, as well as financial and operational risks, is a significant feature of operations and a prerequisite for a stable and profitable company. NCC's risk management is designed to rapidly identify risks to be able to act and address them.

Three risks that have been identified as having the greatest impact on NCC's opportunities to achieve its objectives are described below. An assessment has been made of the probability of these risks occurring and the impact they would have should they occur.



RISK	DESCRIPTION	PROBABILITY	IMPACT	ACTIVITY
OPERATIONAL RISKS		1–5	1–5	
SKILLS AND ACCESS TO HUMAN RESOURCES	To a considerable extent, construction operations constitute a service activity, whereby the employees are a success factor. The competition for human resources is intensive and effective access to human resources is a prerequisite for achieving growth and profitability. From a strategic perspective, access to human resources is considered a risk factor in respect of achieving financial objectives.	4	4	The business areas have identified key competencies and work continuously to retain, recruit and develop employees in these areas. NCC takes a Group-wide approach to strategic resource planning and to being an attractive employer, and sees opportunities to broaden the recruitment base.
CONSTRUCTION CONTRACT AND PROJECT MANAGEMENT RISK	Within contracting operations, the main operational risks are project selection and project management/production efficiency. In a growing market, there is a risk that a sharp increase in orders received will lead to a shortage of project management capacity.	4	3	NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operational risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.
GROWTH AND ORGANIZATIONAL RISKS	In a decentralized project operation that has undergone an organizational change, there is a risk of losing customer focus and efficiency.	3	2	A customer-focused organization is created through decentralized responsibility for profit and leadership.
SUSTAINABILITY, CSR				
TRANSGRESSION OF THE CODE OF CONDUCT	NCC is a player in society with a broad customer and supplier base. NCC employees have historically breached internal rules and restricted competition on a few occasions.	2	4	NCC has been focusing continuously and actively for the past few years on the company's values and provides training in the Code of Conduct, NCC Compass, as well as in competition law within relevant operations.
SUPPLIER AND MATERIALS RESPONSIBILITY	The supply chains in the construction sector represent a risk of having inadequate control of, for example, the employment conditions of subcontractors and suppliers.	3	3	NCC works systematically to assess and expand its control of the supply chain. Meanwhile, NCC is working to increase the number of projects in which logbooks and environmental certification systems are used.
SUSTAINABLE BUSINESS MODELS	The business environment and NCC's customers demand and will continue to demand renewable material and climate-compatible infrastructure and building solutions.	2	3	By systematically developing offerings that satisfy the current and future sustainability requirements of customers and public authorities, NCC works to safeguard a long-term responsibility as well as profitability.
FINANCIAL RISKS & REPORTING				
INTEREST-RATE, CURRENCY, LIQUIDITY AND CUSTOMER CREDIT RISK		1	3	NCC's finance policy has been decided by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks.
PERCENTAGE-OF-COMPLETION PROFIT RECOGNITION	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is recognized at the pace of completion, meaning before the project has been completed.	3	3	By means of project control and continuous monitoring of production calculations, reconciliation of performed work and final status forecasts, it is possible to ascertain that the information is correct.

SENSITIVITY AND RISK ANALYSES
The figures are based on the outcome in 2016, excluding Bonava

	Change	Effect on profit after net financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC Building					
Volume	+/–5%	86	1.4	0.9	For NCC Building, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–10 percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/–1 percentage point	257	4.0	2.5	
NCC Infrastructure					
Volume	+/–5%	53	0.8	0.5	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5–10 percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/–1 percentage point	170	2.7	1.7	
NCC Industry					
Volume	+/– 5%	52	0.8	0.5	NCC Industry's operations are affected by such factors as price levels and the volume of produced and paved asphalt. An extended season due to favorable weather conditions increases volumes and, because the proportion of fixed costs is high, the affect on the margin is considerable.
Operating margin	+/- 1 percentage point	108	1.7	1.1	
Capital rationalization	+/–10%	10	0.2	0.6	
NCC Property Development					
Sales volume, projects	+/–10%	44	0.7	0.4	NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell property projects are largely affected by the leases signed with tenants, whereby an increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of projects in progress could change the value of such projects.
Sales margin, projects	+/–1 percentage point	27	0.4	0.3	
Group					
Changed interest rate, net indebtedness*	+/–1 percentage point	2	0.0		The NCC Group had a healthy financial position in 2016. Net indebtedness on December 31, 2016 was SEK 222 M (4,552), which was lower than in full-year 2015. The change was due to the spinoff of Bonava, as well as a change in pension debt.
Volume change, net indebtedness	SEK 1,000 M	26	0.4	1.7	
Change in equity/assets ratio	–5 percentage points		7.3		

* Excluding pension debt according to IAS 19.ne

Consolidated income statement
with comments

SEK M	Note	2016	2015
Net sales	1, 2, 3, 19, 36	52,934	53,116
Production costs	5, 6, 8, 15, 25	–48,484	–48,683
Gross profit		**4,450**	**4,432**
Selling and administrative expenses	5, 6, 7, 15	–2,912	–2,765
Result from sales of owner-occupied properties		–10	7
Impairment loss and reversal of impairment losses, fixed assets	8, 15, 16	–97	–39
Result from sales of Group companies	9	2	
Result from participations in associated companies and joint ventures		20	26
Operating profit	3, 10	**1,453**	**1,661**
Financial income		26	39
Financial expense	8	–138	–78
Net financial items	12	**–112**	**–39**
Profit after financial items		**1,341**	**1,623**
Tax on net profit for the year	24	–225	–302
Earnings from continuing operations for the year	13	**1,116**	**1,321**
DISCONTINUED OPERATIONS[1]			
Discontinued operations, net after taxes.	4	6,867	798
Profit for the year from continuing operations		**6,867**	**798**
REMAINING AND DISCONTINUED OPERATIONS			
Profit for the year from remaining and discontinued operations		**7,983**	**2,120**
Attributable to:			
NCC's shareholders		7,980	2,113
Non-controlling interests		3	6
Net profit for the year		**7,983**	**2,120**
Earnings per share			
Before and after dilution			
Profit after tax, SEK		73.81	19.59
Earnings per share			
Before and after dilution, remaining operations			
Profit after tax, SEK		10.30	12.19
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before and after dilution during the year		108.1	107.9
Total number of shares outstanding before dilution at year-end		108.1	107.9

[1] On June 7, 2016, Bonava was spun off and has been recognized according to the rule concerning discontinued operations (IFRS 5) as explained above. Bonava's profit up to the spinoff date and the capital gain generated by the spinoff of Bonava have been recognized on the line "Discontinued operations after tax". Bonava has been excluded from the comparative year in notes on the income statement.

NET SALES
Net sales totaled SEK 52,934 M (53,116) M. Slightly higher sales in the three latest quarters failed to fully offset the lower first-quarter sales. NCC Building and NCC Industry reported higher full-year sales. NCC Building increased primarily in Sweden. NCC Industry showed increases in all operating areas, primarily stone materials operations. Sales in NCC Infrastructure declined somewhat, but increased sales were noted in the Infraservices Division, connected to all operations, particularly in Sweden. Sales reported by NCC Property Development were lower because fewer property projects were recognized in 2016.

GROSS PROFIT
Gross profit includes impairment losses and reversal of impairment losses pertaining to housing and property projects in a combined amount of SEK 0 M (6). Refer also to Note 8, Impairment losses and reversal of impairment losses.

OPERATING RESULTS
Operating profit amounted to SEK 1,453 M (1,661). Full-year profit was charged with nonrecurring costs, such as impairment losses for a joint HT system and costs related to the reorganization. NCC Building's operating profit deteriorated, due mainly to a loss in Norway and higher overhead costs. NCC Building Sweden showed slightly weaker year-on-year performance. NCC Building Denmark performed marginally positively and NCC Building Finland was in line with 2015. NCC Infrastructure's operating profit declined, mainly due to the negative impact of final settlement of projects and disputes, and higher tendering costs. NCC Industry's operating profit improved, primarily as a result of better profitability in Swedish and Danish stone materials operations, as well as an improvement in Swedish asphalt operations. NCC Industry's performance was favorable and, for example, exceeded the targets set for the operating margin. NCC Property Development's earnings were lower because fewer transactions were recognized in profit and margins were lower year-on-year.

Consolidated statement of comprehensive income

SEK M	Note	2016	2015
Net profit for the year		**7,983**	**2,120**
Items that were transferred or can be transferred to profit for the year[1)]			
Translation differences during the year in translation of foreign operations		165	–222
Hedging of exchange-rate risk in foreign operations		–34	76
Tax attributable to hedging of exchange-rate risk in foreign operations	24	7	–17
Fair value changes for the year in cash flow hedges		95	26
Fair-value changes in cash flow hedges transferred to net profit for the year		8	–25
Tax attributable to cash flow hedges	24	–22	
		219	**–162**
Items that cannot be transferred to profit for the year			
Revaluation of defined-benefit pension plans		–590	267
Tax attributable to items that cannot be transferred to profit for the year		130	–59
		–460	**208**
Other comprehensive income during the year		**–242**	**46**
Comprehensive income for the year		**7,742**	**2,166**
Attributable to:			
NCC's shareholders		7,738	2,159
Non-controlling interests		3	6
Total comprehensive income during the year		**7,742**	**2,166**

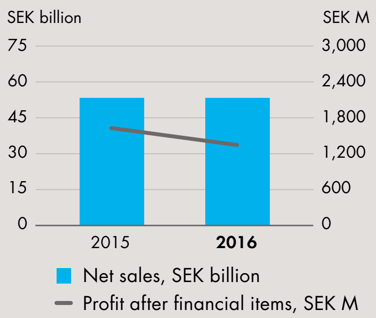
1) Also refer to the specification of the item Reserves in shareholders' equity, p. 61.

NET FINANCIAL ITEMS
Net financial items declined year-on-year due to the capital contribution of SEK 5 billion paid to Bonava prior to its Initial Public Offering (IPO). Net indebtedness during the year was an average of SEK 2.2 billion higher than in 2015.

TAXATION
The effective tax rate for NCC was 17 (19) percent. Refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

COMPREHENSIVE INCOME FOR THE YEAR
The change in other comprehensive income derived mainly from net profit for the year and the revaluation of defined-benefit pension plans, for which a reduction in the discount interest rate resulted in an increase in the pension liability in 2016. Any tax effects of the above transactions are recognized separately; refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

NET SALES AND EARNINGS
Net sales were essentially unchanged, while profit was charged with, for example, impairment losses on projects in the Norwegian market. In addition, NCC Infrastructure reported lower profit while NCC Industry improved its profit. Overall, profit was lower than in the preceding year.



Consolidated balance sheet
with comments

SEK M	Note	2016	2015	2015 excluding Bonava[1]
ASSETS	1, 19, 36			
Fixed assets				
Goodwill	15	1,851	1,792	1,770
Other intangible assets	15	275	439	377
Owner-occupied properties	16	814	826	776
Machinery and equipment	16	2,569	2,417	2,356
Long-term holdings of securities	18, 21	125	97	
Long-term interest-bearing receivables	23	361	354	566
Other long-term receivables		62	307	
Deferred tax assets	24	97	204	
Total fixed assets	39	**6,154**	**6,435**	**5,845**
Current assets				
Properties held for future development	25	1,780	2,050	4,430
Ongoing property projects	25	1,440	2,013	
Completed property projects	25	808	367	
Properties held for future development, housing	25	16	3,749	
Capitalized project development costs	25		969	
Ongoing proprietary housing projects	25		6,987	
Completed housing units	25		583	
Materials and inventories	26	713	696	691
Tax receivables		42	33	13
Accounts receivable	39	7,682	7,083	6,619
Worked-up, non-invoiced revenues	27	1,737	1,400	1,394
Prepaid expenses and accrued income		1,061	1,262	936
Current interest-bearing receivables		152	106	
Other receivables	23	446	1,301	2,653
Short-term investments	21	190	190	190
Cash and cash equivalents	38	3,093	4,177	3,592
Total current assets	39	**19,161**	**32,967**	**20,518**
TOTAL ASSETS		**25,315**	**39,402**	**26,363**

[1] Not prepared in accordance with IFRS and have not been audited or examined by the company's auditors. In order to prepare the consolidated balance sheet excluding Bonava, all transactions between Bonava and NCC have been reclassified as external. Bonava has then been subtracted from the total for NCC and the result becomes the remaining NCC. In addition, a few reclassifications have been made concerning deferred tax assets and deferred tax liabilities, as well as tax receivables and tax liabilities, to ensure that negative amounts do not arise on the asset side.

FIXED ASSETS
The comments below are based on a comparison between 2016 and 2015, excluding Bonava.

Goodwill
NCC impairment tests goodwill annually or when indications of changes in value arise. No impairment losses were recognized during 2016. The change from the preceding year pertains to exchange-rate differences. Refer also to Note 15, Intangible assets.

Machinery and equipment
Machinery and equipment increased marginally during the year. Investments in machinery primarily occurred in NCC Industry.

CURRENT ASSETS
Property projects
The value of property projects declined year-on-year due to projects recognized in profit, sales of land and a lower work-up rate in ongoing projects, because of later project starts compared with 2015. Refer also to Note 25, Properties classified as current assets.

Accounts receivable
Accounts receivable increased primarily in NCC Building and NCC Infrastructure.

Cash and cash equivalents
Cash and cash equivalents declined year-on-year because of lower cash flow from operating activities.

LONG-TERM LIABILITIES
Long-term interest-bearing liabilities
Long-term interest-bearing liabilities declined because loans were repaid during the year.

Provisions for pensions and similar obligations
Provisions for pensions increased during the year. When calculating the pension liability, the discount interest rate has been reduced, resulting in a negative change in the debt.

CURRENT LIABILITIES
Current interest-bearing liabilities
Current interest-bearing liabilities declined, due to bonds maturing for payment during the year.

Accounts payable
Accounts payable increased marginally.

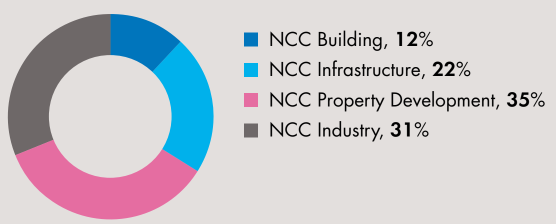
Other current liabilities
Other current liabilities increased marginally.

SEK M	Note	2016	2015	2015 excluding Bonava[1]
SHAREHOLDERS' EQUITY				
Share capital	28	867	867	867
Other capital contributions		1,844	1,844	1,844
Reserves		–125	–344	–344
Earnings brought forward including profit for the year		2,967	7,324	2,595
Shareholders' equity		**5,553**	**9,691**	**4,962**
Non-controlling interests		13	23	20
Total shareholders' equity		**5,566**	**9,714**	**4,982**
LIABILITIES				
Long-term liabilities				
Long-term interest-bearing liabilities	29, 35	2,288	5,887	3,865
Other long-term liabilities	32	54	609	158
Provisions for pensions and similar obligations	30, 31	1,008	338	338
Deferred tax liabilities	24, 30	407	322	456
Other provisions	30	1,686	1,970	1,612
Total long-term liabilities	39	**5,443**	**9,126**	**6,429**
Current liabilities				
Current interest-bearing liabilities	29, 35	723	3,154	1,900
Accounts payable		4,427	4,694	4,176
Tax liabilities		115	287	135
Invoiced revenues, not worked up	27	4,355	4,244	4,239
Accrued expenses and deferred income	34	3,205	4,012	3172
Provisions	30	21	59	59
Other current liabilities	32	1,460	4,112	1,270
Total current liabilities	39	**14,306**	**20,562**	**14,951**
Total liabilities		**19,749**	**29,688**	**21,380**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25,315**	**39,402**	**26,363**

[1] Not prepared in accordance with IFRS and have not been audited or examined by the company's auditors.

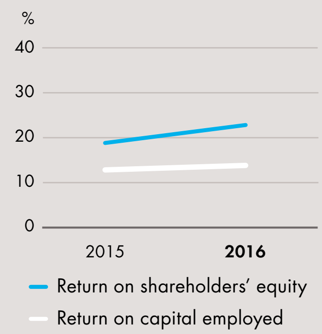
CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

In the NCC Group, capital is tied up primarily by NCC Industry and NCC Property Development.



PROFITABILITY

To achieve comparability, profitability for 2016 and 2015 is calculated based on NCC's earnings excluding Bonava.



Parent Company income statement
with comments

SEK M	Note	2016	2015
	1		
Net sales	2, 33	20,873	20,340
Production costs	5, 6, 8	–19,167	–18,227
Gross profit		**1,706**	**2,113**
Selling and administrative expenses	5, 6, 7	–1,244	–1,426
Impairment losses	8	–88	
Operating profit		**374**	**688**
Result from financial investments			
Result from participations in Group companies	8, 9	823	901
Result from participations in associated companies		30	
Result from other financial fixed assets		1	1
Result from financial current assets		9	30
Interest expense and similar items	11	–109	–107
Profit after financial items		**1,129**	**1,511**
Appropriations	14	287	144
Tax on net profit for the year	24	–110	–244
NET PROFIT FOR THE YEAR		**1,306**	**1,411**

Parent Company statement of comprehensive income

SEK M	2016	2015
Net profit for the year	1,306	1,411
Total comprehensive income during the year	**1,306**	**1,411**

COMMISSION AGREEMENT
In 2016, the Parent Company comprises the operations of NCC AB and NCC Sverige AB, which conducts its operations on a commission basis on behalf of NCC AB. In 2015, NCC Boende AB was also included for 11 months, when this operation was conducted on a commission basis on behalf of NCC AB.

The commission relationship between NCC AB and NCC Sverige AB was discontinued on January 1, 2017. As a result, employees will also switch to employer from NCC AB to NCC Sverige AB.

The Parent Company income statement differs from the consolidated income statement in such ways as its presentation and designations of certain items, because the Parent Company's income statement is compiled in accordance with the Annual Accounts Act while the Group complies with IFRS.

NET SALES AND EARNINGS
Invoicing for the Parent Company amounted to SEK 20,873 M (20,340). Profit after financial items was SEK 1,129 M (1,511). In the Parent Company, profit is recognized when projects are completed. The average number of employees totaled 6,569 (6,675).

Parent Company balance sheet
with comments

SEK M	Note	2016	2015
ASSETS	1, 36		
Fixed assets			
Intangible fixed assets			
Goodwill		1	2
Development expenses		107	182
Total intangible fixed assets	15	**108**	**184**
Tangible fixed assets			
Owner-occupied properties and construction in progress		11	17
Machinery and equipment		75	88
Total tangible fixed assets	16	**86**	**105**
Financial fixed assets			
Participations in Group companies	17	4,407	9,644
Participations in associated companies	20	7	14
Other long-term holdings of securities		46	5
Deferred tax assets	24	124	66
Other long-term receivables		12	16
Total financial fixed assets	22, 39	**4,595**	**9,745**
Total fixed assets		**4,789**	**10,034**
Current assets			
Materials and inventories	26	57	45
Total inventories, etc.		**57**	**45**
Current receivables			
Accounts receivable		3,133	2,631
Receivables from Group companies		771	2,344
Receivables from associated companies		2	3
Other current receivables		104	97
Prepaid expenses and accrued income		328	331
Total current receivables		**4,338**	**5,407**
Short-term investments	38		
Cash and bank balances	38	**2**	**3**
Balance in NCC Treasury AB		**5,833**	**8,814**
Total current assets	39	**10,231**	**14,269**
TOTAL ASSETS	36	**15,020**	**24,303**

SEK M	Note	2016	2015
SHAREHOLDERS' EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted shareholders' equity			
Share capital	28	867	867
Statutory reserve		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Earnings brought forward		1,330	5,585
Net profit for the year		1,306	1,411
Total unrestricted shareholders' equity		**2,636**	**6,996**
Total shareholders' equity		**3,677**	**8,037**
Untaxed reserves	**14**	**527**	**441**
Provisions			
Provisions for pensions and similar obligations	31	1	2
Other provisions	30	568	543
Total provisions		**569**	**545**
Long-term liabilities			
Liabilities to credit institutions		1,000	1,500
Liabilities to Group companies		1,054	1,054
Other liabilities		18	19
Total long-term liabilities	29, 39	**2,072**	**2,573**
Current liabilities			
Advances from customers		154	190
Work in progress on another party's account	33	3,972	3,634
Accounts payable		1,871	1,784
Liabilities to Group companies		591	5,591
Liabilities to associated companies		3	2
Tax liabilities		101	108
Other liabilities		416	308
Accrued expenses and deferred income	34	1,067	1,091
Total current liabilities	29, 39	**8,175**	**12,707**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36	**15,020**	**24,303**

The Parent Company balance sheet differs from the consolidated balance sheet in terms of presentation and certain designations of items, because the Parent Company's balance sheet is prepared in accordance with the Annual Accounts Act while the Group complies with IFRS.

During the fourth quarter, dividends of SEK 324 M were paid to the shareholders, SEK 500 M of the reloaning with the Pension Foundation was repaid and shareholders' contributions of SEK 150 M were granted to NCC Norge AS. The spinoff of Bonava was effected in the second quarter and impacted shareholders' equity and financial fixed assets in the form of paid-out shareholders' contributions. The shareholders' contributions were paid during the second quarter.

Changes in shareholders' equity
with comments

GROUP

SEK M	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS						
	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Non-controlling interests	Total shareholders' equity
Opening balance, Jan 1, 2015	**867**	**1,844**	**–182**	**6,318**	**8,847**	**20**	**8,867**
Net profit for the year				2,120	2,120		2,120
Other comprehensive income			–162	202	40	6	46
Total comprehensive income			**–162**	**2,321**	**2,159**	**6**	**2,166**
Acquisition of non-controlling interests				–9	–9	–2	–11
Buyback of company shares				–18	–18		–18
Performance-based incentive program				7	7		7
Dividend				–1,294	–1,294	–1	–1,295
Total transactions with the Group's shareholders				**–1,314**	**–1,314**	**–3**	**–1,317**
Shareholders' equity on Dec 31, 2015	**867**	**1,844**	**–344**	**7,324**	**9,691**	**23**	**9,714**
Net profit for the year				7,980	7,980	3	7,983
Other comprehensive income			219	–460	–241		–241
Total comprehensive income			**219**	**7,520**	**7,739**	**3**	**7,742**
Acquisition of non-controlling interests				3	3		3
Dividend costs				–63	–63		–63
Sale/Buyback of company shares				60	60		60
Performance-based incentive program				8	8		8
Dividend, cash				–324	–324	–13	–337
Dividend, Bonava				–11,563	–11,563		–11,563
Total transactions with the Group's shareholders				**–11,878**	**–11,878**	**–13**	**–11,891**
Shareholders' equity on Dec 31, 2016	**867**	**1,844**	**–125**	**2,967**	**5,553**	**13**	**5,566**

If the earlier policies for recognition of pensions according to IAS 19 had been applied, shareholders' equity would have been SEK 2,280 M higher and net indebtedness SEK 1,008 M lower at December 31, 2016.

ACCOUNTING OF SHAREHOLDERS' EQUITY IN ACCORDANCE WITH IFRS AND SWEDISH COMPANIES ACT

Shareholders' equity is divided into equity attributable to the Parent Company's shareholders and non-controlling interests. Transfer of value in the form of dividends from the Parent Company and the Group is to be based on a statement prepared by the Board of Directors concerning the proposed dividend. This statement must take into account the prudence regulation contained in the Act, in order to avoid dividends being paid in an amount that exceeds what there is coverage for.

CHANGE IN SHAREHOLDERS' EQUITY

The change in shareholders' equity derives primarily from comprehensive income for the year, transactions with non-controlling interests and dividends to shareholders.

In the Parent Company, the changes are in all significant respects attributable to comprehensive income for the year and dividends to shareholders.

SHARE CAPITAL

On December 31, 2016, the registered share capital amounted to 14,491,903 Series A shares and 93,943,919 Series B shares, including 362,222 held in treasury. The shares have a quotient value of SEK 8.00 each. Series A shares carry ten votes each and Series B shares one vote each.

OTHER CAPITAL CONTRIBUTIONS

Pertains to shareholders' equity contributed by the owners.

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented, in NCC's case, SEK. The translation reserve also includes exchange-rate differences that arise from the revaluation of liabilities and currency forward contracts entered into as instruments to hedge net investments in foreign operations.

FAIR VALUE RESERVE

The fair value reserve includes the accumulated net change in the fair value of available-for-sale financial assets up to the time that such assets have been sold or their value impaired.

HEDGING RESERVE

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash-flow hedging instruments attributable to hedging transactions that have not yet occurred.

REVALUATION RESERVE

The revaluation reserve arises from gradual acquisitions – multi-stage acquisitions – meaning an increase in the fair value of previously owned portions of net assets resulting from gradual acquisitions.

EARNINGS BROUGHT FORWARD INCLUDING NET PROFIT FOR THE YEAR

This item includes funds earned by the Parent Company and its subsidiaries, associated companies, joint ventures and joint operations.

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY Share capital	Statutory reserves	UNRESTRICTED SHAREHOLDERS' EQUITY Earnings brought forward	Net profit for the year	Total shareholders' equity
Opening balance, Jan 1, 2015	**867**	**174**	**5,113**	**1,777**	**7,931**
Appropriation of profits			1,777	–1,777	
Total comprehensive income during the year				1,412	1,412
Buyback of company shares			–18		–18
Dividend			–1,294		–1,294
Performance-based incentive program			8		8
Shareholders' equity on Dec 31, 2015	**867**	**174**	**5,585**	**1,411**	**8,038**
Appropriation of profits			1,411	–1,411	
Total comprehensive income during the year				1,306	1,306
Dividend costs			–63		–63
Sale/Buyback of company shares			60		60
Dividend, cash			–324		–324
Dividend, Bonava			–5,352		–5,352
Performance-based incentive program			10		10
Shareholders' equity on Dec 31, 2016	**867**	**174**	**1,330**	**1,306**	**3,677**

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	2016	2015
Translation reserve		
Translation reserve, January 1	–267	–104
Translation differences during the year in translation of foreign operations	165	–222
Gain/loss on hedging of exchange-rate risk in foreign operations	–34	76
Tax attributable to hedging of exchange-rate risk in foreign operations	7	–17
Translation reserve, December 31	**–128**	**–267**
Fair value reserve		
Fair value reserve, January 1	5	5
Fair value reserve, December 31	**5**	**5**
Hedging reserve		
Hedging reserve, January 1	–84	–85
Fair value changes for the year in cash flow hedges	95	26
Fair-value changes in cash flow hedges transferred to net profit for the year	8	–25
Tax attributable to cash flow hedges	–23	
Hedging reserve, December 31	**–4**	**–84**
Revaluation reserve		
Revaluation reserve, January 1	2	2
Revaluation reserve, December 31	**2**	**2**
Total reserves		
Reserves, January 1	–344	–182
Change in reserves during the year		
– Translation reserve	138	–163
– Hedging reserve	81	1
Reserves, December 31	**–125**	**–344**

CAPITAL MANAGEMENT

The aim of the NCC Group's strategy is to generate a healthy return to shareholders under financial stability. The strategy is reflected in the financial objectives, which were as follows in 2016:

- A return on equity after tax of 20 percent. In 2016, the return on equity was 19 percent.
- A debt/equity ratio of less than 1.5. At December 31, 2016, the debt/equity ratio was 0.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical reserves for own account. In 2016 and 2015, these requirements were fulfilled. Otherwise, there were no other Group companies subject to external capital requirements.

For further information on NCC Group's financial objectives and dividend policy, see pages 12.

Cash-flow statements
with comments

		GROUP		PARENT COMPANY	
SEK M	Note	**2016**	2015	**2016**	2015
OPERATING ACTIVITIES					
Profit after financial items, remaining operations		**1,341**	**1,623**	**1,129**	**1,511**
Profit after financial items, discontinued operations		**6,902**	**1,033**		
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	637	666	69	76
– Impairment losses and reversal of impairment losses	8	100	46	99	92
– Exchange-rate differences		–319	471		
– Capital gain/loss, spinoff of Bonava, and result from sold fixed assets		–6,814	–56		
– Changes in provisions		53	9	45	–92
– Group contributions	14			–373	–238
– Other		7	25	–1	–1
Total items not included in cash flow		**–6,336**	**1,160**	**–161**	**–163**
Tax paid		–401	–379	–177	–157
Cash flow from operating activities before changes in working capital		**1,506**	**3,436**	**791**	**1,192**
Cash flow from changes in working capital					
Sales of property projects		2,118	2,529		
Investments in property projects		–1,612	–1,858		
Sales of housing projects		2,548	9,900		18
Investments in housing projects		–3,154	–9,725		123
Other changes in working capital		–237	–222	1,156	1,806
Cash flow from changes in working capital		**–336**	**624**	**1,156**	**1,947**
CASH FLOW FROM OPERATING ACTIVITIES		**1,170**	**4,061**	**1,947**	**3,139**
INVESTING ACTIVITIES					
Acquisition of subsidiaries and non-controlling interests	38		–11	–5,511	
Sale of subsidiaries	38	–653		302	
Acquisition of buildings and land	16	–100	–99	–1	
Sale of buildings and land		89	9	10	1
Acquisition of other financial fixed assets		–52		–41	
Sale of other financial fixed assets		210	52	7	
Acquisition of other fixed assets		–977	–821	–230	–149
Sale of other fixed assets		302	141	2	67
Cash flow from investing activities		**–1,181**	**–730**	**–5,461**	**–82**
Cash flow before financing		**–11**	**3,331**	**–3,514**	**3,057**
FINANCING ACTIVITIES					
Dividend paid		–324	–1,294	–324	–1,294
Buyback/sale of company shares		60	–18	60	–18
Listing expenses, paid		–74		–74	
Group contributions received	14			238	639
Loans raised		549	92	381	
Amortization of loans		–1,235	–483	–520	–1,418
Increase(–)/Decrease(+) in long-term interest-bearing receivables		–7	–119	4	173
Increase(–)/Decrease(+) in current interest-bearing receivables		–45	109	769	–659
Increase(+) in non-controlling interests, etc.		–11	1		
Cash flow from financing activities		**–1,087**	**–1,713**	**534**	**–2,577**
Cash flow for the year		**–1,099**	**1,618**	**–2,981**	**479**
Cash and cash equivalents, January 1	38	**4,177**	**2,592**	**8,817**	**8,337**
Exchange-rate difference in cash and cash equivalents		15	–32		
Cash and cash equivalents, December 31	38	**3,093**	**4,177**	**5,835**	**8,817**
Short-term investments with a maturity exceeding three months		190	190		
Total cash and cash equivalents at year-end		**3,283**	**4,367**	**5,835**	**8,817**

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from remaining operations before financing was SEK 1,050 M (2,117). The deterioration in cash flow from operating activities before changes in working capital was due mainly to exchange-rate differences. Cash flow from changes in working capital amounted to SEK 91 M (357) The deterioration was mainly due to changes in Property Development's project portfolio.

CASH FLOW EXCLUDING BONAVA[1)]

SEK M	2016 Dec 31	2015 Dec 31
Cash flow from operating activities before changes in working capital	1,401	2,477
Cash flow from changes in working capital	91	357
Cash flow from investing activities	–442	–717
Cash flow from financing activities	–1,560	–637
CASH FLOW FOR THE PERIOD	**–510**	**1,481**

1) Not prepared in line with IFRS and not audited or examined by the company's auditors.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to a negative SEK 442 M (neg: 717). The lower level was primarily due to sales of financial assets.

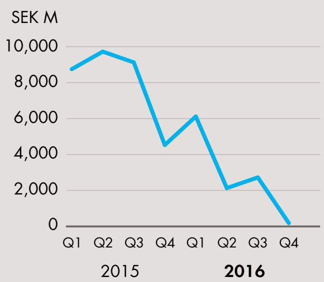
CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing was a negative SEK 1,560 M (neg: 637). The year-on-year deterioration was primarily due to the repayment of loans and the spinoff of Bonava. The dividend paid to the shareholders affected cash flow negatively by SEK 324 M (neg: 1,294).

Total cash and cash equivalents including short-term investments with a maturity exceeding three months amounted to SEK 3,283 M (4,367). The decline was primarily due to the negative cash flow.

TREND IN NET INDEBTEDNESS, PER QUARTER

Net indebtedness is normally affected by seasonal variations. More capital is normally tied up during the second and third quarters due to high activity in asphalt and aggregates operations, as well as in parts of NCC Building. Net indebtedness did not track the seasonal curve in the second quarter of 2016. The spinoff of Bonava reduced the debt in remaining operations. Net indebtedness at December 31 amounted to SEK 222 M (4,552), which was primarily due to the spinoff of Bonava and to a lower payment of dividend to shareholders.



NET INDEBTEDNESS

Net indebtedness in remaining operations (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31 amounted to SEK 222 M (4,552). Due primarily to the spinoff of Bonava, the Group's net indebtedness declined. The average maturity period for interest-bearing liabilities, excluding loans in Finnish housing companies and Swedish tenant-owner associations, as well as pension debt according to IAS 19, was 33 (31) months at the end of the quarter. At the same date, NCC's unutilized committed lines of credit totaled SEK 3.4 billion (4.7), with an average remaining maturity of 55 (49) months.

At December 10, 2016, NCC exercised its five-year option to extend the revolving credit facility of EUR 400 M that was signed in December 2014; the volume now amounts to EUR 325 M.

NET INDEBTEDNESS TREND

GROUP, SEK M	2016 Jan–Dec	2015 Jan–Dec
Net indebtedness, January 1	–4,552	–6,836
Cash flow before financing	–11	3,331
Buyback/sale of company shares	60	
Change in pension debt	–670	247
Dividend costs	–76	
Exchange-rate differences in cash and cash equivalents	15	
Dividend paid	–324	–1,294
Dividend, Bonava	5,336	
Net indebtedness, December 31	**–222**	**–4,552**

PARENT COMPANY

Cash flow for the year before financing in the Parent Company declined year-on-year to a negative SEK 3,514 M (positive: 3,057) The reason for the deterioration was that Boende Sverige AB was part of the Parent Company in 2015, which affected both cash flow from operating activities and changes in working capital In 2016, Bonava received a capital contribution from the Parent Company which, due to the spinoff of Bonava, affected the Parent Company's cash flow from investing activities negatively.

Notes

CONTENTS NOTES

In 2015, Parent Company NCC AB includes 11 months of commission activities in NCC Boende AB on behalf of NCC AB.

NOTE 1 Accounting policies

The NCC Group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretive statements issued by the IFRS Interpretations Committee (IFRIC). The Group also applies the Swedish Annual Accounts Act (1995:1554), recommendation RFR 1, Additional Accounting Regulations for Groups and statements issued by the Swedish Financial Reporting Board. The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 10, 2017. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 5, 2017 for adoption.

NEW IFRSS AND AMENDMENTS TO IFRS TO BE APPLIED FROM 2016

No amendments to IFRSs that became effective as of the 2016 fiscal year had any material impact on NCC's financial statements.

NEW IFRS AND AMENDMENTS TO IFRS WHOSE APPLICATION HAS YET TO COMMENCE

The amendments below to IFRS do not become effective until the 2017 fiscal year and thereafter and have not been applied when preparing these financial statements.

As of 2018, IFRS 15 *Revenue from Contracts with Customers* replaces existing standards governing revenue recognition, such as IAS 18 *Revenue,* IAS 11 *Construction Contracts* and IFRIC 15 *Agreements for the Construction of Real Estate.* NCC does not plan to early adopt IFRS 15. IFRS 15 is based on revenue being recognized when control over the good or service is transferred to the customer, which differs from the existing base of the transfer of risks and benefits. IFRS 15 introduces new ways of determining how and when revenues should be recognized, which represents a new approach compared with how revenues are currently recognized.

NCC is conducting an analysis of the potential impact of IFRS 15 for material revenue streams per business area and country. Although no material effects have been identified to date, the analysis has to be completed before any definitive conclusions can be made. In this connection, it will be possible to quantify potential effects. No choices have been made concerning transitional methods.

Finally, it has been noted that IFRS 15 contains expanded disclosure requirements concerning revenues, which will expand the content of note disclosures.

IFRS 16 *Leases*, assuming it is approved by the EU, will be applied as of 2019 and will replace IAS 17 Leases and the associated interpretations. This requires that the lessee recognizes assets and liabilities attributable to all leases, with the exception of contracts shorter than 12 months and/or those pertaining to minor amounts. In all material respects, recognition by the lessor will remain unchanged. NCC has not yet assessed the effect of this standard on the company's financial statements.

IFRS 9 Financial Instruments will replace IAS 39 as of January 1, 2018.

In terms of classification and measurement, IFRS 9 requires that all financial instruments, apart from equity instruments and derivatives, be measured based on a combination of the entity's business purpose for the holding, as well as the character of the instrument's cash flows. The classification and measurement categories in IAS 39 will be replaced by the categories: Fair value through profit or loss, Fair value through other comprehensive income and Amortized cost.

NCC's assessment is that the new categories in IFRS 9 will not have any material impact on measurement of the Group's financial instruments. According to NCC, the portfolio with holdings of housing bonds, government bonds and treasury bills will continue to be recognized at fair value via profit or loss, NCC Försäkring's receivables and other financial assets will continue to be recognized at amortized cost and NCC's holding of equity instruments will be recognized at fair value through other comprehensive income.

NCC's assessment is that the rules in IFRS 9 pertaining to hedge accounting entail simplifications compared with the current rules and regulations, primarily in terms of work on following up effectiveness. There are currently no plans to expand or reduce the number of hedging relationships for which hedge accounting is applied due to the implementation of IFRS 9, and the standard is not expected to entail any material changes in financial statements.

According to IFRS 9, a loss reserve for anticipated bad debts is to be recognized on initial recognition of financial assets measured at amortized cost. This is of relevance to NCC's financial assets attributable to operations conducted in the subsidiary NCC Försäkring AB. Since the credit ratings of these holdings are high, the impact is not expected to be material. This is also of relevance to NCC's other receivables, where the impact is not considered to be material due to the historically low credit losses.

Other amended standards that will start to be applied from 2017 and later years are expected to have no or only a minor impact on NCC's financial statements.

PARENT COMPANY ACCOUNTS COMPARED WITH CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, as well as statements issued by the Swedish Financial Reporting Board. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accord with the alternative rule in RFR 2. For tax reasons, the Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must report certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from reporting certain financial instruments at fair value.

The accounting policies presented below differ from those used in the consolidated financial statements:

- Subsidiaries
- Associated companies
- Joint arrangements
- Construction contracts and similar assignments
- Leasing
- Income tax
- Financial instruments
- Pensions
- Borrowing costs

The differences are presented under the respective headings below.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Parent Company and the companies and operations in which the Parent Company, directly or indirectly, has a controlling interest, as well as joint arrangements and associated companies.

Purchase method

Business combinations are recognized in accordance with the purchase method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

In the event of a business combination in which transferred compensation, any non-controlling interests and the fair value of previously owned interests (in connection with gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognized directly in profit or loss.

Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement during the holding period.

Subsidiaries

Companies in which the Parent Company has a controlling influence, in practice through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling influence is defined as power over the investee, exposure or the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Shares in subsidiaries are recognized in the Parent Company at acquisition value (cost). Should the recoverable value of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue. For information on NCC's subsidiaries, refer to Note 17, Participations in Group companies.

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognized as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's shareholders' equity. Non-controlling interests are recognized in profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction with the consolidated income statement.

The effects of transactions with non-controlling interests are recognized in shareholders' equity if they do not give rise to a change in controlling influence.

Associated companies

Associated companies are defined as companies in which the Group controls 20–50 percent of the voting rights. Companies in which the Group owns less than 20 percent of voting rights but exercises a significant influence are also classified as associated companies. Refer to Note 18 for information about the Group's participations in associated companies, and Note 20 for the Parent Company's participations in associated companies.

Participations in associated companies are consolidated in accordance with the equity method.

NCC's share in associated companies relates to their operations and its share in the results of associated companies is recognized in profit or loss as "Result from participation in associated companies," which is part of operating profit. Amounts are recognized net after taxes.

In the Parent Company, associated companies are recognized at acquisition value less any impairment losses. Dividends received are recognized as revenue.

Joint arrangements

Joint arrangements are defined as projects conducted in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. Joint arrangements are divided into joint ventures, which are consolidated according to the equity method, or into joint venture, which are consolidated according to the proportional method. For additional information, see Note 18, Participations in associated companies and joint ventures, and Note 19, Interests in joint operations.

In the Parent Company, joint arrangements are recognized at acquisition value less any impairment losses. Dividends received are recognized as revenue.

Elimination of intra-Group transactions

Receivables, liabilities, revenues and costs, as well as unrealized gains and losses, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there are no impairment requirements. This also applies to joint arrangements and associated companies, in an amount corresponding to the Group's holding. Refer to Note 36, Transactions with related companies.

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

Foreign subsidiaries, associated companies and joint arrangements are recognized using the functional currency and are translated to the reporting currency. For NCC, the functional currency is defined as the local currency used in the reporting entity's accounts. The Parent Company's functional currency is SEK. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK.

REVENUES

With the exception of contracting assignments, the Group recognizes revenues in profit or loss when, among other factors, the material risks and rewards associated with ownership have been transferred to the purchaser.

Construction contracts and similar assignments

Percentage-of-completion income recognition of construction projects

Application of the percentage-of-completion method entails income recognition in pace with the degree of completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue – Revenues related to the construction 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 – Costs attributable to the construction assignment, which correspond to project revenues.
- Completion rate (worked-up rate) – Recognized costs in relation to estimated total assignment costs.

The fundamental condition for income recognition based on percentage of completion is that project revenues and costs can be quantified reliably.

As a consequence of income recognition based on the percentage-of-completion method, the trend of earnings of ongoing projects is reflected immediately in the financial statements. Percentage-of-completion income recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technically complex projects or projects that extend over a long period.

For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated. As soon as this is possible, the project switches to the percentage-of-completion method.

Provisions posted for potential losses are charged against income for the relevant year. Provisions for losses are posted as soon as they become known.

Balance-sheet items such as “worked up, non-invoiced revenues” and “project invoicing not yet worked up” are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. Refer to Note 27 Construction contracts.

The following example illustrates how the percentage-of-completion method is applied. On January 1 of Year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is 100 and the anticipated profit from the project is 5. On December 31 of year 1, NCC’s costs for the project amount to 47.5, in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC recognizes half of the anticipated profit of 5, that is 2.5, in the accounts for Year 1. Income recognition on completion means that profit is not recognized until the end of Year 2, or the beginning of Year 3, depending on when the final financial settlement with the customer was agreed.

Profit	Year 1	Year 2
Income recognition on completion	0	5
According to percentage-of-completion	2.5	2.5

Contracts connected to operation and maintenance agreements with a central government, county council or municipality

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. Depending on how the payment is to be made, NCC may either receive a financial asset in accordance with a predetermined payment plan or an intangible asset providing the right to possible payment. The payments must be discounted.

The part that pertains to the contract-related service is recognized on a percentage-of-completion basis. Due to the above classification, the operation and maintenance part is recognized as revenue on an even basis over the term of the contract or when the benefits are transferred to NCC.

Work in progress in the Parent Company

NCC does not apply percentage-of-completion profit recognition in the Parent Company. Projects that are not completed on the balance-sheet date are recognized in the Parent Company accounts as work in progress. The invoicing amount is equivalent to the amount billed to the customer, including amounts withheld by the customer in accordance with contract terms. Advances not matched by work performed reduce the invoiced amount. Costs incurred by a particular construction worksite include:

- Cost of installation materials, consumption materials and work aids.
- Wages, salaries and remuneration, including social security fees, for supervisors and other staff on site.
- Cost of subcontracts and other external and internal services.
- External and internal machine rentals and transport costs.

Work in progress on another party’s account comprises the difference between invoicing and costs incurred. Income is recognized when the project is completed. Due to this accounting method, this entry may include profits not entered as income. When a project is expected to incur a loss, a provision is posted for such a loss. For details, refer to Note 33, Work in progress on another party’s account and net sales.

Result from sales of development properties

NCC’s sales include revenues from sales of properties classed as current assets. Sales also include rental revenues from properties classed as current assets.

Property sales are recognized at the time when material risks and rewards are transferred to the purchaser, which normally coincides with the transfer of ownership rights. Property projects sold before construction is completed may, if certain conditions have been met, be recognized as profit in two separate transactions when the property (land or land with ongoing construction) is sold and, at the same time, a separate agreement is signed with the purchaser concerning the construction of a building or completion of the ongoing construction. The first transaction – sale of a property project – which is recognized in NCC Property Development, comprises the realization of a property value that has been accumulated at several levels, such as site acquisition, formulation of a detailed development plan, design of a property project, receipt of a building permit and leasing to tenants. This value accumulation is finally confirmed by means of the sale. The second transaction is the contracting assignment, meaning implementation of construction work on the sold property. The first transaction is recognized as profit, provided that the material risks and rewards are deemed to have been transferred, in the manner stated above, and the second transaction is recognized as profit within NCC’s Building units in pace with the degree of completion of the project. It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain leasing rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as rental activity progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Result from sales of owner-occupied properties

These items include the realized result of sales of owner-occupied properties. Selling and administrative expenses include costs for the company’s own sales work. Earnings are charged with overhead costs for both completed and non-implemented transactions. See the income statement.

DEPRECIATION/AMORTIZATION

Straight-line depreciation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the close of the period, or after confirmed depletion of net asset value in those cases when the asset does not have an indefinite life. Goodwill and other assets that have an indefinite life are not amortized but subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of their particular useful life.

Depreciation/amortization rates vary in accordance with the table below:

Intangible fixed assets	
Usufructs	In line with confirmed depletion of net asset value
Software	12.5–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	1,4–10 percent
Land improvements	3,7–5 percent
Pits and quarries	In line with confirmed depletion of net asset value
Fittings in leased premises	14–20 percent
Plant and equipment	5–33 percent

The distribution of the depreciation/amortization posted in profit or loss and balance sheet is presented in Comments to the income statement, Note 6, Depreciation, Note 15, Intangible assets and Note 16, Tangible fixed assets.

IMPAIRMENT LOSSES

This section does not apply to impairment of inventories, assets that arise during the course of a construction assignment, deferred tax assets, financial instruments, assets connected to pensions or assets classified as investments available for sale, since the existing standards for these types of assets contain specific requirements regarding recognition and valuation.

When necessary, although at least once a year, NCC conducts impairment testing.

An impairment requirement arises when the recoverable amount is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement, Note 8, Impairment losses and reversed impairment losses, Note 15, Intangible assets, and Note 16, Tangible fixed assets.

The term impairment is also used in connection with revaluations of properties classed as current assets. Valuations of these properties are based on the lowest value principle and comply with IAS 2 Inventories.

LEASING

In the consolidated financial statements, leasing is classified as either financial or operational. Financial leasing exists if the financial risks and benefits associated with ownership are essentially transferred to the lessee. All other cases are regarded as operational leasing.

Financial leasing

Assets leased in accordance with financial leasing agreements are capitalized in the consolidated balance sheet as of the date on which the agreement was concluded and the asset delivered. Corresponding obligations are entered as long-term and current liabilities.

Operating leases

Operational leasing is recognized in profit or loss. Leasing fees are distributed on the basis of use, which could differ from the leasing fee paid during the year under review. For further information on leasing, refer to Note 35. In the Parent Company, all leasing agreements are recognized according to the rule for operational leasing.

TAXES

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the transactions are recognized in other comprehensive income, with the relating tax effect recognized in comprehensive income. Current tax is tax that is to be paid or received during the current fiscal year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognized on the basis of temporary differences between recognized and taxable values of assets and liabilities. For information on tax on current-year profit and deferred tax assets and liabilities, refer to Note 24.

Deferred tax assets and liabilities are calculated based on the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognized in profit or loss in the consolidated financial statements.

In the Parent Company, untaxed reserves are recognized that consist of the taxable temporary difference arising because of the relationship between reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in profit or loss, as an appropriation. Group contributions received and paid are recognized in the Parent Company's profit or loss as appropriations.

RECOGNITION OF OPERATING SEGMENTS

An operating segment is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by the chief operating decision maker, who in NCC's case is the President, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the President. Also refer to Note 3 Recognition of operating segments.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. The calculation of earnings per share is not affected by preferred shares or convertible debentures, since the Group has no such items. Share awards in the long-term incentive program, LTI, can give rise to dilution.

INTANGIBLE ASSETS

Intangible assets are recognized at acquisition cost less accumulated impairment losses and amortization.

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rates prevailing on the balance-sheet date.

Usufructs consist primarily of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. For the distribution of value, refer to Note 15 Intangible assets.

TANGIBLE FIXED ASSETS

NCC's property holdings are divided into:
- Owner-occupied properties
- Properties classed as current assets

Properties classed as current assets are held for development and sale as part of operations. The principles applied for the categorization, valuation and profit recognition of properties classed as current assets are presented under the Current assets section below.

Owner-occupied properties

Owner-occupied properties are held for use in the Company's own operations for the purpose of production, the provision of services or administration. Also refer to Note 16, Tangible fixed assets.

Machinery and equipment

Machinery and equipment is recognized at acquisition value less accumulated depreciation and any impairment losses.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognized at fair value or accrued acquisition value. Impairment losses are posted if the fair value is less than the acquisition cost. Also see the "Financial instruments" section on page 68. For information on the value and type of assets, refer to Note 22 Financial fixed assets. The Parent Company recognizes shares in Group companies at acquisition cost and, where applicable, taking into account write-ups or impairment losses.

CURRENT ASSETS

Properties classed as current assets

Group property holdings recognized as property projects are valued as inventories when the intention is to sell the properties on completion. Property projects are measured at the lower of acquisition value (cost) and net realizable value. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

Property projects

Property projects within NCC Property Development are divided as follows:
- Properties held for future development
- Ongoing property projects
- Completed property projects

For a distribution of values, refer to Note 25, Properties classed as current assets.

Properties held for future development, property development

Properties held for future development consist of NCC's holding of land and development rights intended for future property development and sale. Properties comprising leased buildings are classified as properties held for future development in cases where the intention is to demolish or refurbish the buildings.

Ongoing property projects

Properties held for future development are reclassified as ongoing property projects when a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. An actual building start is not necessary.

Ongoing property projects include properties under construction, extension or refurbishment.

Ongoing property projects are reclassified as completed property projects when the property is ready for occupancy, excluding adjustments to tenant requirements in those properties whose premises are not fully leased. The reclassification is effective not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. In this context, a phase always comprises an entire building that can be sold separately.

Completed property projects

Completed property projects can only be derecognized from the balance sheet due to a sale or, if they remain unsold, by being reclassified as managed properties.

Valuation of commercial property projects

The acquisition value of commercial property projects includes expenditure for the acquisition of land and for building design/property development, as well as expenditure for construction, extension or refurbishment. Expenditure for borrowing costs related to ongoing projects is capitalized. Other borrowing costs are expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, leasing and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

Commercial property projects are recognized continuously in the balance sheet at the lower of acquisition value and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs.

The market value of completed property projects is calculated in accordance with the yield method, which means that the continuous yield (operating net) on the property at full leasing is divided by the project's estimated yield requirement. Unleased space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed leasing rate.

The market value of ongoing property projects is calculated as the value in completed condition, as described above, less the estimated remaining cost of completing the project.

Properties held for future development that are included in the project portfolio, meaning ones that are held for development and sale, are normally valued in the same manner as ongoing projects, as described above. Other properties held for future development are valued on the basis of a value per square meter of development right or a value per square meter of land.

Properties classed as current assets transferred from subsidiaries

Due to the commission relationship between NCC AB and NCC Sverige AB, certain properties included in housing projects are recognized in NCC AB's accounts, even if the ownership right remains with NCC Sverige AB until the properties are sold to customers.

INVENTORIES

Inventories are measured at the lower of acquisition value and net realizable value. For a distribution of inventory values, refer to Note 26 Materials and inventories.

FINANCIAL INSTRUMENTS

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. Accounts payable are recognized when invoices have been received.

A financial asset is derecognized from the balance sheet when the contractual rights have been realized or extinguished. The same applies to portions of financial assets. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or otherwise terminated. This also applies to part of the financial liability.

Financial instruments are classified in the following categories for measurement: Financial assets at fair value through profit or loss, Investments held to maturity, Loan receivables and accounts receivable and Available-for-sale financial assets, Financial liabilities at fair value through profit or loss and Other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as short-term investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation.

Financial assets at fair value through profit or loss

This category includes the Group's derivative instruments with a positive fair value and short-term investments. Changes in fair value are recognized among net financial items in profit or loss. All instruments included in this category are available for sale. Derivative instruments that function as identified and effective hedging instruments are not included in this category. For an account of hedging instruments, see Hedge accounting below.

Held-to-maturity investments

Investments intended to be held to maturity comprise interest- bearing securities with fixed or calculable payments and a determined maturity that were acquired with the intention and possibility of being held to maturity. Investments intended to be held to maturity are measured at amortized cost. Assets with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as fixed assets. Other assets are recognized as current assets.

Loans and accounts receivable

Loans and accounts receivable are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognized.

Accounts receivable are measured on an ongoing basis. As soon as it is doubtful that an invoice will be paid, a provision is made for the amount. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply.

Available-for-sale financial assets

This category includes financial assets that do not fall into any of the other categories, or those assets that the company has elected to classify into this category. Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value. Impairment losses are posted when testing shows that impairment is required.

Financial liabilities at fair value through profit or loss

This category includes the Group's derivative instruments with a negative fair value, with the exception of derivative instruments that function as identified and effective hedging instruments. Changes in fair value are recognized among net financial items.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at amortized cost.

Hedge accounting

NCC applies hedge accounting in the following categories: Hedging of exchange-rate risk in transaction flows, hedging of net investments and hedging of the Group's interest maturities, as well as hedging of the price risk associated with bitumen and electricity.

Hedging of exchange-rate risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the exchange rate for the currency forward contract is recognized in other comprehensive income, after taking tax effects into account. Any ineffectiveness is recognized in profit or loss. When the hedged flow is recognized in profit or loss, the value change of the currency forward contract is moved from other comprehensive income to profit or loss, where it offsets the exchange-rate effect of the hedged flow. The hedged flows can be both contracted and forecast transactions.

Hedging of net investments

Group companies have currency hedged their net investments in foreign subsidiaries within NCC Property Development. In the consolidated financial statements, the exchange-rate differences on these hedging positions, after taking tax effects into account, are moved directly to other comprehensive income, insofar as they are matched by the year's translation differences within other comprehensive income. Any surplus amount, so-called ineffectiveness, is recognized among net financial items. NCC uses currency loans and currency forward contracts to hedge net investments.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest-rate risk. Hedge accounting occurs in cases where an effective hedging relationship can be proved. The value change is recognized in other comprehensive income after taking tax effects into account. Any ineffectiveness is recognized among net financial items. What NCC achieves by hedging interest rates is that the variable interest on parts of the Group's financing becomes fixed interest.

Hedging of price risk associated with bitumen and electricity

By entering into oil futures, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of the order. These oil futures are classified as cash flow hedges and fulfill effectiveness requirements, whereby all changes resulting from changed prices are recognized in other comprehensive income.

To level off the variations in the Swedish electricity market, NCC has elected, through electricity derivatives entered into gradually over a period of three years, to accumulate the volume of electricity contracts to the particular date of delivery. Changes in effective hedges are recognized in other comprehensive income and, in the event of ineffectiveness, the changes are recognized in operating profit.

Embedded derivatives

An embedded derivative is a part of either a financial agreement or a commercial put or call contract that is equivalent to a financial derivative instrument. An embedded derivative must be recognized separately only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics and risks of the host contract's cash flow, and
- a separate "stand alone" derivative with the same terms as the embedded derivative meets the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value in the balance sheet, except where changes in its fair value are recognized in profit or loss.

If the contractual terms and conditions meet the criteria for an embedded derivative, this, in common with other financial derivatives, is measured at fair value, with changes in value recognized in profit or loss.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are restated at the exchange rates prevailing on the balance-sheet date. Exchange differences arising from the translation of operational receivables and liabilities are recognized in operating profit, while exchange differences arising from the translation of financial assets and liabilities are recognized in net financial items.

Financial instruments in the Parent Company

All financial instruments in the Parent Company are recognized at amortized cost less any impairment losses and taking into account earnings effects accrued up to fiscal year-end. In respect of the qualitative and quantitative risk information, reference is made to the disclosures made for the Group above, since Group-wide risk management is applied for the Group.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and short-term investments with a maturity of less than three months at the date of acquisition.

SHAREHOLDERS' EQUITY

Recognition of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are recognized in accordance with their financial impact. Group contributions received and granted are recognized as appropriations. Group contributions granted are recognized as a part of the investment in the subsidiary and are thus subject to customary impairment testing.

Repurchase of shares

The repurchase of shares (treasury shares), including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings. Refer to Note 28 Share capital, for more information on treasury shares.

DISCONTINUED OPERATIONS

A discontinued operation is a part of an entity's operations that represents a separate major line of business or a material operation within a geographic area, or is a subsidiary that was acquired solely with the purpose of subsequently being sold. Classification as a discontinued operation occurs on divestment or at an earlier point in time when the operation meets the criteria for being classified as held for sale.

Profit/loss after tax from discontinued operations is recognized on its own line in the income statement and in other comprehensive income When an operation is classified as discontinued, the presentation of the comparative year's income statement and other comprehensive income is changed so that it is recognized as if the discontinued operation had been discontinued at the beginning of the comparative year. The presentation of the balance sheet for the current and preceding year is not changed in a corresponding manner.

On June 7, 2016, Bonava was spun off and has been recognized according to the rule concerning discontinued operations (IFRS 5) as explained above. Bonava's earnings up to the spinoff date and the capital gain generated by the spinoff of Bonava have been recognized on the line Discontinued operations after tax. Bonava has been excluded from the comparative years in notes on the income statement.

EMPLOYEE BENEFITS

Share-based remuneration

Instrument issued under the NCC Group's share-based remuneration plan comprise share awards and synthetic (cash-settled) shares.

The fair value of allotted share awards is recognized as a personnel cost accompanied by a corresponding increase in shareholders' equity. The fair value is estimated at the date of allotment by means of an adjustment of the discounted value of the future dividends for which the plan participants will not qualify.

Synthetic shares give rise to an undertaking to the employee, which is measured at fair value and recognized as a cost accompanied by a corresponding increase in liabilities. The fair value of the synthetic shares comprises the market price of the Series B NCC share at the particular financial report occasion adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

At each financial report occasion, the Parent Company makes an assessment of the probability of whether the performance targets will be achieved. Costs are calculated on the basis of the number of shares and synthetic shares that are estimated to be settled at the close of the vesting period.

When settlement of the share awards and synthetic shares occurs, social security fees have to be paid for the value of the employees' benefit. These vary in the different countries in which NCC is active. During the period in which the services are performed, provisions are also posted for these calculated social security fees based on the fair value of the share awards and the synthetic shares, respectively, on the reporting date.

To satisfy NCC AB's undertakings in accordance with the option programs, NCC AB has bought back Series B shares. These are recognized as treasury shares and thus reduce shareholders' equity.

For a description of the NCC Group's share-based remuneration program, refer to Note 5 on p. 74.

Post-employment remuneration

NCC differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined-benefit plans.

Country	Defined-benefit pension obligations	Defined-contribution pension obligations
Sweden	●	●
Denmark		●
Finland		●
Norway	●	●
Other countries		●

There are several defined-contribution and defined-benefit pension plans in the Group, some of which are secured through assets in dedicated foundations or similar funds. The pension plans are financed through payments made by the various Group companies. Calculations of defined-benefit pension plans are based on the Projected Unit Credit Method, whereby each term of employment is considered to create a future unit of the total final obligation. Each unit is computed separately and, jointly, they represent the total obligation on the balance-sheet date. The intention of the principle is to expense pension payments straight line during the term of employment. The calculation is made annually by independent actuaries. When there is a difference between how pension costs are established in the legal entity and in the Group, a provision or receivable for Swedish pension plans is recognized for the payroll tax based on this difference. Accordingly, the value of the defined-benefit liability is the present value of anticipated future disbursements using a discount rate that corresponds to the interest stated in Note 31 Pensions. The interest rate on first-class housing bonds is used as the basis for calculating the discount interest rate. Swedish defined-benefit pension obligations are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed obligation. Changes in plan assets and obligations stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

This reporting method is applied for all identified defined-benefit pension plans in the Group. The Group's disbursements related to defined-benefit pension plans are recognized as an expense during the period in which the employees perform the services covered by the fee.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. The difference, compared with the principles applied by the Group, pertains mainly to how the discounting rate is determined, the fact that the calculation of defined-benefit obligations is based on the current salary level without assuming future pay rises and the fact that all actuarial gains and losses are recognized in profit or loss when they arise.

Severance payments

In conjunction with notice of employment termination, a provision is posted only if the company is contractually obliged to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as is a time schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after fiscal year-end, such payments are discounted.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision. Provisions are recognized in the balance sheet when a legal or informal commitment exists due to an event that has occurred, it is probable that an outflow of resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognized at the estimated amounts required to settle the commitment on the balance-sheet date. The computation is based on calculations, executive management's appraisal and experience from similar transactions.

Other provisions

Provisions for restoration costs are posted when such obligations arise. Provisions are posted for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on current account when activities are related to additional extractions at pits and quarries.

A provision for restructuring is recognized when a detailed or formal restructuring plan has been established and the restructuring has either started or been announced publicly. No provisions are posted for future operating expenses.

BORROWING COSTS

Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's acquisition value when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale, which in NCC's case is more than a year. For NCC, the capitalization of borrowing costs is most relevant in the construction of property and housing projects. Other borrowing costs are expensed on current account in the period in which they are incurred. In the Parent Company, borrowing costs are expensed in their entirety in the period in which they are incurred.

PLEDGED ASSETS

NCC recognizes collateral pledged for company or Group liabilities and/or obligations as pledged assets. These may be liabilities, provisions included in the balance sheet or obligations not included in the balance sheet. The collateral may be related to assets entered in the balance sheet or mortgages. Assets are recognized at the carrying amount and mortgages at nominal value. Shares in Group companies are recognized at their value in the Group.

For information on types of collateral, refer to Note 37 Pledged assets, guarantees and guarantee obligations.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, pursuant to IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements. For information on the effects on cash flow from acquired and divested subsidiaries, refer to Note 38 Cash flow statement.

CRITICAL ESTIMATES AND ASSESSMENTS

Estimates and assessments that affect the Group's accounting records have been made on the basis of what is known when the Annual Report was issued. The estimates and assessments may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this during economic conditions characterized by major uncertainty in terms of the construction market and the global financial market, which has been the case during recent years. The assessments that are most critical to NCC are reported below.

Percentage-of-completion profit recognition

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills.

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects. There is a risk that the final result will differ from the profit accrued based on percentage-of-completion. At year-end, recognized revenues amounted to SEK 58.9 billion (49.7); refer to Note 27 Construction contracts.

Profit recognition of property development projects

Property sales are recognized as of the time when significant risks and rewards are transferred to the purchaser. The actual timing of profit recognition depends on the agreement with the purchaser and could occur when signing the agreement, at a certain leasing rate, on completion or when the right of ownership is transferred, and it could also depend on a combination of these variables. This is determined from agreement to agreement and is subject to elements of estimations and assessments, and also applies to both direct sales of a property and indirect sales via the sale of companies.

Valuation of properties classed as current assets

NCC's properties classed as current assets are recognized at the lower of acquisition value and net realizable value. In 2016, impairment losses on properties classed as current assets amounted to SEK 0 billion (4), and their year-end carrying amount corresponded to SEK 4.0 billion (16.7).

The assessment of net realizable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements plus the possible timing of production start and/or sale. NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis.

In some cases, the difference between the carrying amount and the estimated net realizable value is of a minor value. A change in the assumptions made could give rise to an additional impairment requirement.

Valuation of goodwill

Goodwill is measured at the lower of cost and recoverable amount. Goodwill in the Group is valued at SEK 1.9 billion (1.8).

Several assumptions and estimations are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and weighted average cost of capital. If these assumptions change, the value of the remaining goodwill could be affected; refer to Note 15 Intangible assets, for information on the assumptions and estimations made.

Valuation of receivables

NCC's accounts receivable, including receivables for sold property projects, total SEK 8.0 billion (7.5); refer to Note 39 Financial instruments and financial risk management.

The receivables are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables, which is assessed on an individual basis. The value is affected by several assessments, of which the one that is most important to NCC is credit risk and thus any need to post provisions for doubtful receivables. Although each receivable must be valued individually, special circumstances are generally required for a provision not to be posted in full or in part for receivables exceeding 60 days past due.

Guarantee commitments

At year-end, the guarantee provision was SEK 1.2 billion (1.4); refer to Note 30 Provisions. Provisions for future costs due to guarantee commitments are recognized in the amount expected to be required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments by company management and experiences gained from past transactions.

Pension obligations

NCC's net pension obligation is SEK 1.0 billion (0.3)

Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the plan assets and pension obligations. These actuarial assumptions are described in Note 31 Pensions, as is a sensitivity analysis.

Guarantee obligations, legal disputes, etc.

Within the framework of its regular business operations, NCC occasionally becomes a party to legal disputes. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In one or two cases, these are difficult assessments and the final outcome could differ from the estimation made.

NOTE 2 Distribution of external net sales

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Construction and civil engineering	40,948	40,451	20,873	16,465
Industrial operations	9,230	9,305		
Housing development projects				3,875
Property development projects	2,756	3,360		
Other				
Total	**52,934**	**53,116**	**20,873**	**20,340**
Sales distributed by business segment[1)]				
NCC Building			12,606	16,465
NCC Infrastructure			8,267	
NCC Housing				3,875
Total			**20,873**	**20,340**

1) For the distribution of consolidated sales, refer to Note 3.

NOTE 3 Reporting by operating segments

NCC's business operations are divided into four operating segments based on the parts of the organization monitored by the President and CEO, who is the chief operating decision maker. Each operating segment has a president who is responsible for the daily operations and regularly reports on the results of the segment's performance to the Executive Management Team. Since the segment division has been changed compared with prior years, comparative figures have been recalculated. The following segments were identified based on this reporting procedure:

NCC Building primarily builds housing and offices, but also constructs such public premises as schools and hospitals and such commercial premises as stores and warehouses.

NCC Infrastructure supplies entire infrastructure projects (such as tunnels, roads and railways), from design and construction to production and service.

NCC Industry, whose operations are based on production of stone materials and asphalt, as well as piling works and paving.

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland.

All transactions between the various segments were conducted on a purely commercial basis.

The segment report also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in "Other and eliminations." Occasionally, "Other and eliminations" may also recognize certain items, primarily impairment losses and provisions attributable to the activities conducted in the segments.

GROUP, 2016	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	24,467	16,481	9,230	2,756	52,934		52,934
Internal net sales	1,214	526	1,530	67	3,337	–3,337	
Total net sales	25,681	17,007	10,760	2,823	56,271	–3,337	52,934
Depreciation/amortization	–48	–218	–398	–3	–667	–59	–726
Impairment losses and reversal of impairment losses		1	–10		–9	–88	–97[1]
Result from participations in associated companies and joint ventures	1	–6	10	–1	5	15	20
Operating profit	489	162	533	327	1,510	–57	1,453
Net financial items							–112
Income after financial items							1,341
Capital employed			3,975	4,450			

1) 2016 includes impairment losses on a Group-wide HR support system totaling SEK 88 M.

GROUP, 2015	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	23,659	16,688	9,305	3,360	53,013	104	53,116
Internal net sales	1,342	417	1,266	68	3,092	–3,092	
Total net sales	25,001	17,105	10,571	3,427	56,105	–2,988	53,116
Depreciation/amortization	–52	–233	–385	–4	–673	–44	–717
Impairment losses and reversal of impairment losses		–1	–38	–4	–43		–43[1]
Result from participations in associated companies and joint ventures	1	6	20	0	26		26
Operating profit	602	469	374	417	1,863	–201	1,661
Net financial items							–39
Income after financial items							1,623
Capital employed			3,564	4,527			

1) 2015 includes SEK 2 M in impairment losses on housing projects and SEK 4 M in impairment losses on property projects.

OTHER AND ELIMINATIONS	OPERATING PROFIT	
	2016	2015
NCC's Head office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International[1]	–280	–264
Eliminations of inter-company gains	109	29
Other Group adjustments (essentially comprising the difference in accounting policies pertaining to Swedish pensions between the segments and the Group)	114	34
Total	**–57**	**–201**

1) 2015 includes an expense of SEK 82 M for a competition-infringement fee in Norway.

GEOGRAPHIC AREAS	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		FIXED ASSETS [1]	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sweden	35,324	29,614	29,397	22,717	29,177	28,478	2,173	2,253
Denmark	6,550	6,514	5,968	5,935	7,179	8,075	1,472	1,401
Finland	7,164	8,089	5,620	6,188	8,793	7,200	336	324
Norway	7,369	7,152	6,955	6,698	7,688	9,233	1,476	1,352
Russia	99	123			97	130	52	55
Germany								87
Estonia/Latvia								1

1) Pertains to fixed assets that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

Note 4 Discontinued operations

In June 2016, NCC spun off the shares in Bonava to the shareholders. The first day of trading on Nasdaq Stockholm was June 9, 2016, and the final price was SEK 106.50 per Series B share and SEK 107.50 per Series A share, resulting in market capitalization of approximately SEK 11.5 billion. The capital gain on the spinoff of Bonava was SEK 6,724 M.

INCOME STATEMENT

SEK M	2016 Jan–June 7	2015 Jan – Dec
Net sales	3,243	13,070
Production costs	–2,710	–11,017
Selling and administrative expenses	-231	–640
Other operating costs		–35
Operating profit[1]	303	1,377
Net financial items[2]	–124	–345
Pretax profit	179	1,033
Tax on net profit for the year	–36	–235
Earnings from discontinued operations, net after tax	**143**	**798**
Realization gains from spinning off the discontinued operation	6,724	
Profit from discontinued operations after tax	6,867	798
Other comprehensive income from the discontinued operation	4	-8
Earnings per share	1.32	7.08

[1] Includes depreciation/amortization for the period Jan-Dec 2016 of SEK 10 M (45).
[2] Of which interest expense for the period Jan-Dec 2016 of SEK 108 M (323).

BALANCE SHEET

SEK M	2016 31 Dec	2015 31 Dec
Assets		
Intangible assets		84
Tangible fixed assets		111
Financial fixed assets		241
Deferred tax assets		338
Housing projects		12,378
Accounts receivable		623
Prepaid expenses and accrued income		326
Other receivables		819
Short-term investments		41
Cash and cash equivalents		544
Assets, discontinued operations	0	**15,506**
Liabilities		
Long-term interest-bearing liabilities		2,033
Other long-term liabilities		487
Other provisions		357
Current interest-bearing liabilities		3,046
Accounts payable		676
Accrued expenses and deferred income		845
Other current liabilities		3,329
Liabilities, discontinued operations	0	**10,773**
Net assets, discontinued operations	0	**4,732**

CASH FLOW

SEK M	2016 Jan–Dec	2015 Jan – Dec
Cash flow was impacted by discontinued operations in the manner shown below:		
Cash flow from operating activities before changes in working capital	105	959
Working capital	–708	491
Investing activities	–81	–13
Financing activities	754	–1,300
Cash flow for the year from discontinued operations	70	136

NOTE 5 Number of employees, personnel expenses and remuneration of senior executives

AVERAGE NO. OF EMPLOYEES

	2016		2015	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	6,569	5,834	6,675	5,827
Subsidiaries				
Sweden	3,065	2,827	2,889	2,775
Norway	2,530	2,311	2,458	2,256
Finland	2,093	1,726	2,115	1,748
Denmark	2,336	2,036	2,212	1,918
Russia	75	47	142	107
Poland	125	122	50	48
Total in subsidiaries	**10,224**	**9,069**	**9,866**	**8,852**
Group total	**16,793**	**14,903**	**16,541**	**14,679**

Percentage of women, %	2016	2015
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	41.1	30.9
– Other senior executives	12.5	17.6

Senior executives in the Group pertain to the senior executives in the Parent Company together with Presidents of subsidiaries with employees.

Parent Company		
– Board of Directors	33.3	30.0
– Boards of Directors, AGM-elected members	50.0	42.9
– Other senior executives	25.0	28.6

Note 5 Number of employees, personnel expenses and remuneration of senior executives, cont'd.

SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES 1) AND OTHER EMPLOYEES

	2016			2015		
	Board of Directors and senior executives (of which, bonus)	Other employees	Total	Board of Directors and senior executives (of which, bonus)	Other employees	Total
Parent Company						
Sweden	34	3,067	3,101	43	3,257	3,300
	(2.3)			(7.0)		
Social security expenses			1,344			1,409
– of which, pension costs	8	273	281	9	285	294
Pension commitment	10			19		
Group	**75**	**8,575**	**8,650**	**85**	**8,393**	**8,478**
	(8.0)			(14.1)		
Social security expenses			2,695			2,679
– of which, pension costs			934			687
Pension commitment	17			45		

1) The senior executives category comprises 6 individuals (9) in the Parent Company and 26 individuals (25) in subsidiaries.

EMPLOYMENT CONDITIONS AND REMUNERATION OF SENIOR EXECUTIVES
The Chairman of the Board and other Board members elected by the AGM receive director fees only in an amount resolved by the AGM. No pensions are paid to Board members. No fee is paid to the Nomination Committee or Board committees.

Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Executive Management Team (EMT) is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term "other senior executives" refers to the people who together with the CEO constitute the EMT.

VARIABLE REMUNERATION
The variable remuneration payable to CEO Peter Wågström for 2016 is capped at 50 percent of his basic salary and was based on financial targets established by the Board. The amount expensed for 2016 corresponded to 15 percent of his fixed remuneration, meaning SEK 1,125,000. In 2015, SEK 2,802,985 was expensed. Variable remuneration for other senior executives in 2016 corresponded to a maximum of 30 to 40 percent of fixed remuneration based primarily on the outcome of established, primarily financial, targets. The maximum percentages above for the CEO and other senior executives are adjusted downward by 10 percentage points for participants in LTI 2016. The provision posted for other senior executives in 2016 corresponded to 8–24 percent (16–46) of basic remuneration.

PENSION CONDITIONS FOR THE CEO
CEO Peter Wågström has a defined-contribution pension plan with the premium amounting to 35 percent of his fixed remuneration. Peter Wågström's retirement age is 62.

PENSION CONDITIONS FOR OTHER SENIOR EXECUTIVES
Other senior executives employed in Sweden are covered by a defined-benefit ITP plan with a retirement age of 65, and, in accordance with the current policy, of a supplementary defined-contribution pension obligation of 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

SEVERANCE PAY
NCC and Peter Wågström are subject to a mutual period of notice of employment termination of six months. Severance pay is payable over 18 months. Other senior executives are normally subject to 12 months' notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

Other senior executives are normally entitled to 12 months of severance pay, if their employment is terminated by NCC. Remuneration will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without NCC's written consent.

SHARE-BASED REMUNERATION
The prerequisites and conditions for allotment are listed below.

LONG-TERM INCENTIVE PROGRAM
The AGM in April 2016 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive plan for senior executives and key personnel within the NCC Group ("LTI 2016"). The purpose of LTI 2016 is to ensure a focus on NCC's long-term profitability, to minimize the number of worksite accidents and to provide prerequisites for retaining and recruiting key personnel.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2016

SEK 000s	Total remuneration and benefits2)	of which, benefits	of which, variable remuneration3)	of which, provision for share-based payment4)	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,100					
Member of the Board Viveca Ax:son Johnson	500					
Member of the Board Carina Edblad	500					
Member of the Board Olof Johansson1)	183					
Member of the Board Sven-Olof Johansson	500					
Member of the Board Ulla Litzén	500					
Member of the Board Christoph Vitzthum	500					
President and CEO Peter Wågström	11,366	65	1,125	2,605	2,625	660
Other senior executives (five)	19,309	191	1,199	3,185	5,021	9,577
Total Parent Company	34,458	**256**	**2,324**	**5,790**	**7,646**	**10,237**
Other senior executives employed by subsidiaries (three individuals)	15,000	231	1,939	2,212	2,474	429
Total senior executives	49,458	487	**4,263**	**8,002**	**10,120**	**10,666**

Note 5 Number of employees, personnel expenses and remuneration of senior executives, cont'd.

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2015

SEK 000s	Total remuneration and benefits[2]	of which, benefits	of which, variable remuneration[3]	of which, provision for share-based payment[4]	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,066					
Member of the Board Viveca Ax:son Johnson	494					
Member of the Board Carina Edblad	494					
Member of the Board Olof Johansson	494					
Member of the Board Sven-Olof Johansson	494					
Member of the Board Ulla Litzén	494					
Member of the Board Christoph Vitzthum	494					
President and CEO Peter Wågström	11,948	69	2,803	1,755	2,450	635
Other senior executives (eight individuals)	27,182	681	4,619	3,420	6,705	18,446
Total Parent Company	**43,160**	**750**	**7,422**	**5,175**	**9,155**	**19,081**
Other senior executives employed by subsidiaries (six individuals)	25,099	753	4,057	2,908	3,881	12,475
Total senior executives	**68,259**	**1,503**	**11,479**	**8,083**	**13,036**	**31,556**

1) Olof Johansson stepped down at the AGM on April 12, 2016.

2) Remuneration and benefits pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay.
Director fees were raised following a resolution at the 2015 AGM. The amounts in the tables are subject to accrual accounting.

3) Variable remuneration pertains to the amounts expensed for each fiscal year.

4) Amount reserved during the year for the ongoing LTI programs 2013, 2014, 2015 and 2016.

LTI 2016 is a three-year performance-based plan under which the participants will be allotted, free of charge, performance-based share awards providing entitlement to Series B shares and to performance-based synthetic shares providing entitlement to cash remuneration. In view of the introduction of LTI 2016, the maximum short-term variable remuneration payable to the participants will be adjusted downwards by five or ten percentage points of their basic salary. LTI 2016 will run parallel in all significant respects to the LTI program adopted by the 2015 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved in the performance period (January 1, 2016 through December 31, 2018). The targets that have been set for LTI 2016 comprise the profitability during the vesting period, and a reduction in the number of worksite accidents as at the end of 2018. For the first target, 100 percent will be allotted/disbursed if accumulated EBIT for the three-year period amounts to or exceeds the target for the maximum return, while 0 percent will be allotted/disbursed if the outcome is less than the target for the minimum return. Within the range, allotment/payment will occur linearly. For assessment of the second target, an established benchmark figure for the industry will be used based on the number of occupational accidents resulting in one day's absence or more from ordinary work per million working hours. At the end of 2015, NCC's comparative figure was 7.1. Allotment/disbursement of 100 percent will occur if the ratio for 2018 is less than 5.0, while 0 percent will be allotted/disbursed if the ratio is exceeds 7.0. Within the range of 5.0 and 7.0, allotment/payment will occur linearly. Another prerequisite for any payment from LTI 2016 is that the NCC Group reports a pretax profit.

Allotment

The participants are divided into three categories: CEO; other members of the Executive Management Team, business area management; and other key personnel. The allotment value is 50 percent of annual salary for the CEO, 30 percent of annual salary for other members of the Executive Management Team and either 15 percent or a maximum of 30 percent of annual salary for other key personnel.

The share price that is to form the basis for calculating the number of share awards and synthetic shares is to correspond to the average last price paid during a period of the first ten trading days after the NCC share was traded ex rights to the spun-off Bonava shares (SEK 195.23).

Scope and costs of the program

Assuming a share price of SEK 195 and the maximum outcome in accordance with LTI 2016, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2016, including costs for social security fees, will be SEK 50.6 M, corresponding to approximately 0.24 percent of the total number of shares in the company at a share price of SEK 195.

The value that a participant may receive at maximum allotment of Series B shares and cash payment is capped at an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average price paid during a period of the first ten trading days after the NCC share was traded ex rights to the spun-off Bonava shares.

Buyback of company shares

In order to cover commitments in accordance with LTI 2016, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees and payments on the basis of the synthetic shares, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 867,486 Series B shares. The shares are to be acquired on Nasdaq Stockholm and may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash. The Board decided to buy back Series B shares to cover obligations under the company's long-term incentive program, whereby 362,222 Series B shares were bought back during the third quarter of 2016.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2016, the Board proposed that the AGM resolve to permit the transfer of no more than 300,000 Series B shares to the participants of LTI 2016. The prerequisites and conditions for allotment are listed below, according to which all share awards will be regulated through physical delivery of the shares.

LTI 2013

The performance period for LTI 2013 expired on December 31, 2015. Shares and synthetic shares were delivered as planned in May 2016 to the remaining participants in the program. A total of 80,115 shares, 80,115 synthetic shares and SEK 560,805 as compensation for dividends was delivered to 93 participants.

LTI 2014

The performance period for LTI 2014 was from December 31, 2014 through December 31, 2016. For employees of Bonava who participated in LTI 2014, shares and synthetic shares were delivered for the abbreviated period January 1, 2014 to December 31 2015, so that the employees of Bonava could withdraw from NCC's LTI program. Allotment and payment occurred in relation to the shortened length of the vesting period. A total of 3,992 shares, 3,992 synthetic shares and SEK 27,994 as compensation for dividends was delivered to 13 participants.

LTI 2015

The performance period for LTI 2015 was from December 31, 2015 through December 31, 2017. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2017 AGM. For employees of Bonava who participated in LTI 2015, participated was repealed.

LTI 2016

A new LTI program was launched in 2016 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs.

For the financial performance target, accumulated EBIT is being used for the period, instead of return on equity (ROE), which was used in the LTI programs of previous years. The performance period for LTI 2016 is from December 31, 2016 through December 31, 2018.

	GROUP		PARENT COMPANY	
	Share awards	Synthetic options	Share awards	Synthetic options
Outstanding at the beginning of the period	266,452	266,452	121,303	121,303
Allocated during the period	103,755	103,755	53,028	53,028
Exercised during the period	–80,115	–80,115	–48,865	–48,865
Transferred to Group companies			–208	–208
Forfeited during the period	–50,885	–50,885	–1,752	–1,752
Outstanding at the end of the period	**239,207**	**239,207**	**123,506**	**123,506**
Puttable at the end of the period	0	0	0	0

All shares and synthetic options have a redemption price of SEK 0.

Outstanding share awards and synthetic shares have a remaining contract term of two and a half years and a half year, respectively.

FAIR VALUE AND ASSUMPTIONS SHARE AWARDS LTI 2014

	2016		2015	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	6,921	3,707	5,184	2,391
Share price, SEK	225.66	225.66	225.66	225.66
Redemption price, SEK	0	0	0	0
Options duration, year	0.5	0.5	1.5	1.5
Risk-free interest rate, %	1.70	1.70	1.70	1.70

SHARE AWARDS LTI 2015

	2016		2015	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	4,358	2,196	1,684	706
Share price, SEK	286.40	286.40	286.40	286.40
Redemption price, SEK	0	0	0	0
Options duration, year	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.70	1.70	1.70	1.70

SHARE AWARDS LTI 2016

	2016	
	Group	Parent Company
Fair value on date of valuation, SEK 000s	2,575	1,316
Share price, SEK	195.23	195.23
Redemption price, SEK	0	0
Options duration, year	2.5	2.5
Risk-free interest rate, %	1.70	1.70

Dividend has been calculated as a three-year average of NCC AB's dividends.

All fair values and assumptions are the same for all participants in the program.

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS

	2016		2015	
	Group	Parent Company	Group	Parent Company
Share awards	10	5	7	5
Synthetic shares	17	9	14	9
Social security expenses	9	6	9	8
Total personnel expenses for share-based remunerations	**35**	**19**	**30**	**22**
Total carrying amount pertaining to liability for synthetic shares	**40**	**20**	**48**	**23**

NOTE 6 Depreciation/amortization

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Intangible assets	–82	–62	–33	–44
Owner-occupied properties	–24	–24	–1	–1
Machinery and equipment [1]	–620	–631	–35	–31
Total depreciation/amortization	**–726**	**–717**	**–69**	**–76**

[1] of which, depreciation of leased equipment in the Group amounted to 98 (90).

NOTE 7 Fees and remuneration to audit firms

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Audit firms				
EY				
Auditing assignments	13	11	4	6
Audit in addition to the audit assignment	6	0	4	0
Other assignments	0	2	0	0
Other auditors				
Auditing assignments	0	0	0	0
Other assignments	0	1	0	0
Total fees and remuneration to auditors and audit firms	**19**	**14**	**8**	**6**

Auditing assignments are defined as the statutory audit of the annual accounts and the consolidated financial statements and of the bookkeeping as well as of the administration of the Board of Directors and the President, and also audit and other examinations conducted pursuant to agreement or contract. This includes other duties that the company's auditors are obliged to conduct and advice or other assistance required due to observations made during such examinations or during the performance of such other duties. All other work is defined as other assignments.

NOTE 8 Impairment losses and reversal of impairment losses

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Production costs				
Properties held for future development in NCC Property Development		–4		
Financial expense				
Other securities	–2			
Result from participations in subsidiaries				
Shares in subsidiaries			–12	–92
Impairment and reversal of impairment losses, fixed assets				
Owner-occupied properties	25			
Machinery and equipment	–31	–31		
Other intangible assets	–91	–8	–88	
Total	–99	–43	–100	–92

NOTE 9 Result from participations in Group companies

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Dividend			834	992
Capital gain/loss on sale	2			
Impairment losses			–12	–92
Reversal of impairment losses				
Total	2		823	901

NOTE 10 Operating expenses distributed by type of cost

GROUP	2016	2015
Production-related goods and services, plus raw materials and supplies	39,209	39,581
Change in inventories	17	–50
Personnel costs	11,345	11,157
Depreciation/amortization	726	717
Impairment losses	130	43
Reversal of impairment losses	–31	
Total cost of production, and selling and administration costs	**51,396**	**51,448**

NOTE 11 Interest expense and similar income statement items

PARENT COMPANY	2016	2015
Interest expense, Group companies	–2	–64
Interest expense to credit institutions	–33	–41
Financial portion of pension cost	–95	–76
Interest expense, others	–2	–3
Exchange-rate differences	3	22
Other financial items	21	54
Total	–109	–107

NOTE 12 Net financial items

GROUP	2016	2015
Interest income on financial assets held for trading	2	6
Interest income on investments held to maturity	5	4
Interest income on loans and accounts receivable	11	15
Interest income on bank balances	1	3
Net gain on financial assets available for sale	1	1
Net profit on financial assets/liabilities available for sale	6	3
Net exchange-rate changes		6
Other financial income	1	1
Financial income	**26**	**39**
Interest expense on financial liabilities measured at amortized cost	–88	–15
Interest expense on financial liabilities held for trading	–33	–36
Net loss on financial assets/liabilities held for trading	–1	–5
Impairment loss on financial investments	–3	
Other financial expenses	–14	–22
Financial expense[1]	**–138**	**–78**
Net financial items	**–112**	**–39**
Of which, changes in value calculated using valuation techniques	5	4

[1] Interest of SEK 33 M (42) has been capitalized.

NOTE 13 Effects on profit and loss of exchange-rate changes

GROUP	2016 exchange rates 2015[1]	2016	Exchange-rate effect
Net sales	52,963	52,934	–29
Operating profit	1,438	1,453	15
Income after financial items	1,324	1,341	17
Net profit for the year	1,097	1,116	19

[1] Figures for 2016 converted at 2015 exchange rates.

			AVERAGE EXCHANGE RATE JAN–DEC		YEAR-END RATE	
Country	SEK	Currency	2016	2015	2016	2015
Denmark	100	DKK	127.14	125.44	128.73	122.95
EU	1	EUR	9.47	9.36	9.57	9.17
Norway	100	NOK	101.91	104.73	105.35	96.06
Russia	1	RUR	0.13	0.14	0.15	0.11

NOTE 14 Appropriations and untaxed reserves

	APPROPRIATIONS		UNTAXED RESERVES	
PARENT COMPANY	2016	2015	2016	2015
Accumulated depreciation in excess of plan				
– machinery and equipment	–50		50	1
Reserve in work in progress	–36	–93	477	441
Group contributions received	373	238		
Total	**287**	**144**	**527**	**441**

NOTE 15 Intangible assets

	GROUP				PARENT COMPANY	
	ACQUIRED INTANGIBLE ASSETS					
2016	Goodwill	Usufructs	Other	Total other	Goodwill	Development expenses
Recognized cost on January 1	**2,049**	**265**	**489**	**754**	**2**	**231**
Investments		8	100	108		44
Divestment and scrappage	–21	–6	–14	–20		
Discontinued operations	–71		–127	–127		
Reclassifications		11	–5	6		
Translation differences during the year	86	9	5	14		
Recognized cost on December 31	**2,043**	**287**	**448**	**735**	**2**	**275**
Accumulated amortization on January 1	**–2**	**–136**	**–167**	**–303**	**–1**	**–48**
Divestment and scrappage	2	2	14	15		0
Discontinued operations			26	26		
Reclassifications			–3	–3		
Translation differences during the year	–1	–5	–4	–9		
Amortization according to plan during the year		–18	–67	–85		–33
Accumulated amortization on December 31	**–1**	**–157**	**–201**	**–358**	**–1**	**–81**
Accumulated impairment losses on January 1	**–255**	**–11**	**0**	**–11**		
Divestment and scrappage	19					
Discontinued operations	49					
Reclassifications		–2	1	–1		
Translation differences during the year	–3					
Impairment losses for the year			–91	–91		–88
Accumulated impairment losses on December 31	**–191**	**–13**	**–90**	**–103**		**–88**
Residual value on January 1	**1,792**	**118**	**321**	**439**	**2**	**182**
Residual value on December 31	**1,851**	**117**	**158**	**275**	**1**	**107**

	GROUP				PARENT COMPANY	
	ACQUIRED INTANGIBLE ASSETS					
2015	Goodwill	Usufructs	Other	Total other	Goodwill	Development expenses
Recognized cost on January 1	**2,128**	**251**	**403**	**654**	**2**	**196**
Investments	1	4	114	117		94
Divestment and scrappage	–1	–1	–2	–3		–79
Reclassifications		17	–20	–3		20
Translation differences during the year	–79	–7	–5	–12		
Recognized cost on December 31	**2,049**	**265**	**489**	**754**	**2**	**231**
Accumulated amortization on January 1	**–1**	**–127**	**–136**	**–263**		**–23**
Investments						
Divestment and scrappage	–1		2	2		18
Reclassifications			32	32		
Translation differences during the year	1	4	3	7		
Amortization according to plan during the year		–14	–69	–83	–1	–43
Accumulated amortization on December 31	**–2**	**–136**	**–167**	**–303**	**–1**	**–48**
Accumulated impairment losses on January 1	**–261**	**–2**	**0**	**–2**		
Reclassifications		–8	8			
Translation differences during the year	6					
Impairment losses for the year			–8	–8		
Accumulated impairment losses on December 31	**–255**	**–11**	**0**	**–11**		**0**
Residual value on January 1	**1,865**	**123**	**266**	**389**	**2**	**173**
Residual value on December 31	**1,792**	**118**	**321**	**439**	**2**	**182**

Note 15 Intangible assets, cont'd.

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill totaling SEK 1,851 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2016	2015
NCC Building	564	540
NCC Infrastructure	288	280
NCC Industry	999	950
NCC Housing		22
NCC Group	**1,851**	**1,792**

Every year impairment requirement testing for goodwill is conducted. Impairment testing is based on the future cash-flow of the units, taking into account the market's yield requirement and their risk profile.

Cash flow was based on forecasts established by company management. When deemed necessary, the forecasts have been established with a greater emphasis on the immediate period ahead (five years). The following key assumptions were used:

Long-term growth: In all cases, a long-term sustainable growth rate of 2.0 (2.0) percent has been assumed when the forecast period is over, which reflects anticipated long-term growth in the market. Subject to the exceptions specified below, it is assumed that the growth rate also applies to sales during the forecast period.

Operating margin: The forecast operating margin has been assumed to equal the average for the most recent three years.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2016, with a growth rate equal to the sustainable long-term growth rate.

Discount interest rate: The weighted average cost of capital (WACC) is calculated for the various units on the basis of beta value, and local conditions in respect of market interest rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. Although the after-tax discount interest rates vary among the different cash-generating units, in NCC's scenario it totals 8.3 percent (8.2) percent before and 6.4 percent (6.4) after tax.

NCC's impairment testing reveals no impairment requirement for goodwill.

Risk analyses: The difference between the value in use and the carrying amount is lowest for NCC Infrastructure. The sensitivity analysis of the assumptions used in impairment testing shows that reasonable changes in sales growth, operating margin and discount interest rate would not result in any impairment. The table illustrates the sensitivity of the value in use to changes in certain important variables:

IMPACT ON VALUE IN USE

	Building	Infra-structure	Industry
Value in use - carrying amount (SEK M)	11,218	4,885	7,193
Discount rate, WACC (%)	7.9	8.1	4.6
Impact on value in use (negative amounts)			
0.5-percentage-point decrease in operating margin during the forecast period	–2,232	–1,403	–2,060
One-percentage-point decrease in sales growth	–1,770	–798	–2,429
0.5-percentage-point increase in discount rate (WACC)	–694	–391	–1,724

OTHER INTANGIBLE ASSETS

Usufructs include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to long periods.

Amortization of quarries occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel. The Other item consists mainly of software and licenses.

The periods of use range from three to five years and amortization is applied on a straight-line basis.

AMORTIZATION IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	GROUP	
	2016	2015
Production costs	–51	–39
Selling and administrative expenses	–33	–44
Total	**–85**	**–83**

NOTE 16 Tangible fixed assets

	GROUP			PARENT COMPANY		
2016	Owner-occupied properties	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	1,386	7,602	8,988	27	524	551
Investments	49	882	931	1	28	29
Divestment and scrappage	–43	–565	–608	–9	–25	–34
Discontinued operations	–71	–228	–299			
Reclassifications	3	24	27			
Translation differences during the year	55	279	334			
Recognized cost on December 31	1,379	7,994	9,373	19	527	547
Accumulated impairment losses and depreciation on January 1	–560	–5,186	–5,746	–10	–437	–447
Divestment and scrappage	19	447	466	2	20	22
Discontinued operations	20	129	149			
Reclassifications	–24	–6	–30			
Translation differences during the year	–19	–174	–193			
Reversed impairment losses	31		31			
Impairment losses for the year[1)]	–6	–31	–37			
Depreciation during the year	–25	–625	–650	–1	–35	–36
Accumulated impairment losses and depreciation on December 31[1)]	–564	–5,446	–6,010	–9	–452	–461
Accumulated write-ups at beginning of the year		1	1			
Divestment and scrappage		20	20			
Accumulated write-ups at end of year		21	21			
Residual value on January 1	826	2,417	3,243	17	88	105
Residual value on December 31	814	2,569	3,383	11	75	86
Carrying amount of financial leasing		362	362			
1) Accumulated impairment losses on December 31	–15	–44	–60			

	GROUP			PARENT COMPANY		
2015	Owner-occupied properties	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	1,338	7,903	9,241	27	511	537
Investments	100	870	969		56	56
Divestment and scrappage	–15	–668	–683		–19	–20
Reclassifications	8	–253	–246		–24	–20
Translation differences during the year	–44	–249	–292			
Recognized cost on December 31	1,386	7,602	8,988	27	524	551
Accumulated impairment losses and depreciation on January 1	–564	–5,416	–5,980	–9	–426	–435
Divestment and scrappage	14	540	553		18	18
Reclassifications	1	216	217		2	
Translation differences during the year	18	154	172			
Impairment losses for the year	–1	–31	–32			
Depreciation during the year	–28	–649	–677	–1	–31	–32
Accumulated impairment losses and depreciation on December 31[1)]	–560	–5,186	–5,746	–10	–437	–447
Accumulated write-ups at beginning of the year		1	1			
Accumulated write-ups at end of year		1	1			
Residual value on January 1	774	2,487	3,262	18	84	103
Residual value on December 31	826	2,417	3,243	17	88	105
Carrying amount of financial leasing		333	333			
1) Accumulated impairment losses on December 31	–10	–81	–91			

NOTE 17 Participations in group companies

PARENT COMPANY

Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	No. of participations2)	Carrying amount 2016	Carrying amount 2015
Real estate companies:				
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	962	961
Total participations in real estate companies			**962**	**961**
Other companies:				
Anjo Bygg AB, 556317-8515, Halmstad	100	9	1	13
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1		
Byggs Sprutbetong AB, 556378-5269, Malung	100	1	15	
Däldehög AB, 556268-5700, Gothenburg	100	9	1	1
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
Ekängens Handelsträdgård AB, 556188-6903, Solna	100	1	4	4
Elpolerna i Malmö AB, 556720-5934, Malmö	80	1		
Hercules Grundläggning AB, 556129-9800, Stockholm				59
HoldCo Residential 1 AB, 556928-0380, Solna				5,007
Jaktbacken AB, 556908-8932, Solna	100	1		
JCC Johnson Construction Company AB,556113-5251, Solna	100	1		
Kungsplattan AB, 556713-0850, Solna				1
Luzern AB, 556336-4727, Lund	100	1	3	3
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	1
NCC Danmark A/S, 69 89 40 11, Denmark	100	400	116	116
NCC Norge AS, 911 274 426, Norway	100	17,500	321	161
NCC Sverige AB, 556613-4929, Solna	100	500	61	56
NCC Deutschland GmbH, HRB 8906 FF, Germany				41
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Hällevik AB, 556749-6251, Solna				
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	41	41
NCC Komponent AB, 556627-4360, Solna	100	1		
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Purchasing Group AB, 556104-9932, Stockholm	100	2	1	1
NCC Soumi Oy, 1765514-2, Finland	100	4	94	393
NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,640	1,638
NCC Skakt Aps, 36 95 64 88, Denmark	5 3)	3		
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
Norrströmstunneln AB, 556733-7034, Solna	100	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Ställningsmontage och Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2		
Svelali AB, 556622-7517, Halmstad	100	1		
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	1
Total participations in other companies			**3,445**	**8,683**
Total participations in Group companies			**4,407**	**9,644**

1) The ownership share corresponds to the shareholding.
2) Number of shares in thousands.
3) The remaining shares are held by subsidiaries of the NCC Group.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the purchase method. NCC's assessment is that it has no controlling influence over any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 114 (218). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

NOTE 18 Participations in associated companies and joint ventures

GROUP Name of company, Corp. Reg. No., Registered office	Ownership share, %[1]	No. of partici-pations[2]	CARRYING AMOUNT 2016	2015
Aggder Bygg-Gjennvinning AS, 880 704 532, Norway				1
Asfalt & Maskin, 960 585 593, Norway	50		7	3
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	6	4
PULS Planerad Underhållsservice AB, 556379-1259, Malmö				29
Oraser AB, 556293-2722, Stockholm	50	1	5	6
Sjaellands Emulsionsfabrik I/S, 18004968, Roskilde	50		4	5
SHH Hyresproduktion AB, 556889-3746, Stockholm	50	1	5	4
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 18 (23)			1	1
Total			**30**	**54**

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

NOTE 19 Interests in associated companies

The consolidated financial statements include the items below that constitute the Group's interests in the joint ventures' net sales, costs, assets and liabilities.

GROUP	2016	2015
Revenue	79	64
Expenses	–86	–63
Profit	**–7**	**1**
Fixed assets	1	30
Current assets	165	876
Total assets	**166**	**906**
Long-term liabilities		204
Current liabilities	38	483
Total liabilities	**38**	**687**
Net assets	**128**	**219**

The joint venture category also includes partly owned contracts, for which NCC has a contractual joint influence together with the other partners.

SPECIFICATION OF JOINT VENTURES

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Entreprise 23 konsortiet	50
Entreprise 26 konsortiet	50
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
GR2012 Konsortiet I/S	50
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Langebro 2	50
M11-Entreprenør	50
Milman Miljömuddring	50
NCC-LHR Gentofte Konsortiet	65
NCC-MJEkonsortie I/S	50
NCC-SMET konsortiet	50
NCC-SMET konsortiet Østerbro Tunnel Konsortiet	50
NFO konsortiet I/S	50
Norvikudde, konsortie	50
Polaris Business Park Oy	50
Ørestad Down Town P/S	60

NOTE 20 Participations in associated companies and joint ventures

PARTICIPATIONS IN ASSOCIATED COMPANIES INCLUDED IN FINANCIAL FIXED ASSETS

PARENT COMPANY			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, %1)3)	No. of participations2)	2016	2015
Oraser AB, 556293-2722, Stockholm	50	1	6	6
PULS Planerad Underhålls Service AB,556379-1259, Malmö				8
Other 1 (6)			1	1
Total			**7**	**14**

1) The ownership share corresponds to the proportion of votes for the total number of shares.
2) Number of shares in thousands.
3) See Note 17 for a description of controlling influence.

Companies for which ownership shares and number of shares have not been specified were divested during the year.

NOTE 21 Financial investments

GROUP	2016	2015
Financial investments classified as fixed assets		
Available-for-sale financial assets		
Unlisted securities	95	43
Total	**95**	**43**
Short-term investments classified as current assets		
Financial assets at fair value through profit or loss		
Interest-bearing securities	99	119
Investments held to maturity		
Interest-bearing securities	91	71
Total	**190**	**190**

Investments held to maturity had an established interest rate ranging from negative 0.7 (neg: 0.6) percent to plus 1.7 (4.0) percent, and had due dates ranging from 6 (6) months to 4 (2) years.

During the year, financial fixed assets were impaired by SEK 0 M (0).

NOTE 22 Financial fixed assets

PARENT COMPANY, 2016	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables, associated companies and joint ventures	Other longterm securities	Other long-term receivables	Total
Recognized cost on January 1	**17,359**		**26**		**11**	**84**	**17,480**
Assets added	513					55	568
Transferred within the Group	–365						–365
Reclassifications	332				41		373
Assets removed	–5,526		–7				–5,533
Recognized cost on December 31	**12,313**		**19**		**52**	**139**	**12,523**
Accumulated write-ups at beginning of the year	**268**						**268**
Reclassifications	–268						–268
Accumulated write-ups at end of year							
Accumulated impairment losses on January 1	**–7,983**		**–12**		**–6**	**–2**	**–8,003**
Transferred within the Group	65						65
Assets removed	173						173
Reclassifications	–149						–149
Impairment losses for the year	–12						–12
Accumulated impairment losses on December 31	**–7,906**		**–12**		**–6**	**–2**	**–7,926**
Residual value on December 31	**4,407**		**7**		**46**	**136**	**4,595**

PARENT COMPANY, 2015	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables, associated companies and joint ventures	Other longterm securities	Other long-term receivables	Total
Recognized cost on January 1	**14,363**	**10**	**217**	**185**	**11**	**131**	**14,918**
Assets added	5,007						5,007
Transferred within the Group	–1,269		–171				–1,440
Reclassifications	–636		–20				–656
Assets removed	–106	–10		–185		–47	–348
Recognized cost on December 31	**17,359**		**26**		**11**	**84**	**17,480**
Accumulated write-ups at beginning of the year	**268**						**268**
Accumulated write-ups at end of year	**268**						**268**
Accumulated impairment losses on January 1	**–8,723**		**–33**	**–1**	**–6**	**–2**	**–8,764**
Transferred within the Group	173						173
Reclassifications	636		20				656
Assets removed	22			1			23
Impairment losses for the year	–92						–92
Accumulated impairment losses on December 31	**–7,983**		**–12**		**–6**	**–2**	**–8,003**
Residual value on December 31	**9,644**		**14**		**5**	**82**	**9,745**

NOTE 23 Long-term receivables and other receivables

GROUP	2016	2015
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	278	218
Interest-bearing securities	63	104
Other long-term receivables	20	32
Long-term receivables classified as fixed assets	**361**	**354**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	10	13
Receivables from divested property and housing projects	85	161
Advance payments to suppliers	5	6
Derivative instruments held for hedging	106	278
Other current receivables	240	843
Other receivables classified as current assets	**446**	**1,301**

NOTE 24 Tax on net profit for the year, deferred tax assets and deferred tax liabilities

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Tax on net profit for the year				
Current tax cost	–265	–355	–169	–219
Deferred tax revenue/cost	40	53	59	–25
Total recognized tax on net profit for the year	**–225**	**–302**	**–110**	**–244**

	GROUP				PARENT COMPANY			
	2016		2015		**2016**		2015	
Effective tax	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		1,341		1,623		1,416		1,656
Tax according to company's current tax rate	–22%	–295	–22%	–357	–22%	–311	–22%	–364
Effect of other tax rates for non-Swedish companies	1%	19	–1%	–9				–1
Changed tax rate in Norway in 2016 and in Denmark and Norway in 2015		–4		7				2
Other non-tax-deductible costs	–1%	–11	–3%	–46		–4	–3%	–41
Non-taxable revenues	6%	78	8%	132	13%	189	12%	196
Tax effect resulting from utilization of non-capitalized tax loss carryforwards				1				
Tax effect resulting from non-capitalized tax loss carryforwards				–5				
Tax attributable to prior years	–1%	–14	–1%	–25	1%	17	–1%	–24
Other		2				–1	–1%	–13
Recognized tax	**–17%**	**–225**	**–19%**	**–302**	**–8%**	**–110**	**–15%**	**–244**

Current tax has been calculated based on the nominal tax prevailing in the country concerned. In so far as the tax rate for future years has been amended, that rate is used for calculating deferred tax. The effective tax rate has been calculated excluding the capital gain that arose from the spinoff of Bonava, as well as Bonava's share of profit before tax.

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2016	2015
Current tax in hedging instruments	7	–17
Deferred tax on cash flow hedging	–22	
Deferred tax attributable to the revaluation of defined-benefit pension plans	130	–59
Total	**115**	**–76**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRY-FORWARDS

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Opening carrying amount	–117	–31	66	86
Deferred tax in discontinued operations	–338	–46		
Acquisition of subsidiaries		–23		
Recognized tax on net profit for the year	44	46	59	–27
Changed tax rate in Norway in 2016 and in Denmark and Norway in 2015	–4	7		2
Tax items recognized in other comprehensive income	–22			
Tax item attributable to revaluation of defined-benefit pension plans recognized in other comprehensive income	130	–59		
Translation differences	2	–8	–1	2
Other	–5	–3		3
Closing carrying amount	**–310**	**–117**	**124**	**66**

Note 24 Tax on net profit for the year, deferred tax assets and deferred tax liabilities, cont'd.

	ASSETS		LIABILITIES		NET	
GROUP	**2016**	2015	**2016**	2015	**2016**	2015
Tangible fixed assets			–28	–34	–28	–34
Financial fixed assets		–4				–4
Non-completed projects			–750	–552	–750	–552
Properties held for future development			–23	–30	–23	–30
Untaxed reserves			–201	–202	–201	–202
Provisions	254	188			254	188
Personnel benefits/pension provisions	203	90			203	90
Tax loss carryforwards	224	382			224	382
Other	62	86	–51	–41	11	45
Deferred tax asset/deferred tax liability	**743**	**742**	**–1,053**	**–859**	**–310**	**–117**
Offsetting	–646	–538	646	538		
Net deferred tax asset/tax liability	**97**	**204**	**–407**	**–322**	**–310**	**–117**

	ASSETS		LIABILITIES		NET	
PARENT COMPANY	**2016**	2015	**2016**	2015	**2016**	2015
Provisions	105	82			105	82
Personnel benefits/pension provisions	5	4			5	4
Other	14				14	
Tax loss carryforwards		–20				–20
Net deferred tax asset/tax liability	**124**	**66**			**124**	**66**

Temporary differences between the carrying amount and the taxable value of directly owned participations do not normally arise for participations held as business assets in Swedish companies. Nor do they arise from other participations owned by NCC companies in other countries.

NOTE 25 Properties classified as current assets

GROUP, 2016	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects 1)	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects 2)	Total
Recognized cost on January 1	**2,047**	**2,013**	**410**	**4,470**	**4,914**	**7,004**	**736**	**12,654**	**17,124**
Investments	114	1,442	1	1,557	1,006	2,192	10	3,208	4,765
Divestment and scrappage	–283	–1,801	–7	–2,091	–75	–2,158	–377	–2,610	–4,701
Decrease through divestments	–8			–8					–8
Discontinued operations					–6,185	–7,350	–286	–13,821	–13,821
Reclassifications	–160	–247	413	6	–6			–6	
Translation differences during the year	67	33	36	136	362	312	65	739	875
Recognized cost on December 31	**1,777**	**1,440**	**853**	**4,070**	**16**		**148**	**164**	**4,234**
Accumulated impairment losses on January 1	**3**		**–43**	**–40**	**–196**	**–17**	**–152**	**–366**	**–406**
Discontinued operations					199	18	8	226	226
Translation differences during the year			–2	–2	–3	–1	–4	–8	–10
Accumulated impairment losses on December 31	**3**	**0**	**–45**	**–42**	**0**	**0**	**–148**	**–148**	**–190**
Residual value on January 1	**2,050**	**2,013**	**367**	**4,430**	**4,718**	**6,987**	**583**	**12,288**	**16,718**
Residual value on December 31	**1,780**	**1,440**	**808**	**4,028**	**16**	**0**	**0**	**16**	**4,044**

1) Pertains primarily to properties classified as current assets recognized in NCC Property Development.
2) Pertains primarily to properties classified as current assets recognized in NCC Housing.

Note 25 Properties classified as current assets, cont'd.

GROUP, 2015	Properties held for future develop-ment	Ongoing property projects	Completed property projects	Total property projects 1)	Properties held for future develop-ment, housing	Housing units in production	Completed housing units	Total housing projects 2)	Total
Recognized cost on January 1	**2,108**	**2,256**	**781**	**5,145**	**6,304**	**6,246**	**1,119**	**13,669**	**18,814**
Investments	287	1,391	13	1,691	1,200	8,590	–19	9,772	11,462
Increase through acquisitions	129			129					129
Divestment and scrappage	–278	–1,226	–839	–2,343	–713	–7,662	–1,486	–9,861	–12,204
Decrease through divestments					–427		21	–406	–406
Reclassifications	–136	–379	489	–26	–1,214	44	1,151	–20	–46
Translation differences during the year	–62	–29	–33	–125	–235	–214	–50	–500	–624
Recognized cost on December 31	**2,047**	**2,013**	**410**	**4,470**	**4,914**	**7,004**	**736**	**12,654**	**17,124**
Accumulated impairment losses on January 1	**–44**		**–41**	**–85**	**–255**	**–12**	**–155**	**–422**	**–507**
Divestment and scrappage					23	10		33	33
Reclassifications	46			46	14	–14			46
Translation differences during the year	1		1	2	3		3	5	7
Impairment losses for the year1)			–4	–4	18			18	14
Accumulated impairment losses on December 31	**3**	**0**	**–43**	**–40**	**–196**	**–17**	**–152**	**–366**	**–406**
Residual value on January 1	**2,064**	**2,256**	**740**	**5,059**	**6,049**	**6,234**	**963**	**13,246**	**18,305**
Residual value on December 31	**2,050**	**2,013**	**367**	**4,430**	**4,718**	**6,987**	**583**	**12,288**	**16,718**

1) Impairment losses are included in "Production costs" in the income statement.
2) Pertains to properties classified as current assets recognized in NCC Property Development.
3) Pertains primarily to properties classified as current assets recognized in NCC Housing.

PARENT COMPANY	2016				2015			
	Properties held for future development	Completed housing units	Participations in tenant-owner associations	Total housing projects	Properties held for future development	Completed housing units	Participations in tenant-owner associations	Total housing projects
Recognized cost on January 1					**118**	**42**	**79**	**239**
Investments								
Divestment and scrappage					–22		–79	–101
Reclassifications					–96	–42		–138
Recognized cost on December 31	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Accumulated impairment losses on January 1					**–9**	**–6**		**–15**
Transferred within the Group						6		6
Reclassifications					9			9
Accumulated impairment losses on December 31					**0**	**0**	**0**	**0**
Residual value on January 1					109	36	79	225
Residual value on December 31	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

1) Impairment losses are included in "Production costs" in the income statement.

NOTE 26 Materials and inventories

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Aggregates	419	416		
Building materials	149	142	57	45
Other	145	138		
Total	**713**	**696**	**57**	**45**

NOTE 27 Construction contracts

WORKED-UP, NON-INVOICED REVENUES

GROUP	**2016**	2015
Worked-up revenues from ongoing contracts	23,595	19,729
Invoicing for ongoing contracts	–21,858	–18,329
Total	**1,737**	**1,400**

INVOICED REVENUES, NOT WORKED UP

GROUP	**2016**	2015
Invoicing for ongoing contracts	39,678	34,210
Worked-up revenues from ongoing contracts	–35,323	–29,966
Total	**4,355**	**4,244**

Worked-up revenues from ongoing projects less recognized loss reserves amounted to SEK 58,918 M (49,695). Advance payments received amounted to SEK 466 M (2,490). Amounts withheld by the customer amounted to SEK 276 M (651).

NOTE 28 Share capital

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 placements in connection with purchase of minority-held NK shares	1,838,437	46
1994	New issue	19,841,991	496
	Conversions of debentures	13,394,804	335
1997	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital[1]		–1,844
2016	**End of year**	**108,435,822**	**867**

1) The quotient value was changed from SEK 25.00 to SEK 8.00.

Holding of Series B shares		Number of shares
2000	Repurchases	2,775,289
2001	Repurchases	699,300
2002	Repurchases	2,560,800
2003	Repurchases	3
2005	Sales	–4,840,998
2006	Sales	–843,005
2007	Sales	–330,251
2011	Sales	–21,138
2012	Repurchases	415,500
2013	Repurchases	177,000
2015	Repurchases	68,000
2015	Distribution of shares to participants in incentive programs, 2016	–92,446
2016	Sales	–483,947
2016	Distribution of shares to participants in incentive programs, 2016	–84,107
2016	Repurchases	362,222
2016	**End of year**	**362,222**

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8.00 each. During the year, 11,031,194 Series A shares (500,000) were converted to Series B shares.

The shares are distributed into the following classes:

	Series A	Series B	Total
Number	14,491,903	93,943,919	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right.
A specification of changes in shareholders' equity is presented on p. 60.

SERIES A AND B SHARES	Series A	Series B	Total Series A and Series B
No. of shares on Dec. 31, 1999	63,111,682	45,324,140	108,435,822
Conversion of Series A to Series B shares 2000–2014	–37,088,585	37,088,585	
Share buybacks 2000–2014		–6,627,892	–6,627,892
Sale of treasury shares 2005–2014		6,035,392	6,035,392
No. of shares on Dec. 31, 2014	**26,023,097**	**81,820,225**	**107,843,322**
Conversion of Series A to Series B shares 2015	–500,000	500,000	
Share buybacks 2015		–68,000	–68,000
Distribution of shares to participants in incentive programs, 2015		92,446	92,446

SERIES A AND B SHARES	Series A	Series B	Total Series A and Series B
No. of shares on Dec. 31, 2015	**25,523,097**	**82,344,671**	**107,867,768**
Conversion of Series A to Series B shares 2016	–11,031,194	11,031,194	
Sale of treasury shares		483,947	483,947
Distribution of shares to participants in incentive programs, 2016		84,107	84,107
Share buybacks 2016		–362,222	–362,222
No. of shares on Dec. 31, 2016	**14,491,903**	**93,581,697**	**108,073,600**
Number of voting rights	144,919,030	93,581,697	238,500,727
Percentage of voting rights	61	39	100
Percentage of share capital	13	87	100
Closing price, Dec. 31, 2016	223.00	225.40	
Market capitalization, SEK M	3,232	21,093	24,325

NOTE 29 Interest-bearing liabilities

GROUP	2016	2015
Long-term liabilities		
Liabilities to credit institutions and investors [1]	1,976	3,481
Financial lease liabilities	228	216
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies		1,905
Liabilities to associated companies		89
Other long-term loans	84	196
Total	**2,288**	**5,887**
Current liabilities		
Current portion of liabilities to credit institutions and investors	457	1,649
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies		1,363
Liabilities to associated companies	14	22
Financial leasing, current portion	134	116
Other current liabilities	118	4
Total	**723**	**3,154**
Total interest-bearing liabilities	**3,011**	**9,041**

1) Including reloaning of SEK 1,000 M (1,500) from the NCC Group's Pension Foundation.

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

Interest-bearing long-term liabilities pertaining to pensions recognized in the balance sheet under Provisions for pensions and similar obligations.

FINANCIAL LEASING
For information on payment schedules for financial leasing liabilities, also see Note 35 Leasing.

PARENT COMPANY	2016	2015
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,000	1,500
Total	**1,000**	**1,500**
Current liabilities		
Group companies	349	5,452
Other current liabilities	57	25
Total	**406**	**5,477**
Total interest-bearing liabilities	**1,406**	**6,977**

For repayment schedules and terms and conditions, refer to Note 39 Financial instruments and financial risk management.

NOTE 30 Other provisions

GROUP, 2016	Guaran-tees	Other	Total
On January 1	**1,377**	**651**	**2,028**
Provisions during the year	356	177	533
Amount utilized during the year	–223	–211	–434
Reversed, unutilized provisions	–91	–4	–95
Discontinued operations	–254	–119	–373
Translation differences	34	15	49
On December 31	**1,199**	**509**	**1,709**

GROUP, 2015	Guaran-tees	Other	Total
On January 1	**1,366**	**651**	**2,017**
Provisions during the year	442	304	746
Reclassification	2	2	5
Amount utilized during the year	–341	–285	–626
Reversed, unutilized provisions	–59	–17	–76
Reclassifications	–7	7	0
Translation differences	–26	–11	–37
On December 31	**1,377**	**651**	**2,028**

PARENT COMPANY, 2016	Guaran-tees	Other	Total
On January 1	**504**	**38**	**542**
Provisions during the year	161	27	188
Amount utilized during the year	–124	–36	–160
Via acquired companies		–1	–1
Changed commission relationship		0	0
On December 31	**540**	**28**	**568**

PARENT COMPANY, 2015	Guaran-tees	Other	Total
On January 1	**549**	**66**	**616**
Provisions during the year	153	30	183
Amount utilized during the year	–163	18	–146
Reclassification	–35	–75	–111
On December 31	**504**	**38**	**543**

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Restoration reserve	161	154		
Restructuring costs	21	59		18
Other	328	438	28	20
Other provisions	**510**	**651**	**28**	**38**
Guarantee commitments	1,199	1,377	540	504
Total	**1,709**	**2,028**	**568**	**543**

GUARANTEE COMMITMENTS
Guarantee provisions pertain to anticipated future costs. To estimate a future guarantee cost, individual assessments are made from project to project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. In order to eliminate various risks, a provision for guarantee claims is posted at the rate at which the risks are expected to arise after having been identified. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

RESTORATION RESERVE
The restoration reserve is attributable to NCC Industry. The provisions are intended to cover future costs for restoring quarries used to mine aggregates and stone. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration occurs.

OTHER
The provisions comprise additional costs plus uncertainty in projects as well as outstanding disputes and legal matters. Part of the provisions is intended to cover losses arising in operations and is utilized gradually as the project is worked up.

NOTE 31 Pensions

The NCC Group has defined-benefit pension plans in Sweden and Norway.

In Sweden, NCC's pension commitment comprise largely the ITP plan that covers employees born prior to 1979. The plan provides retirement pension based on the final salary and is funded in NCC Group's Pension Foundation. The number of paid-up holders and pensioners is about 70 percent of the total portfolio. In addition, there are five small defined-benefit plans, all of which are blocked from new earnings. Four of these plans are funded in NCC Group's Pension Foundation and the fifth is insured in a life insurance company.

The Board of Directors of NCC Group Pension Foundation consists of an equal number of representatives for the NCC Group and employees covered by the ITP plan. The Board holds meetings four times per year and addresses the Foundation's quarterly accounts, investment strategy, reference portfolio and sensitivity analyses. Under certain conditions, the NCC Group can request compensation from the Foundation for pension payments.

The risks associated with the Swedish pension plans are:
- Interest-rate risks; with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk; the debt will increase with higher salary increases.
- Volatility of assets; the portfolio largely contains equity funds, which can rise and fall sharply in the short term, but the long-term aim of the portfolio is to generate the best possible return.
- Useful life assumption; the longer the individuals covered by the plan live, the higher the commitment.

In Norway, the commitment comprises two small pension systems pertaining to supplementary pensions that are not funded and where no new vesting occurs. Since the plans are small, with no new vesting, the risks in these plans are significantly smaller than described above.

PENSION COST

GROUP	**2016**	2015
Defined-benefit plans:		
Current service cost	184	135
Interest expense	157	150
Estimated return on plan assets	–147	–135
Total cost of defined-benefit plans	**194**	**150**
Total cost of defined-contribution plans	740	537
Payroll taxes and yield tax	–126	76
Total cost of post-employment remuneration	**808**	**763**

Current service cost is recognized in operating profit and the interest-rate component, with the anticipated return on plan assets, in net financial items.

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Swedish Financial reporting Board, UFR 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2016 fiscal year, NCC did not have access to the type of information required for reporting its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to report these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.19 percent (0.62).

Note 31 Pensions, cont'd.

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 percent. If Alecta's collective solvency rate falls below 125 percent or exceeds 155 percent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2016, Alecta's surplus in the form of its collective solvency rate was 148 percent (153).

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2016	2015
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	5,856	5,176
Fair value of plan assets	5,043	4,902
Net value of obligations funded in full or in part	**813**	**274**
Special payroll tax/employer contributions	195	64
Net amount in balance sheet (obligation +, asset –)	**1,008**	**338**
Net amount is recognized in the following balance-sheet items:		
Provisions for pensions and similar obligations	1,008	338
Net amount in balance sheet (obligation +, asset –)	**1,008**	**338**
Net amount is distributed among plans in the following countries:		
Sweden	996	327
Norway	12	11
Net amount in balance sheet (obligation +, asset –)	**1,008**	**338**

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS

GROUP	2016	2015
Obligation for defined benefit plans on January 1	**5,176**	**5,220**
Benefits paid	–173	–168
Current service cost plus interest expense	341	334
Settlements		–114
Actuarial gains and losses on changed demographic assumptions	29	37
Actuarial gains and losses on changed financial assumptions	481	–131
Exchange-rate differences	1	–2
Obligation for defined benefit plans on December 31	**5,855**	**5,176**

The weighted average maturity for the plans is 26 years (27).

CHANGE IN PLAN ASSETS

GROUP	2016	2015
Fair value of plan assets on January 1	**4,902**	**4,748**
Contribution by employer	12	3
Compensation	–54	–102
Estimated return	147	135
Actuarial gains and losses	35	118
Exchange-rate differences	1	
Fair value of plan assets on December 31	**5,043**	**4,902**
The plan assets comprise:		
Swedish stock market, listed	785	730
International stock market, listed	1,187	1,153
Hedge funds, listed	688	684
Interest-bearing securities, listed	1,033	835
Interest-bearing securities, unlisted	1,350	1,500
Fair value of plan assets on December 31	**5,043**	**4,902**

There is no effect of the lowest funding requirements or asset ceiling.

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2016	2015
Discount interest rates, %	2.50	3.00
Future salary increases, %	3.0	3.0
Anticipated inflation, %	1.5	1.5
Useful life assumption at 65 years, years	22.4	22.4

SENSITIVITY ANALYSIS; PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2016

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	–8.2	9.4
Future salary increases, 0.5 percentage points change	3.7	–3.3
Anticipated inflation, 0.5 percentage points change	6.8	–6.2
Useful life assumption at 65 years, 1 year change	3.7	–3.7

The above sensitivity analysis does not constitute a forecast from the company but only a mathematical calculation.

The sensitivity analysis is based on a change in an assumption, while all other assumptions remain constant. In practice, it is not probable that this will occur and any changes in the assumptions could be correlated. When calculating the sensitivity analysis, the same method is used as in the calculation of the pension liability in the balance sheet.

The Group estimates that SEK 25 M will be paid in 2017 to funded and unfunded defined-benefit plans.

PENSION COSTS

PARENT COMPANY	2016	2015
Proprietary pension payments		
Proprietary costs, excluding interest expense	156	162
Interest expense	94	74
Cost of proprietary pension payments	**250**	**236**
Pension payments through insurance		
Insurance premiums	165	162
Subtotal	**415**	**398**
Special payroll tax on pension costs	66	65
Pension costs during the year	**481**	**463**

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2016	2015
Capital value of pension obligations pertaining to proprietary pension payments on January 1	3,274	3,176
Cost, excluding interest expense, charged against profit	156	162
Interest expense	94	74
Pension payments	–146	–138
Capital value of pension obligations pertaining to proprietary pension on December 31	**3,378**	**3,274**

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2016	2015
Fair value of especially detached assets on January 1	4,320	4,147
Return on especially detached assets	168	213
Payment from pension foundations	-45	-40
Fair value of especially detached assets on December 31	**4,443**	**4,320**
Fair value of especially detached assets distributed as:		
Shares	1,727	1,561
Funds	603	567
Interest-bearing receivables	2,113	2,192
Fair value of especially detached assets on December 31	**4,443**	**4,320**

Note 31 Pensions, cont'd.

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 1,000 M (1,500) from NCC AB.

Otherwise, the pension foundations have no financial instruments issued by the company or assets used by the company.

NET PENSION OBLIGATION

PARENT COMPANY	2016	2015
Capital value of pension obligations pertaining to proprietary pension on December 31	3,378	3,274
Fair value of especially detached assets on December 31	4,443	4,320
Surplus on especially detached assets	1,067	1,048
Net recognized pension obligation	**1**	**2**

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

PARENT COMPANY	2016	2015
Discount interest rate on December 31	4.00	3.84

The pension calculations are based on the salary and pension level on the balance-sheet date.

NOTE 32 Other liabilities

GROUP	2016	2015
Other long-term liabilities		
Liabilities to associated companies		5
Derivative instruments held for hedging	22	43
Liabilities, property acquisitions		90
Other long-term liabilities	32	471
Total	**54**	**609**
Other current liabilities		
Advances from customers	466	2,490
Liabilities to associated companies	3	1
Derivative instruments held for hedging	27	114
Liabilities, property acquisitions	67	320
Other current liabilities	896	1,188
Total	**1,460**	**4,112**

NOTE 33 Work in progress on another party's account and net sales

PARENT COMPANY	2016	2015
Invoicing excluding withheld amount	23,013	21,178
Withheld amount	41	222
Total invoicing	**23,054**	**21,400**
Costs incurred excluding reserve for losses	–19,142	–17,860
Reserve for losses	60	94
Total costs incurred	**–19,082**	**–17,766**
Total work in progress on another party's account	**3,972**	**3,634**
Profit-recognized invoicing		
Invoicing during the year	22,527	21,816
Invoiced but not recognized as profit on January 1	21,400	19,924
Less: Invoiced but not recognized as profit on December 31	–23,054	–21,400
Total revenues	**20,873**	**20,340**

NOTE 34 Accrued expenses and prepaid income

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Payroll-related costs	2,153	2,175	920	918
Financial expense	1	15		
Prepaid rental revenues	15	8		1
Prepaid revenues from rental guarantees	31	67		
Project-related costs	738	1,352	121	159
Administrative costs	25	134	12	
Operating and sales costs	287	262	2	
Other expenses	–46	–2	11	13
Total	**3,205**	**4,012**	**1,067**	**1,091**

NOTE 35 Leasing

In Sweden, there are framework agreements for the financial leasing of cars and trucks, with some related administrative services. The agreements are based on variable interest rates. NCC recommends purchasers and has the opportunity to extend leasing agreements.

In Finland, Norway and Denmark, framework agreements have been reached for the operational leasing of cars and trucks, including related administrative services. The agreements are based on variable interest rates. A separate agreement is required for the acquisition of leased objects and the extension of leasing agreements.

Industry, Building and Infrastructure have framework agreements concluded for the operational leasing of production equipment. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

GROUP	2016	2015
Financial lessee		
Leasing contracts that expire:		
Within one year	56	38
Later than one year but earlier than five years	306	294
Future minimum leasing fees		
Within one year	133	83
Later than one year but earlier than five years	230	252
Present value of future minimum leasing fees		
Within one year	133	82
Later than one year but earlier than five years	229	251
Reconciliation of future leasing fees and their present value:		
Future minimum leasing fees	363	335
Less interest charge	–1	–2
Present value of future minimum leasing fees	**362**	**333**
Variable fees included in net profit for the year:		
Interest on leased machinery and equipment	3	3
Total	**3**	**3**

Note 35 Leasing, cont.

OPERATING LEASES

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	8	23	54	12
Later than one year but earlier than five years	15	40	175	30
Later than five years	7	10		
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	374	310	109	123
Later than one year but earlier than five years	847	813	253	260
Later than five years	219	115	40	
The year's cost for operational leasing amounts to	723	745	49	115

NOTE 36 Transactions with related companies

The main companies that are closely related to the NCC Group are firstly the Nordstjernan Group, companies in the Axel Johnson Group and the FastPartner Group, as well as associated companies and joint arrangements.

The Parent Company has a close relationship with its subsidiaries; refer to Note 17, Participations in Group companies. For information on NCC's senior executives, refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions pertaining to NCC Group's Pension Foundation, refer to Notes 31 and 39.

Transactions involving NCC's associated companies and joint ventures were of a production nature.

GROUP	**2016**	2015
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	261	446
Purchases from associated companies and joint ventures	19	39
Dividend from associated companies	15	1
Long-term receivables from associated companies and joint ventures	278	223
Current receivables from associated companies and joint ventures	40	34
Interest-bearing liabilities to associated companies and joint ventures	14	110
Operating liabilities to associated companies and joint ventures	8	9
Guarantee obligations associated companies and joint ventures		11
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	1,634	52
Purchases from the Nordstjernan Group	647	800
Current receivables from the Nordstjernan Group	275	3
Operating liabilities to the Nordstjernan Group		64
Transactions with the Axel Johnson Group		
Sales to the Axel Johnson Group	7	
Purchases from the Axel Johnson Group	2	6
Transactions with the FastPartner Group		
Purchases from the FastPartner Group		2
Operating liabilities to the FastPartner Group		1

Note 36 Transactions with related companies, cont.

PARENT COMPANY	**2016**	2015
Transactions with Group companies		
Sales to Group companies	2,061	1,910
Purchases from Group companies	1,308	1,044
Interest income from Group companies	4	20
Interest expense to Group companies	2	64
Dividend from Group companies	834	992
Current receivables from Group companies	6,604	11,158
Interest-bearing liabilities to Group companies	349	5,452
Operating liabilities to Group companies	1,293	1,191
Contingent liabilities for Group companies	11,120	23,932
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures		10
Purchases from associated companies and joint ventures	19	20
Current receivables from associated companies and joint ventures	2	3
Operating liabilities to associated companies and joint ventures	3	2
Contingent liabilities for associated companies and joint ventures	8	60
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	1,632	51
Purchases from the Nordstjernan Group	469	475
Current receivables from the Nordstjernan Group	275	3
Operating liabilities to the Nordstjernan Group		43
Transactions with the Axel Johnson Group		
Sales from the Axel Johnson Group	7	
Purchases from the Axel Johnson Group	2	2
Transactions with the FastPartner Group		
Purchases from the FastPartner Group		2

NOTE 37 Pledged assets, contingent liabilities and guarantee obligations

	GROUP		PARENT COMPANY	
	2016	2015	**2016**	2015
Assets pledged				
For own liabilities:				
Property mortgages		859		
Assets subject to liens, etc.	362	333		
Restricted bank funds	6	10		
Total	**368**	**1,201**		**0**
Other pledged assets:				
Other	9	55		
Total	**9**	**55**		**0**
Total assets pledged	**377**	**1,257**		**0**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies			11,128	23,992
Deposits and concession fees		718		718
Other guarantees and contingent liabilities	753	71	753	71
Held jointly with other companies:				
Liabilities in consortiums, trading companies and limited partnerships	15	42	0	2
Total guarantees and guarantee obligations[1]	**768**	**831**	**11,882**	**24,784**

[1] Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group 688 (718) and for the Parent Company 688 (12,956). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2017. As a result of agreements between NCC AB and Bonava AB, however, NCC AB will be indemnified by Bonava AB for all undertakings. NCC AB has also received collateral from credit insurance companies for undertakings that remain outstanding for invoices pertaining to currently wholly owned Bonava companies.

Note 37 Pledged assets, contingent liabilities and guarantee obligations, cont'd.

ASSETS SUBJECT TO LIENS
Pertains to leased equipment in the form of vehicles and trucks.

GUARANTEES ON BEHALF OF GROUP COMPANIES
Sureties on behalf of Group companies have mainly been issued as collateral for:
• utilized guarantee limits with banks and insurance companies,
• NCC Treasury AB's borrowing,
• construction period financing for tenant-owner associations formed by NCC and
• fulfilment of construction-contract agreements.

DEPOSITS AND CONCESSION FEES
Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by NCC. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

NOTE 38 Cash flow statement

CASH AND CASH EQUIVALENTS

GROUP	2016	2015
Cash and bank balances	3,093	2,771
Short-term investments with a maturity shorter than three months		1,406
Total cash and cash equivalents	**3,093**	**4,177**
Short-term investments with a maturity exceeding three months	190	190

PARENT COMPANY	2016	2015
Cash and bank balances	2	3
Balance in NCC Treasury AB	5,833	8,814
Total according to cash flow statement	**5,835**	**8,817**

The short-term investments have been classified as cash and cash equivalents based on the following considerations:
• They are subject to an insignificant risk of value fluctuation.
• They can easily be converted into cash funds.
• They have a maturity of not more than three months from the date of acquisition.

ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS
No acquisitions of subsidiaries were effected during the year.

ACQUISITIONS/SALES OF FIXED ASSETS
Group
Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 858 M (919), of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 11 M (0), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 5 M (0), of which SEK 0 M (0) had no effect on cash flow. The spinoff of the assets in Bonava resulted in an outflow of cash and cash equivalents of SEK 658 M, corresponding to Bonava's cash assets.

Parent Company
Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 74 M (151), of which SEK 0 M (0) was financed through loans.

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

INFORMATION ABOUT INTEREST PAYMENTS
Group
Interest received during the year amounted to SEK 24 M (35). Interest paid during the year amounted to SEK 270 M (414).

Parent Company
Interest received during the year amounted to SEK 9 M (24). Interest paid during the year amounted to SEK 130 M (181).

Note 38 Cash flow statement, cont'd.

CASH FLOW DERIVED FROM PARTICIPATIONS IN JOINT VENTURES

GROUP	2016	2015
Operating activities	75	83
Change in working capital	120	–42
Investing activities	16	–1
Financing activities	–226	–72
Total cash flow	**–15**	**–32**

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	2016	2015
Restricted bank funds	6	8
Cash and cash equivalents in joint operations	14	57
Total cash and cash equivalents unavailable for use	**20**	**65**

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	2016	2015
Acquisition of assets through financial leasing	181	165

NOTE 39 Financial instruments and financial risk management

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)
Through its business operations, the Group is exposed to financial risks. These financial risks are defined as refinancing, liquidity, interest-rate, exchange-rate, credit, counterparty risks and guarantee capacity risks. NCC's finance policy for managing financial risks has been decided by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to the NCC Group's Finance Department, partly in order to monitor the Group's overall financial risk positions, partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's interest and exchange rates, credit, refinancing, counterparty and liquidity are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electricity, oil products and customer credit risks are handled within each business area.

CONTRACTUAL CONDITIONS
NCC is subject to a covenant in the form of the debt/equity ratio that is associated with the syndicated credit facility of EUR 325 M (400) that was concluded with a group of banks and had a remaining term to maturity of about five years. Towards the end of 2016, NCC exercised the second of the two-year extension options. NCC satisfies the financial covenants.

REFINANCING RISK
The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. NCC strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the Group's long-term access to borrowed capital.

NCC's policy for its refinancing risk is to ensure that the company's debt portfolio[1)] has a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturity periods must be well-diversified over time. The norm concerning distribution is that the weighted average remaining maturity must be at least 18 months. At December 31, the maturity of loans was 33 months (31) in respect of the company's debt portfolio[1)]. Financing of SEK 0 M (3,268) pertaining to construction by Finnish housing companies and Swedish tenant-owners' associations is linked to each particular housing development project and capital was tied up for - (18) months and reflects this relationship. Capital tied up in total interest-bearing liabilities excluding pension debt, according to IAS 19, was SEK 3,011 M (9,041) and was tied up for 33 months (26).

1) NCC's debt portfolio: Interest-bearing liabilities excluding the Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as excluding the pension debt according to IAS 19.

Note 39 Financial instruments and financial risk management, cont'd.

MATURITY STRUCTURE, TIED-UP CAPITAL, 2016[1]

	2016		2015	
	INTEREST-BEARING LIABILITIES			
Matures	Amount	Proportion, %	Amount	Proportion, %
2016			3,154	35
2017	723	24	2,604	29
2018	761	25	1,001	11
2019	460	15	633	7
2020	38	1	1,524	17
2021[2]	1,029	34	6	0
2022–			119	1
Total	**3,011**	**100**	**9,041**	**100**

1) Excluding pension debt according to IAS 19.
2) Of which, reloaning of SEK 1,000 M (1,500) from the NCC Group's pension foundation is included in 2021 (2020).

NCC has established the following investor-related market-financing programs:

MARKET FINANCING PROGRAMS	Limit	Utilized nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden[1]	SEK 5,000 M	986
Total		**986**

1) Of which a nominal amount of SEK 786 M listed on Nasdaq Stockholm.

Of NCC's total interest-bearing liability, excluding pension debt according to IAS 19, investor-related loans accounted for 33 percent (35).

LIQUIDITY RISKS
To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, NCC's finance policy states that the Group's access to funds must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed lines of credit. Access to funds is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed lines of credit, less market-financing programs with a remaining maturity of less than three months. At the end of the year, the volume of unutilized committed lines of credit was SEK 3,399 M (4,670), with a remaining average maturity of 4.5 years (4.1). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 3,283 M (4,367). Access to funds on December 31, corresponded to 12 percent (14) of sales.

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance-sheet date has been used. Amounts in foreign currency have been translated to SEK based on the exchange rate applying on the balance-sheet date. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)[1]

	2016						2015					
	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years
Reloaning from the NCC Group's Pension Foundation	1,087		17	35	1,035		1,669		30	71	1,568	
Interest-bearing liabilities	1,695	385	230	1,066	14		4,068	15	1,732	1,688	628	5
Interest-bearing liabilities in Finnish housing companies and Swedish housing companies[2]							3,329	10	1,027	2,159	4	129
Financial lease liabilities	368	1	135	178	54		339	1	118	186	34	
Interest-rate swaps	34	6	13	15			71	6	33	30	2	
Oil derivatives							54		32	21	1	
Electricity derivatives							10	1	6	3		
Accounts payable	4,427	4,427					4,694	4,694				
Total	**7,611**	**4,819**	**395**	**1,294**	**1,103**		**14,234**	**4,727**	**2,978**	**4,158**	**2,237**	**134**

1) Excluding pension debt according to IAS 19.
2) The due date for interest-bearing liabilities in unsold completed housing units in Finnish housing companies is defined as the due date for the long-term loan agreements. The loans are transferred to Finnish housing companies in connection with the sale of housing units.

The table below shows the Group's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)

	2016						2015					
	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years	Total	<3 months	3 months – 1 year	1–3 years	3–5 years	>5 years
Currency forward contracts and cross-currency swaps												
– outflow	–5,153	–4,210	–522	–371	–50		–9,366	–8,564	–491	–311		
– inflow	5,233	4,278	523	380	52		9,715	8,725	533	457		
Net flow from gross settled derivatives	**80**	**68**	**1**	**9**	**2**		**349**	**161**	**42**	**146**		

INTEREST-RATE RISKS
The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy for the interest-rate risk is that the weighted average remaining maturity of borrowing portfolio[1] when exposure is reduced by the maturity for cash and cash equivalents[2] should normally be 12 months subject to a mandate to deviate from this figure by +/– 6 months, and that the interest-rate maturity structure of the borrowing portfolio should be adequately spread over time. If the interest-rate terms of available borrowing vehicles are not compatible with the desired structure for the loan portfolio, interest swaps are the main instruments used to adapt the structure. In the financial statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest-rate swaps.

Note 39 Financial instruments and financial risk management, cont'd.

The average interest rate maturity of the company's borrowing portfolio[1)] reduced by interest-rate exposure associated with cash and cash equivalents[2)] was 9 months (10), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents[2)] amounted to SEK 3,283 M (4,367) and the average interest-rate maturity for these assets was 1 month (1).

At year-end, NCC's interest-bearing gross debt excluding pension debt according to IAS 19 amounted to SEK 3,011 M (9,041) and the average interest-rate maturity was 10 months (7). Excluding loans in Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as the pension debt according to IAS 19, the gross liability was SEK 3,011 M (5,773) and the average interest-rate maturity 10 months (11), including interest-rate swaps linked to the borrowing portfolio.

On December 31, 2016, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 1,050 M (1,770). At the same date, the interest-rate swaps had a negative fair value of SEK 32 M (neg: 63) net, comprising assets of SEK 0 M (0) and liabilities of SEK 32 M (63). The interest-rate swaps have expiration dates ranging from 0.1 (0.4) to 2.2 (4.0) years. An increase in interest rates by one percentage point would result in a negative change of SEK 15 M (neg: 5) in net profit for the year, based on the interest-bearing assets and liabilities existing on the balance-sheet date, excluding the pension debt according to IAS 19. A rise in interest rates by one percentage point would result in a positive change of SEK 1 M (4) in net profit for the year, as well as a positive change of SEK 6 M (14) in other comprehensive income deriving from a change in fair value of the Group's interest-rate swaps.

1) NCC's borrowing portfolio: Interest-bearing liabilities excluding the Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as excluding the pension debt according to IAS 19, including interest-rate swaps linked to the borrowing portfolio.

2) Cash and cash equivalents and short-term investments excluding cash and cash equivalents in Swedish tenant-owners' associations.

MATURITY STRUCTURE, INTEREST TERM 2016[1)]

	2016		2015	
	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS			
Matures	Amount	Proportion, %	Amount	Proportion, %
2016			7,772	86
2017	2,366	79	550	6
2018	505	17	551	6
2019	100	3	120	1
2020				
2021	40	1	48	1
Total	**3,011**	**100**	**9,041**	**100**

1) Excluding pension debt according to IAS 19.

EXCHANGE-RATE RISKS

The exchange-rate risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement.

Transaction exposure

In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known. Contracted and probable forecast flows are hedged, mainly by using currency forward contracts. Contracted gross exposure in each currency is hedged at a rate of 100 percent. Forecast exposure is hedged successively over time, which entails that the quarters that are closest in time are hedged to a greater extent than the following quarters. Accordingly, each quarter is hedged on several occasions and is covered by several hedged contracts that have been entered into at different times. The target is to hedge 90 percent of the forecast for the current quarter and 70 percent of the forecast for the following quarter, followed by 50, 30 and 10 percent, respectively, in the following quarters. In the financial statements, hedge accounting is applied when the requirements for hedge accounting are fulfilled.

The following table shows the sum total of the Group's gross inflows and gross outflows of various currencies, and the hedged portion, during the year.

COUNTER-VALUE IN SEK M	2016			2015		
Currency	Gross in and outflows	Of which, expired hedges	Hedged portion, %	Gross in and outflows	Of which, expired hedges	Hedged portion, %
EUR	1,363	965	71	1,126	793	70
DKK	222	134	60	145	70	48
NOK	137	109	80	151	55	37
Other	136	83	61	136	103	76
Total	**1,858**	**1,290**	**69**	**1,559**	**1,022**	**66**

The forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. During 2016, no cash-flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

The table below shows forecast currency flows during 2017 (2016) through the first quarter of 2018 (Q1 2017), the outstanding hedge position at year-end and the hedged portion.

COUNTER-VALUE IN SEK M (2016)

	Q1 2017			Q2 2017			Q3 2017			Q4 2017			Q1 2018			TOTAL		
Currency	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	165	148	90	206	145	70	217	109	50	150	45	30	116	12	10	855	458	54
Target value %			**90**			**70**			**50**			**30**			**10**			

COUNTER-VALUE IN SEK M (2015)

	Q1 2016			Q2 2016			Q3 2016			Q4 2016			Q1 2017–			TOTAL		
Currency	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	181	163	90	182	128	70	190	95	50	163	49	30	141	14	10	858	449	52
Target value %			**90**			**70**			**50**			**30**			**10**			

Note 39 Financial instruments and financial risk management, cont'd.

The outstanding hedge position (nominal volume) at year-end in terms of the sum total of contracted gross inflows and gross outflows of currencies amounted to SEK 603 M (131), of which SEK 164 M (104) will fall due within three months, SEK 30 M (23) will fall due in three-six months, SEK 0 M (4) will fall due in six-12 months, SEK 359 M (0) will fall due in one–three years and SEK 50 M (0) will fall due in three–five years. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure was a net expense of SEK 2 M (expense: 4). Of this amount, assets of SEK 5 M (3) and liabilities of SEK 7 M (7) have been recognized in the balance sheet. Should the SEK depreciate 5 percent in relation to the EUR, assuming the same volume, and the same hedge proportion as the outcome for the year, the result would be a negative change of SEK 15 M (neg: 9) in net profit for the year, due to losses arising when translating accounts payable in EUR.

According to NCC's Finance Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly through the central treasury unit and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while external financing largely occurs in SEK and EUR. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets.

The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying capital amounts.

INTEREST-BEARING LIABILITIES 2016 1)

	2016		2015	
Counter-value in SEK M	Amount	Proportion, %	Amount	Proportion, %
EUR	146	5	1,172	13
NOK	448	15	408	5
SEK	2,418	80	7,460	82
Total	**3,011**	**100**	**9,041**	**100**

1) Excluding pension debt according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES1) 2016

Counter-value in SEK M	2016	2015
Sell DKK		–55
Sell EUR	–331	–2,364
Sell NOK	–2,509	–2,568
Sell RUB	–65	–772
Net	**–2,905**	**–5,759**

1) Currency swaps and cross-currency swaps

Translation exposure

The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged. Exceptions are made for development operations such as NCC Property Development (including Bonava in 2015). In those cases where hedging occurs, not more than 90 percent of foreign net assets may be hedged, without taking the tax effect into account. The CEO may decide on the hedging of foreign net assets in selected companies in excess of the above guidelines.

Net assets are hedged through the raising of loans and through currency forward contracts. The carrying amount of loans and currency forward contracts (including underlying capital amounts) used as hedging instruments at December 31, was SEK 794 M (2,031), of which SEK 0 M (550) for loans and SEK 794 M (1,481) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate loss of SEK 34 M (gain: 76) before tax has been recognized in other comprehensive income. For more information on hedge accounting, refer to Note 1 Accounting policies, Hedging of net investments. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. At December 31, 2016, unhedged translation exposure resulting from a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 83 M (95) in shareholders' equity and a change of SEK 0 M (0) in net profit for the year.

The table below shows the Group's net investments in NCC Property Development (including Bonava in 2015) and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

COUNTER-VALUE IN SEK M	**2016**					2015				
Currency	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %
DKK	297	245	82	191	64	658	526	80	410	62
EUR	388	402	103	314	81	1,469	1,193	81	930	63
NOK	165	147	89	115	70	261	263	101	205	79
RUB						118	49	41	38	32
Total	**850**	**794**	**93**	**619**	**73**	**2,506**	**2,031**	**81**	**1,584**	**63**

PRICE RISKS

Price risks associated with bitumen

Since a large part of NCC Industry's sales of paving contracts takes the form of indexed prices, NCC Industry is not subject to any risk in the event of a change in the price of bitumen. However, there are cases of fixed price contracts that are not indexed, whereby NCC Industry is exposed to a risk should the price of bitumen change. The policy is to hedge bitumen in larger contracts if the work is to be performed later than two months from the ordering date.

The following table shows the Group's purchases of bitumen, and the hedged portion, during the year.

	2016			2015		
Tons	Total purchases	Of which, hedged	Hedged portion, %	Total purchases	Of which, hedged	Hedged portion, %
Bitumen	320,617	47,509	15%	319,498	43,673	14%

The outstanding hedge position at year-end in terms of contracted volumes of bitumen was SEK 134 M (124), of which 0 (0) will fall due within three months, SEK 34 M (20) in three-six months, SEK 49 M (31) in six-nine months, SEK 4 M (5) in nine-12 months and SEK 47 M (68) after one year.

The hedges fulfill effectiveness requirements, meaning that all changes from changed prices are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of bitumen are classified as cash flow hedges.

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was SEK 14 M (neg: 54). Of this amount, assets of SEK 14 M (0) and liabilities of SEK 0 M (54) have been recognized in the balance sheet.

A 10-percent increase in the price of bitumen at December 31, 2016 would give rise to a change of SEK 14 M (7) in shareholders' equity and a change of SEK 0 M (0) in profit. The sensitivity analysis assumes that all other factors remain unchanged.

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to level off price variations occurring in the electricity market. NCC progressively hedges the price for up to three years and is building up the volume of electricity contracts at the particular delivery date.

The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed prices are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

The outstanding volume of electricity derivatives amounted to SEK 30 M (38), of which SEK 2 M (3) will fall due within three months, SEK 16 M (18) in three-12 months and SEK 12 M (17) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 5 M (neg: 10). Of this amount, assets of SEK 5 M (0) and liabilities of SEK 0 M (10) have been recognized in the balance sheet.

CREDIT RISKS

Credit and counterparty risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and characterized by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or

Note 39 Financial instruments and financial risk management, cont'd.

the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 146 M (542) at the end of 2016. The net receivable per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 3,283 M (4,367).

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. For major accounts receivable, the risk of credit losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, Parent Company guarantees and other payment guarantees.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2016		2015	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	5,898		5,960	
Past-due accounts receivable 1–30 days	623		565	
Past-due accounts receivable 31–60 days	157	5	112	2
Past-due accounts receivable 61–180 days	429	9	155	3
Past-due accounts receivable > 180 days	859	140	706	175
Total	**7,966**	**154**	**7,498**	**180**

Collateral for accounts receivable was received in an amount of SEK 0 M (0).

PROVISION FOR DOUBTFUL RECEIVABLES

	2016	2015
On January 1	180	217
Provision for the year	76	63
Reversal of previously posted impairment losses	–72	–96
Less Discontinued operations	–35	
Translation differences	5	–4
On December 31	**154**	**180**

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of financial instruments are presented in the following table. In NCC's balance sheet, mainly short-term investments held for retail and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement to fair value of currency-forward contracts, cross currency swaps, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. The measurement of interest-rate swaps is based on forward interest rates prepared based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

For financial instruments recognized at amortized cost, accounts receivables, other current receivables and cash and cash equivalents, accounts payable and other current interest-free liabilities, the fair value is deemed to match the carrying amount. For long-term securities holdings and short-term investments held to maturity, the fair value is based on the price listed in a well-functioning secondary market. For short and long-term bond loans listed on Nasdaq Stockholm, the fair value was calculated according to prices listed in a well-functioning secondary market. The fair value for unlisted long-term bonds and long-term liabilities to credit institutions, was calculated by discounting future cash flows with current market rates for similar financial instruments. It has been deemed that the fair value of other long-term and short-term liabilities did not materially deviate from the carrying amount.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP, 2016	Financial assets at fair value through profit or loss[1]	Derivatives used in hedge accounting	Accounts and loan receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss[1]	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities					95			95	95
Long-term interest-bearing receivables			298	63				361	361
Other long-term receivables			42					42	42
Accounts receivable			7,682					7,682	7,682
Prepaid expenses and accrued income			1					1	1
Current interest-bearing receivables			152					152	152
Other receivables	70	36	96					202	202
Short-term investments	99			91				190	191
Cash and cash equivalents			3,093					3,093	3,093
Total assets	**169**	**36**	**11,364**	**154**	**95**			**11,819**	**11,820**
Long-term interest-bearing liabilities[2]							2,288	2,288	2,311
Other long-term liabilities		21				1	32	54	54
Provisions for pensions and similar obligations							1,008	1,008	1,008
Current interest-bearing liabilities							723	723	726
Accounts payable							4,427	4,427	4,427
Accrued expenses and deferred income							1	1	1
Other current liabilities		14				13	71	98	98
Total liabilities		**35**				**14**	**8,550**	**8,599**	**8,625**

Note 39 Financial instruments and financial risk management, cont'd.

GROUP, 2015	Financial assets at fair value through profit or loss1)	Derivatives used in hedge accounting	Accounts and loan receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss1)	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities					43			43	43
Long-term interest-bearing receivables			250	104				354	356
Other long-term receivables	182		79					261	261
Accounts receivable			7,083					7,083	7,083
Prepaid expenses and accrued income			4					4	4
Current interest-bearing receivables			106					106	106
Other receivables	237	42	174					452	452
Short-term investments	119			71				190	191
Cash and cash equivalents			4,177					4,177	4,177
Total assets	**538**	**42**	**11,872**	**176**	**43**			**12,670**	**12,673**
Long-term interest-bearing liabilities2)							5,887	5,887	5,917
Other long-term liabilities		34				9	566	609	609
Provisions for pensions and similar obligations							338	338	338
Current interest-bearing liabilities							3,154	3,154	3,165
Accounts payable							4,694	4,694	4,694
Accrued expenses and deferred income							15	15	15
Other current liabilities		89				25	379	493	493
Total liabilities		**123**				**34**	**15,033**	**15,190**	**15,231**

1) Held for resale.
2) Reloaning of SEK 1,000 M (1,500) from NCC's Pension Foundation is included.

PARENT COMPANY, 2016	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		46		46	46
Other long-term receivables	10			10	10
Accounts receivable	3,133			3,133	3,133
Current receivables from Group companies	771			771	771
Current receivables from associated companies	2			2	2
Other current receivables	72			72	72
Cash and bank balances	2			2	2
Balance in NCC Treasury AB	5,833			5,833	5,833
Total assets	**9,823**	**46**		**9,869**	**9,869**
Long-term liabilities to credit institutions1)			1,000	1,000	1,000
Long-term liabilities to Group companies			1,054	1,054	1,054
Other long-term liabilities			18	18	18
Accounts payable			1,871	1,871	1,871
Current liabilities to Group companies			591	591	591
Current liabilities to associated companies			3	3	3
Other current liabilities			62	62	62
Total liabilities			**4,599**	**4,599**	**4,599**

PARENT COMPANY, 2015	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		5		5	5
Other long-term receivables	15			15	15
Accounts receivable	2,631			2,631	2,631
Current receivables from Group companies	2,344			2,344	2,344
Current receivables from associated companies	3			3	3
Other current receivables	73			73	73
Cash and bank balances	3			3	3
Balance in NCC Treasury AB	8,814			8,814	8,814
Total assets	**13,883**	**5**		**13,888**	**13,888**
Long-term liabilities to credit institutions1)			1,500	1,500	1,500
Long-term liabilities to Group companies			1,054	1,054	1,054
Other long-term liabilities			19	19	19
Accounts payable			1,784	1,784	1,784
Current liabilities to Group companies			5,591	5,591	5,591
Current liabilities to associated companies			2	2	2
Other current liabilities			25	25	25
Total liabilities			**9,975**	**9,975**	**9,975**

1) Reloaning of SEK 1,000 M (1,500) from NCC's Pension Foundation is included.

Note 39 Financial instruments and financial risk management, cont'd.

The classification categories Financial assets measured at fair value through profit and loss, Investments held to maturity and Financial liabilities measured at fair value through profit and loss are not applicable for the Parent Company. No reclassification of financial assets and liabilities among the above categories was effected during the year. It has been determined that the fair value of the Parent Company's financial instruments did not materially deviate from the carrying amount.

In the tables below, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognized at fair value in NCC's balance sheet. When determining fair value, assets have been divided into the following three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for the Parent Company.
Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1. This category does not apply for the Parent Company.
Level 3: on the basis of input data that is not observable in the market (which is not applicable for NCC).

	2016			2015		
GROUP	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Financial assets measured at fair value through profit or loss						
– Derivative instruments held for trading		70	70		419	419
– Securities held for trading	99		99	119		119
Derivative instruments used for hedging purposes		36	36		42	42
Available-for-sale financial assets		95	95		43	43
Financial assets not recognized at fair value						
Held-to-maturity investments	155		155	178		178
Total assets	**254**	**201**	**455**	**297**	**504**	**801**
Financial liabilities measured at fair value						
Financial liabilities measured at fair value through profit and loss						
– Derivative instruments held for trading		14	14		34	34
Derivative instruments used for hedging purposes		35	35		123	123
Financial liabilities not recognized at fair value						
Other liabilities (interest-bearing liabilities)	793	2,244	3,037	2,471	6,611	9,082
Total liabilities	**793**	**2,293**	**3,086**	**2,471**	**6,768**	**9,239**

OFFSETTING FINANCIAL INSTRUMENTS

NCC has binding netting arrangements (ISDA agreements) with all counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting. NCC has not offset any amounts in the balance sheet.

	2016		2015	
GROUP	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount[1)]	105	48	461	157
Amount included in the netting agreement	–42	–42	–138	–138
Net amount after netting agreement	**63**	**6**	**323**	**19**

1) The recognized gross amount of financial assets includes SEK 0 M (182) for derivatives measured at fair value through profit or loss in other long-term receivables, SEK 70 M (237) in other receivables and SEK 36 M (42) in derivatives used in hedge accounting for other receivables.
The recognized gross amount of financial liabilities includes SEK 1 M (9) for derivatives measured at fair value through profit or loss, SEK 13 M (25) for other current liabilities, SEK 21 M (34) for derivatives used in hedge accounting for other long-term liabilities and SEK 14 M (89) in other current liabilities.

The Parent Company has no derivatives outstanding.

NOTE 40 Information about the Parent Company

NCC AB, Corporation Registration Number 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC AB's shares are listed on the Stockholm Exchange (Nasdaq Exchange Stockholm/Large Cap List).

The address of the head office is NCC AB, Vallgatan 3, SE-170 80 Solna, Sweden

The consolidated financial statements for 2016 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

Nordstjernan AB accounts for 17.3 percent of the share capital and 48.2 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 41 Events after balance sheet date

PARENT COMPANY

Since January 1, 2002, NCC Sverige AB (formerly NCC Construction Sverige AB) has been conducting operations on a commission basis on behalf of NCC AB. This commission relationship has been terminated as of January 1, 2017, and in relation to other legal entities in the NCC Group.

GROUP

NCC sold the Aitio Business Park office project in Helsinki for SEK 430 M to an equity fund within OP-gruppen. The Vivaldi office building was completed in 2013 and Verdi in 2016. The buyer will assume ownership of the properties immediately and the sale will have a marginal impact on the earnings of the NCC Property Development business area in the first quarter of 2017.

NOT 42 Appropriation of the company's profit

The Board of Directors proposes that the available funds be appropriated as follows:	2,636,035,055
Ordinary dividend to shareholders of SEK 8 per share[1)]	864,588,800
To be carried forward	1,771,446,255
Total, SEK	2,636,035,055

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 10, 2017.

Appropriations of profits

The Board of Directors proposes that the available funds	2,636,035,055
Be appropriated as follows:	
Ordinary dividend to shareholders of SEK 8.00 per share1)	864,588,800
To be carried forward	1,771,446,255
Total, SEK	**2,636,035,055**

1) The total amount of the proposed dividend is calculated based on the number of outstanding shares on March 10, 2017.

The Board of Directors and the CEO hereby give their assurance that the Annual Report and the consolidated financial statements have been compiled in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 10, 2017. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on April 5, 2017 for adoption.

Solna, March 10, 2017

Tomas Billing
Chairman of the Board

Viveca Ax:son Johnson
Board member

Carina Edblad
Board member

Sven-Olof Johansson
Board member

Ulla Litzén
Board member

Christoph Vitzthum
Board member

Karl-Johan Andersson
Board member
Employee representative

Lars Bergqvist
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Peter Wågström
President and CEO

Our audit report was submitted on March 10, 2017

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of the shareholders of NCC AB, corporate identity number 556034-5174

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) except for the corporate governance statement on pages 106-111 for the financial year 2016. The annual accounts and consolidated accounts of the company are included on pages 46-98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 106-111.The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition - Percentage of completion

The Company applies the percentage of completion method in the consolidated accounts for revenue recognition, meaning that project revenues and costs are recognized in the income statement as a percentage of the project's completion. The revenue recognized according to the percentage of completion method for 2016 amounted to 50 111 MSEK and is presented in note 3.

The assessment of project revenues and project costs is based on a number of estimates and assumptions related to future outcomes, which means that the final results may differ from the initially estimated results. Given that the estimates and assumptions made are complex in nature and errors in these estimates could have a significant impact on the reported results, this has been identified as a key audit matter.

Our audit procedures related to the percentage of completion method, included the evaluation of the applied accounting principles and review of procedures and processes related to ongoing projects. Furthermore, we have performed analytical reviews, review of calculations and assumptions regarding estimated project revenues and project costs, and assessed the risks of various kinds of reductions in income, additional costs and penalties. Further, we evaluated the company's historical accuracy of forecasts and assumptions, and reviewed the company's assessment of project with margins deviating from expectations. As part of our audit procedures, we have also conducted site visits to a number of projects. We have also assessed whether the information disclosed in the financial statements are appropriate.

Provisions

Provisions for future warranty obligations related to projects amounted to 1 199 MSEK in the consolidated balance sheet as of 31 December, 2016, see note 30. Provisions for future warranty obligations related to projects are recognized at estimated future expenditures required to settle the obligation at the balance sheet date.

Estimates of future expenses for warranties include a number of estimates and changes in these estimates could have a significant impact on the recognized provisions. Against this background, we have assessed the reporting of provisions for warranty obligations as a key audit matter.

In our audit, we have evaluated the Company's process for calculating the size of provisions. Furthermore, we evaluated the calculations and models, assessed the reasonableness of the assumptions made and performed an analysis against historical results to evaluate the accuracy of previous forecasts and assumptions. We have also assessed whether the information disclosed in the financial statements are appropriate.

Goodwill

The carrying value of goodwill amounted to 1 851 MSEK in the consolidated balance sheet as of 31 December, 2016, representing 7% of total assets.

The Company performs an assessment on an annual basis to determine whether an indication of impairment exists. The assessment involves determining whether the carrying value of the goodwill exceeds the estimated recoverable value. The recoverable amount of each cash generating unit is determined by calculating the present value of future cash flows. Future cash flows are based on the company's business plans for the coming four years and forecasts of cash flows after this period. The calculations also includes a number of assumptions, which includes earnings performance, growth, need of investments and the discount rate.

Changes in these assumptions could have a significant impact on the calculation of the recoverable amount.and determination of assumptions is therefore important for the calculation of the recoverable amount. We have therefore assessed that recognition of goodwill is a key audit matter. A description of the Company's review of the carrying amounts is shown in note 15.

In our audit, we evaluated and tested the company's impairment test, including retrospectively assessing previous forecasts and assumptions. We also made comparisons with other companies in order to evaluate the reasonableness of future cash flows and growth assumptions and tested the selected discount rates and assumptions regarding long-term growth. We have also reviewed the company's model and method for carrying out impairment testing and evaluated the Company's sensitivity analysis. We have also assessed whether the information disclosed in the financial statements are appropriate.

Accounting and presentation of the distribution of the housing business

In June 2016 the Housing business was distributed to NCC shareholders through dividend. Given the significance of the operation to the Group, it has been reported as discontinued operations in accordance with IFRS 5. This means that the result which relates to the Housing business for 2015 and 2016 have been accounted for in a single line in the income statements which includes both operating profit from discontinued operations and capital gain that arose from the dividend. The income statements related to the discontinued operations is shown in Note 4 of the Company's annual report.

Profit attributable to the discontinued business during 2016 amounted to 6 867 MSEK, of which 143 MSEK refers to the operating results of the discontinued operations and 6 724 MSEK relates to the capital gains that arose from the dividend.

Given the transactions materiality and the significant accounting implications resulting from the transaction, we have assessed the transaction as a key audit matter.

In our audit, we examined the distribution and the calculation of the gain. We also evaluated the allocation of the assets, liabilities, revenues and expenses between continuing and discontinued operations. We have performed procedures to assess the translation of comparative figures in the income statement and the related changes in the supplementary information.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 102-117. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of NCC AB (publ) for the financial year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance report on pages 106-111 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 10, 2017

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2008	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016
Net sales	57,465	56,005	49,420	52,535	57,227	57,227	57,823	56,867	62,495	53,116	52,934
Production costs	–52,005	–50,263	–44,487	–47,721	–51,724	–51,731	–52,027	–51,176	–56,009	–48,683	–48,484
Gross profit	**5,460**	**5,742**	**4,933**	**4,814**	**5,503**	**5,495**	**5,796**	**5,691**	**6,486**	4,432	**4,450**
Selling and administrative expenses	–3,197	–3,035	–2,682	–2,774	–2,978	–2,988	–3,130	–3,117	–3,405	–2,765	–2,912
Result from property management											
Result from sales of managed properties											
Result from sales of owner-occupied properties	15	10	2	7	3	3	6	20	7	7	–10
Impairment losses on fixed assets	–76	–7	–2	–38	–2	–2	7		–40	–39	–97
Capital gain from sales of Group companies	8	5		3	6	6		3			2
Competition-infringement fee		–95									
Result from participations in associated companies	9	–1	4	5	5	5	1	8	–9	26	20
Operating profit	**2,219**	**2,619**	**2,254**	**2,017**	**2,537**	**2,519**	**2,679**	**2,604**	**3,039**	1,661	**1,453**
Financial income	615	78	99	76	74	74	75	46	50	39	26
Financial expense	–449	–592	–345	–284	–348	–315	–354	–416	–433	–78	–138
Net financial items	**166**	**–514**	**–246**	**–208**	**–274**	**–241**	**–279**	**–370**	**–383**	–39	**–112**
Income after financial items	**2,385**	**2,105**	**2,008**	**1,808**	**2,263**	**2,277**	**2,400**	**2,234**	**2,656**	1,623	**1,341**
Tax on profit for the period	–565	–449	–481	–496	–364	–367	–411	–396	–536	–302	–225
Profit for the period	**1,820**	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	1,321	**1,116**
Attributable to:											
NCC's shareholders	1,809	1,654	1,524	1,310	1,894	1,905	1,986	1,835	2,113	1,315	1,113
Non-controlling interests	11	1	4	2	5	5	3	3	6	6	3
Profit for the period	**1,820**	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**	**2,120**	1,321	**1,116**

2013: The construction market strengthened slightly during the second half of 2013 and operating profit for the year improved thanks to more completed and handed over projects in NCC Property Development. The Norwegian operation reported weaker earnings due to impairment losses on projects.

2014: Operating profit was strong but not as high as in 2013. Continued favorable housing sales in NCC Housing, higher earnings in all Construction units and NCC Roads were offset by weaker profit for NCC Property Development. However, activity was lower in our commercial property development operations, particularly compared with 2013, which was somewhat of a record year with several major completed projects.

2015: A strong end to the year enabled NCC to report its best ever full-year earnings. Continued favorable housing sales in NCC Housing and profit-recognized property projects in Property Development, at the same time as the trend for Construction Denmark and Construction Finland was positive. The Norwegian operation reported weaker earnings due to impairment losses on projects and NCC Roads noted reduced earnings from its stone materials operations. Net profit for the year was adversely impacted by costs for the cartel case in Norway and costs for NCC's reorganization. Orders received during the year remained buoyant, thus strengthening the order backlog.

2016: Operating profit declined within the all business areas apart from NCC Industry. This was mainly due to impairment losses on projects and resolved disputes within NCC Infrastructure and Building. NCC Property Development's operating profit developed negatively because fewer property projects were recognized in profit. Net financial items were weaker year-on-year due to higher average net indebtedness, because Bonava received shareholders' contributions in April 2016.

REVISED ACCOUNTING POLICIES – IFRIC 15. COMPARATIVE FIGURES FOR 2009 HAVE BEEN RECALCULATED.

In the Annual Report, comparative figures for 2009 have been recalculated due to the application of IFRIC 15, Agreements for the Construction of Real Estate, as of January 1, 2010. This applies for all tables and figures pertaining to 2009, unless otherwise stated. In brief, the change entails that revenues and earnings from the sale of property and housing projects are normally not to be recognized until the property or the home has been sold, completed and handed over to the customer. This usually results in recognition of a sale being delayed compared with the past. Application of IFRIC 15 also affects assets and liabilities. Among other consequences, tenant owner associations and Finnish housing companies, are recognized, in contrast to the past, in NCC's balance sheet. This primarily increases interest-bearing liabilities but also has an impact on NCC's other key figures.

AMENDED ACCOUNTING POLICY – IAS 19 COMPARATIVE FIGURES FOR 2012 HAVE BEEN RECALCULATED.

Changes have occurred in the reporting of employee benefits, for which the revised IAS 19 has been applied since January 1, 2013. Comparative figures for 2012 have been recalculated. In brief, the amendment of IAS 19 meant that the opportunity to utilize the corridor method has been discontinued, entailing that actuarial gains and losses arising must be recognized directly against Other comprehensive income in the period they arise. Furthermore, the return on plan assets must be calculated using the same rate as the discount rate for the pension commitment. The interest-rate component in the pension commitment and the anticipated return on plan assets is now recognized in net financial items.

BALANCE SHEET, SEK M	IFRIC 15 2008	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	Excluding Bonava 2015	2016
ASSETS											
Fixed assets											
Goodwill	1,772	1,750	1,613	1,607	1,827	1,827	1,802	1,865	1,792	1,770	1,851
Other intangible assets	122	120	115	167	204	204	267	389	439	377	275
Managed properties	12										
Owner-occupied properties	682	647	576	596	662	662	704	774	826	776	814
Machinery and equipment	1,975	1,910	1,816	2,209	2,395	2,395	2,502	2,487	2,417	2,356	2,569
Long-term holdings of securities									97	92	125
Long-term interest-bearing receivables									354	271	361
Other long-term receivables									307	203	62
Deferred tax assets									204		97
Participations in associated companies	10	9	7	8	9	9	9	52			
Other long-term holdings of securities	227	203	182	173	158	158	131	156			
Long-term receivables	1,366	1,397	1,431	1,750	1,859	615	496	671			
Total fixed assets	**6,166**	**6,035**	**5,739**	**6,511**	**7,114**	**5,870**	**5,910**	**6,395**	**6,435**	**5,845**	**6,154**
Current assets											
Properties held for future development	4,018	2,835	2,931	4,475	5,321	5,321	5,251	5,059	2,050	2,050	1,780
Ongoing property projects									2,013	2,013	1,440
Completed property projects									367	367	808
Properties held for future development, housing									3,749		16
Capitalized project development costs									969		
Ongoing proprietary housing projects									6,987		
Completed housing units									583		
Property projects	4,018	2,835	2,931	4,475	5,321	5,321	5,251	5,059			
Housing projects	15,060	10,137	8,745	9,860	11,738	11,738	12,625	13,246			
Materials and inventories	624	514	537	557	655	655	673	746	696	691	713
Tax receivables									33	13	42
Accounts receivable	7,794	6,340	6,481	7,265	7,725	7,725	7,377	7,178	7,083	6,619	7,682
Worked-up, non-invoiced revenues	841	777	804	910	782	782	918	1,066	1,400	1,394	1,737
Prepaid expenses and accrued income	1,119	982	988	1,114	1,544	1,544	1,325	1,415	1,262	936	1,061
Current interest-bearing receivables									106	1,752	152
Other receivables	1,602	1,747	1,425	1,151	1,277	1,277	1,024	1,048	1,301	901	446
Short-term investments	215	286	741	285	168	168	143	242	190	190	190
Cash and cash equivalents	1,919	2,317	2,713	796	2,634	2,634	3,548	2,592	4,177	3,592	3,093
Total current assets	**33,193**	**25,935**	**25,366**	**26,414**	**31,844**	**31,844**	**32,883**	**32,592**	**32,967**	**20,518**	**19,161**
TOTAL ASSETS	**39,359**	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**
SHAREHOLDERS' EQUITY											
Shareholders' equity	6,243	7,470	8,111	8,286	8,974	7,634	8,658	8,847	9,691	4,962	5,553
Non-controlling interests	25	18	21	11	15	15	17	20	23	20	13
Total shareholders' equity	**6,268**	**7,488**	**8,132**	**8,297**	**8,988**	**7,649**	**8,675**	**8,867**	**9,714**	**4,982**	**5,566**
LIABILITIES											
Long-term liabilities											
Long-term interest-bearing liabilities	2,721	2,972	2,712	3,850	7,102	7,102	7,029	6,957	5,887	3,865	2,288
Other long-term liabilities	837	558	921	643	841	841	299	548	609	158	54
Deferred tax liabilities	436	641	439	669	725	436	414	268	322	456	407
Provisions for pensions and similar obligations	42	18	1	6	9	393	125	585	338	338	1,008
Other provisions	3,029	2,932	2,722	2,619	2,435	2,435	2,070	2,017	1,970	1,612	1,686
Total long-term liabilities	**7,065**	**7,121**	**6,796**	**7,788**	**11,113**	**11,208**	**9,937**	**10,376**	**9,126**	**6,429**	**5,443**
Current liabilities											
Current interest-bearing liabilities	7,036	1,739	1,546	1,585	2,141	2,141	2,515	2,526	3,154	1,900	723
Accounts payable	4,356	3,536	3,414	4,131	4,659	4,659	4,096	3,960	4,694	4,176	4,427
Tax liabilities	140	38	449	60	122	122	58	117	287	135	115
Invoiced revenues, not worked up	4,784	4,250	4,092	4,176	4,241	4,241	4,264	4,408	4,244	4,239	4,355
Accrued expenses and deferred income	4,234	3,682	3,336	3,277	3,748	3,748	3,888	3,952	4,012	3,172	3,205
Provisions									59	59	21
Other current liabilities	5,474	4,117	3,341	3,611	3,945	3,945	5,360	4,782	4,112	1,270	1,460
Total current liabilities	**26,026**	**17,361**	**16,177**	**16,839**	**18,855**	**18,856**	**20,181**	**19,745**	**20,562**	**14,951**	**14,306**
Total liabilities	**33,090**	**24,482**	**22,973**	**24,627**	**29,968**	**30,063**	**30,118**	**30,120**	**29,688**	**21,380**	**19,749**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**39,359**	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**	**39,402**	**26,363**	**25,315**

2013: Continued investments in housing projects in NCC Housing generated an increase in total assets. Cash and cash equivalents were at a high level thanks to healthy cash flow in the fourth quarter.

2014: Total assets were slightly higher than in 2013. Tied-up capital continued to increase in housing operations through investments in housing projects in NCC Housing. Strong cash flow in the final quarter reduced net indebtedness and the debt/equity ratio was a multiple of 0.8.

2015: During the year, the item housing projects was reduced by the many delivered and paid for housing units. An increase in profit-recognized property projects also reduced capital tied-up. NCC's positive cash flow increased cash and cash equivalents. All financial objectives were achieved and net indebtedness was reduced by a total of SEK 2.3 billion.

2016: During the year, the number of property projects declined, due mainly to the profit recognition of five property projects, sales of land and a lower work-up rate in ongoing projects following a delay in project starts. Cash and cash equivalents declined year-on-year. Long-term interest-bearing loans of SEK 1.6 billion were repaid and bonds valued at SEK 1.3 billion became due for repayment in 2016. Net indebtedness declined by SEK 4.3 billion.

Multi-year review, cont.

KEY DATA	2008	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	2016
Financial statements, SEK M										
Net sales[3]	57,465	56,005	49,420	52,535	57,227	57,227	57,823	56,867	53,116	52,934
Operating profit[3]	2,219	2,619	2,254	2,017	2,537	2,519	2,679	2,604	1,661	1,453
Profit after financial items[3]	2,385	2,105	2,008	1,808	2,263	2,277	2,400	2,234	1,623	1,341
Profit for the year[3]	1,820	1,656	1,527	1,312	1,899	1,910	1,989	1,838	1,321	1,116
Investments in fixed assets	983	584	667	1,257	1,345	1,345	1,055	987	1,092	1,406
Investments in property projects	2,210	1,215	1,533	2,333	2,692	2,692	3,890	2,255	1,858	1,612
Investments in housing projects[1]	5,010	3,193	3,171	7,529	8,997	8,997	7,912	9,712	9,725	3,154
Cash flow, SEK M										
Cash flow from operating activities	128	6,440	2,423	–1,547	–26	–26	2,532	1,345	4,061	1,170
Cash flow from investing activities	–306	–481	–489	–857	–906	–906	–870	–771	–730	–1,181
Cash flow before financing	–178	5,960	1,935	–2,404	–932	–932	1,661	574	3,331	–11
Cash flow from financing activities	298	–5,549	–1,504	491	2,774	2,774	–741	–1,515	–1,713	–1,087
Change in cash and cash equivalents	147	399	396	–1,916	1,838	1,838	914	–956	1,586	–1,084
Profitability ratios										
Return on equity, % [6]	27	25	20	17	23	28	26	22	26	19
Return on equity, % [7]	27	25	20	17	23	28	26	22	26	118
Return on capital employed, %[6]	23	17	19	16	15	17	15	14	17	13
Return on capital employed, %[7]	23	17	19	16	15	17	15	14	17	63
Financial ratios at year-end, SEK M										
EBITDA %[6]					5.6	6	5.9	5.8	6.2	4.7
EBITDA %[7]					5.6	5.6	5.9	5.8	6.2	17.0
Interest coverage ratio, multiple[6]	7.0	5.0	6.9	7.4	7.0	7.5	7.8	6.4	7.1	6.6
Interest coverage ratio, multiple[7]	7.0	5.0	6.9	7.4	7.0	7.5	7.8	6.4	7.1	31.1
Equity/assets ratio, %	19	23	26	25	23	20	22	23	25	22
Interest-bearing liabilities/total assets, %	15	15	14	17	24	26	25	26	24	16
Net indebtedness	3,207	1,784	431	3,960	6,061	6,467	5,656	6,836	4,552	222
Debt/equity ratio, multiple	0.5	0.2	0.1	0.5	0.7	0.8	0.7	0.8	0.5	0.0
Capital employed at year-end	12,456	12,217	12,390	13,739	18,241	17,285	18,345	18,935	19,093	9,585
Capital employed, average	11,990	15,389	12,033	13,101	16,632	15,755	18,005	18,531	18,672	13,474
Capital turnover rate, multiple	4.8	3.6	4.1	4.0	3.4	3.6	3.2	3.1	3.3	4.1
Share of risk-bearing capital, %	20	25	28	27	25	21	23	23	25	24
Closing interest rate, %[2]	5.9	4.5	4.6	4.2	3.6	3.6	3.3	2.8	2.8	2.6
Average period of fixed interest, years[2]	1.6	1.8	1.5	0.8	1.1	1.1	1.2	1.1	0.9	0.9
Order status, SEK M										
Orders received[3]	51,864	46,475	54,942	57,867	55,759	55,759	56,979	61,379	51,492	56,506
Order backlog[3]	40,426	35,951	40,426	46,314	45,833	45,833	47,638	54,777	41,538	47,940
Per share data, SEK										
Profit after taxes, before dilution[6]	16.69	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	11.61
Profit after taxes, after dilution[6]	16.69	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	11.61
Profit after taxes, before dilution[7]	16.69	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	73.81
Profit after taxes, after dilution[7]	16.69	15.26	14.05	12.08	17.51	17.62	18.40	17.01	19.59	73.81
Cash flow from operating activities, after dilution	1.18	59.39	22.35	–14.27	–0.24	–0.24	23.46	12.47	37.65	10.88
Cash flow before financing, after dilution	–1.64	54.96	17.84	–22.17	–8.61	–8.61	15.40	5.32	30.88	–0.05
P/E ratio, before dilution[6]	3	8	11	10	8	8	11	15	13	19
P/E ratio, before dilution[7]	3	8	11	10	8	8	11	15	13	3
Dividend, ordinary	4.00	6.00	10.00	10.00	10.00	10.00	12.00	12.00	3.00	8.00[4]
Extraordinary dividend										
Dividend yield, %	8.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9	1.1	3.5
Dividend yield excl. extraordinary dividend, %	8.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9	1.1	3.5
Shareholders' equity before dilution	63.10	68.91	74.81	76.41	82.97	70.58	80.24	82.04	89.85	51.39
Shareholders' equity after dilution	63.10	68.90	74.80	76.41	82.97	70.58	80.24	82.04	89.85	51.39
Share price/shareholders' equity, %	78	172	198	158	164	193	262	301	293	439
Share price at year-end, NCC B	49.50	118.25	147.80	121.00	136.20	136.20	209.90	246.80	263.00	225.40

1) As of 2008, investments are included in the unsold share of ongoing proprietary housing projects and costs incurred before project starts.

2) Excluding liabilities attributable to Swedish tenant-owner associations and Finnish housing companies, as well as pension debt according IAS 19.

3) As of 2015, Bonava is excluded.

4) Dividend for 2016 pertains to the Board of Directors' motion to the AGM.

5) All shares issued by NCC are common shares.

6) When calculating the key figure, the impact on profit of SEK 6,724 M that arose from the spinoff of Bonava has been excluded.

7) When calculating the key figure, the impact on profit of SEK 6,724 M that arose from the spinoff of Bonava has been included.

Figures for 2008 are not IFRIC 15 adjusted.

Figures for 2008 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see page 117.

KEY DATA	2008	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014	2015	2016
Number of shares, millions										
Total number of issued shares[5)]	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end					0.4	0.4	0.6	0.6	0.6	0.4
Total number of shares outstanding before dilution at year-end	108.4	108.4	108.4	108.4	108.0	108.0	107.8	107.8	107.9	108.1
Average number of shares outstanding before dilution for the period	108.4	108.4	108.4	108.4	108.2	108.2	107.9	107.8	107.9	108.1
Market capitalization before dilution, SEK M	5,209	12,809	16,005	13,136	14,706	14,706	22,625	26,574	28,369	24,325
Personnel										
Average number of employees	19,942	17,745	16,731	17,459	18,175	18,175	18,360	17,669	17,872	16,793

5) All shares issued by NCC are common shares.

Figures for 2008 are not IFRIC 15 adjusted.

Figures for 2008 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see page 117.

Quarterly data

	QUARTERLY AMOUNTS, 2016				FULL YEAR	QUARTERLY AMOUNTS, 2015				FULL YEAR
SEK M	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2015
Group										
Orders received	10,146	17,123	12,578	16,267	56,506	11,120	13,807	10,090	15,690	51,492
Order backlog	39,147	47,177	47,219	47,940	47,940	38,774	44,413	41,517	41,538	41,538
Net sales	9,197	13,646	13,572	16,519	52,934	10,311	13,218	13,320	16,268	53,116
Operating profit	–284	572	503	661	1,453	–235	541	721	635	1,661
Income after financial items	–309	548	471	630	1,341	–243	529	715	622	1,623
Profit after tax	–243	441	387	532	1,116	–195	427	572	518	1,321
Profit for the year from remaining and discontinued operations	–156	7,250	387	501	7,983	–204	435	647	1,241	2,120
Earnings per share after dilution, SEK	–1.40	66.81	3.54	4.64	73.81	–1.88	4.02	5.98	11.47	19.59
Cash flow before financing	–1,213	–1,215	–106	2,521	–11	–998	–1,079	1,004	4,405	3,331
Equity/assets ratio, %	23	17	18	22	22	19	19	19	25	25
Net indebtedness	6,132	2,166	2,756	222	222	8,754	9,725	9,130	4,552	4,552
NCC Building										
Orders received	5,382	7,843	6,528	8,985	28,738	4,895	7,369	4,388	9,414	26,066
Order backlog	25,293	26,778	27,513	29,159	29,159	23,535	24,537	23,399	25,176	25,176
Net sales	5,389	6,849	6,033	7,411	25,681	5,868	6,254	5,527	7,353	25,001
Operating profit	70	150	1	268	489	119	142	58	283	602
Operating margin, %	1.3	2.2	0.0	3.6	1.9	2.0	2.3	1.0	3.8	2.4
NCC Infrastructure										
Orders received	2,866	6,540	3,968	5,290	18,664	4,258	3,938	3,301	4,124	15,621
Order backlog	13,920	16,490	16,712	16,423	16,423	17,010	16,580	15,545	14,318	14,318
Net sales	3,365	4,250	3,986	5,405	17,007	3,618	4,279	3,999	5,209	17,105
Operating profit	–11	93	3	77	162	28	124	127	190	469
Operating margin, %	–0.3	2.2	0.1	1.4	1.0	0.8	2.9	3.2	3.7	2.7
NCC Industry										
Orders received	2,463	3,228	2,760	2,800	11,252	2,938	3,042	2,478	2,528	10,986
Order backlog	3,921	4,160	3,338	2,883	2,883	3,921	3,944	2,904	2,327	2,327
Net sales	888	3,039	3,594	3,240	10,760	977	2,996	3,540	3,058	10,571
Operating profit	–324	290	442	126	533	–386	262	397	101	374
Operating margin, %	–36.5	9.6	12.3	3.9	4.9	–39.5	8.8	11.2	3.3	3.5
Capital employed	3,461	4,356	4,442	3,975	3,975	3,390	4,199	4,253	3,564	3,564
NCC Property Development										
Net sales	93	458	781	1,492	2,823	472	511	968	1,477	3,427
Operating profit	22	71	32	202	327	26	52	140	200	417
Capital employed	4,893	4,817	5,013	4,450	4,450	5,261	5,483	5,175	4,527	4,527
Operating margin, %	23.7	15.5	4.1	13.5	11.6	5.6	10.1	14.4	13.5	12.2

Bonava is recognized as a discontinued operation and was included in NCC's income statement until June 7, 2016.
The asphalt and civil-engineering operations of NCC Industry and certain activities within NCC Building and NCC Infrastructure are affected by seasonal variations in their production caused by cold weather conditions. The first quarter is normally weaker than the rest of the year.

Corporate Governance report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and other rules that apply to listed companies, which include the Swedish Code of Corporate Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se). NCC has applied the Code since it was introduced in 2005. During the year, NCC AB complied with Nasdaq Stockholm's Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors but is not part of the formal Annual Report documentation.

How NCC is governed

GENERAL SHAREHOLDER MEETINGS

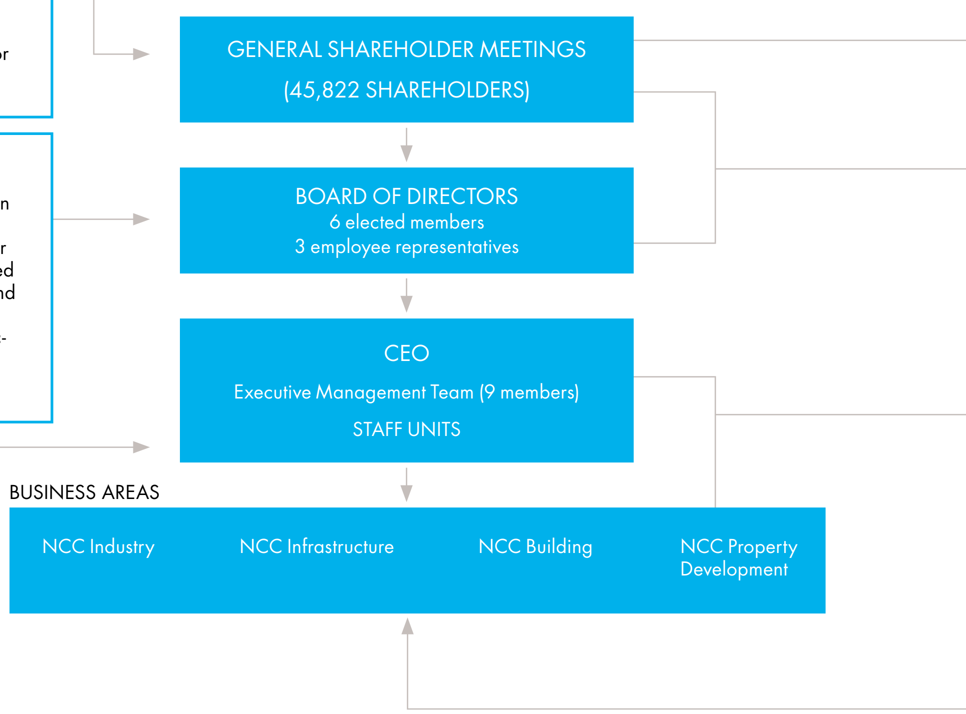
The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Official notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website www.ncc.se. Confirmation that the Official notice has been issued will be announced in Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the company prior notice of this.

SHARE STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see pp. 16–17. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the company's Board, which makes continuous decisions on conversion matters. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered.

NCC'S CONTROL STRUCTURE 2016



BOARD OF DIRECTORS AND AUDIT COMMITTEE

The Board shall consist of not fewer than five and not more than ten members elected by the AGM. The employees are represented on the Board. The members of the Board are elected for a period of one year. In 2016, six Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Board members, see pp. 112–113. In 2016, the Board of Directors' established an Audit Committee comprising Chairman of the Board Tomas Billing and Member of the Board Ulla Litzén.

CHAIRMAN OF THE BOARD

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to pp. 113). The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the company in ownership matters. The Chairman of the Board is a co-opted member of the Nomination Committee but has no voting right.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and CEO of the company is Peter Wågström (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to pp. 115. The Board has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to "Board of Directors' report on internal control," pp. 110–111).

DEPUTY CHIEF EXECUTIVE OFFICERS

The company has not appointed any Deputy Chief Executive Officers.

EXECUTIVE MANAGEMENT TEAM

In 2016, NCC's EMT consisted of the CEO, the Heads of NCC Industry, NCC Infrastructure, NCC Building and NCC Property Development, plus the Chief Financial Officer, the SVP Corporate Relations, the SVP Purchasing and the Senior Legal Counsel. For information on EMT members, see pp. 114–115.

The EMT mainly focuses on strategic and other Group-wide matters and generally meets once per month.

NOMINATION COMMITTEE

The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board members, and to propose the fees to these officers. The Nomination Committee shall also nominate auditors and propose the fees to be paid to them.

The Nomination Committee's work complies with the instructions adopted by the AGM.

EVALUATION OF THE BOARD AND AUDITORS

The Board of Directors is evaluated within the framework of the Nomination Committee's work. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," pp. 108–109).

The Board or, where appropriate, the Audit Committee appointed by the Board, also assists the Nomination Committee in evaluating the work of the auditors.

NOMINATION COMMITTEE
Election and remuneration of the Board od Directors and auditors

EXTERNAL AUDIT
(Audit firm)

INTERNAL CONTROL ENVIRONMENT

GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. Each business area is managed by a business area head and has a Board of Directors, of which, among others, NCC AB's CEO, CFO and Senior Legal Counsel are members. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function.

The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO, the AGM appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. Auditors are currently appointed for a period of one year. Until the close of the AGM in 2017, the registered firm of accountants Ernst & Young AB, EY, is serving as NCC's auditors. Authorized Public Accountant Mikael Ikonen has been elected EY's auditor-in-charge. For more information on the elected auditors, see pp. 113.

INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide decision-making procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide control documents govern communication, finance, code of conduct, the environment and work environment.

The number of ongoing projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the business area Manager, CEO, CFO and the Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary housing and property projects representing an investment exceeding SEK 50 M must be approved by the CEO and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments corresponding to less than SEK 50 M are the responsibility of the particular business area.

CODE OF CONDUCT

A comprehensive program to formulate and implement the values that are to hallmark NCC's operations has been under way in recent years. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These rules are summarized in a Code of Conduct, which describes the requirements that NCC – the Board, management and all employees – has to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

In December 2016, a revised Code of Conduct was adopted, including an expanded section about anticorruption, anti-money laundering, personal information and a new section on how to behave in social media. The Code of Conduct has also been supplemented with practical advice in each area.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

In 2016, NCC continued to refine its compliance program since a new Group-wide, needs-adapted process was launched in 2013. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to about 55 employees in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist NCC employees to correctly navigate the areas covered by NCC's Code of Conduct. NCC has also introduced advanced system support for the reporting of irregularities, all within the framework of the value-driven and transparent corporate culture that NCC is working to retain and refine. NCC has also undertaken a comprehensive overhaul of the operations and identified risk areas and risk processes. The purpose of NCC's new procedures is to make it easier for employees to dare to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation of the methods started with training programs and discussions with NCC employees and continued in 2016. All NCC employees are covered by the training programs. In December 2016, further training was launched in the area in the form of shorter, Web-based courses and 5,300 had undergone this training by January 2017.

Employees who suspect unethical behavior or improper action should firstly report this to the immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement with Nasdaq Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Operating procedures for Board work
- Audit Committee's operating procedures
- Division of work between Board/CEO
- Decision-making procedures for Group and business areas
- NCC's Code of Conduct
- NCC Compass
- Governing documents in the form of policies, regulations, guidelines and instructions

Corporate governance at NCC in 2016

ANNUAL GENERAL MEETING 2016

The 2016 Annual General Meeting (AGM) was held in Solna on April 12. 488 shareholders were present representing 45.2 percent of the share capital and 71.9 percent of the total number of votes. The minutes of the 2016 AGM and from previous AGMs are available at www.ncc.se. The 2016 AGM passed the following resolutions, among others:

Spinoff of all of the shares in shares in HoldCo Residential 1 AB (publ), Corp. Reg. No. 556928-0380 (Bonava), which was implemented in June 2016, and a cash dividend of SEK 3.00 per share with November 7, 2016 as the record date.

Tomas Billing, Ulla Litzén, Carina Edblad, Viveca Ax:son Johnson, Sven-Olof Johansson and Christoph Vitzthum were reelected Members of the Board. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees be paid in a total amount of SEK 3,600,000, distributed in the amount of SEK 1,100,000 to the Chairman of the Board and SEK 500,000 to each other AGM-elected member.

Viveca Ax:son Johnson (chairman), Johan Strandberg and Anders Oscarsson were elected members of the Nomination Committee. Chairman of the NCC Board Tomas Billing is a co-opted member of the Nomination Committee but has no voting right.

Guiding principles were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive plan (LTI 2016) for senior executives and key personnel.

To cover the commitment under LTI 2016, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 300,000 Series B shares to participants of LTI 2016. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2013, LTI 2014 and LTI 2015) and LTI 2016.

Income statements and balance sheets for 2015 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2016, NCC's Board held seven scheduled meetings, four non-scheduled meetings and the statutory meeting held directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. The spinoff of Bonava gave rise to a number of Board meetings during the year. Reporting on the progress of the company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

BOARD OF DIRECTORS 2016

					BOARD MEETINGS AND ATTENDANCE 2016											
	Elected year	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fee, SEK 000s	Jan. 27	Mar. 16	April 12	April 12[1)]	April 28	May 18	June 29	July 19	Oct. 6	Oct. 13	Oct. 27	Dec. 7
Board Members elected by the AGM																
Tomas Billing	1999	yes	no	1,100	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	yes	no	500	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad	2014	yes	yes	500	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Olof Johansson[2)]	2012	yes	yes	183	✓	✓	✓									
Sven-Olof Johansson	2012	yes	yes	500	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	500	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓
Christoph Vitzthum	2010	yes	yes	500	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Regular employee representatives																
Lars Bergqvist	1991			–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓

1) Statutory Board meeting.

2) Olof Johansson stepped down at the AGM on April 12, 2016.

In 2016, the Board of Directors established a special Audit Committee. The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial statements and preparing matters related to the company's financial statements and audit in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and fulfill the duties pursuant to EU ordinance No. 537/2014. The Board has also assessed the need of a special audit function (internal audit). Based on a comprehensive assessment, the Board has concluded that there is currently no need for a separate internal audit or audit function; refer also to the "Board of Directors' report on internal control," p. 110–111). The matter of a separate internal audit function is addressed annually. The Board of Directors' evaluation of its work was conducted with the assistance of an external consultant, who also conducted separate interviews of members of the Board and the EMT. The results of these interviews were then compiled by the consultant and provided to the Board of Directors of NCC AB and executive management. Subsequently at a Board meeting, the Board discussed the conclusions of the evaluation in question. Documentation for this matter was prepared by the Nomination Committee.

BUYBACK OF COMPANY SHARES

The company holds 362,222 Series B shares to cover its commitments under long-term incentive programs. In 2016, 483,947 shares were sold to cover costs, 84,107 shares were transferred to the participants in LTI 2012 and 362,222 shares were bought back.

REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involvnig remuneration and other terms of employment for executive management. If, as in the case at NCC, the Board considers it more appropriate, the entire Board may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the company's senior executives are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. The 2016 AGM resolved on a long-term performance-based incentive program (LTI 2016), comprising the CEO, members of the EMT and an additional 147 executives in the Group. LTI 2016 is a three-year program that provides the participants with entitlement to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2018. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. In the Code, it is stipulated that for agreements signed as of July 1, 2010, the total amount of pay during a period of notice and severance pay may not exceed a sum corresponding to two years of fixed salary. The Board follows up and evaluates application of the remuneration program applicable for senior executives. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise the Executive Management Team. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, p. 72.

NOMINATION COMMITTEE 2016

At the AGM on April 12, 2016, Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB) and Johan Strandberg (Analyst at SEB Fonder) were re-elected and Anders Oscarsson (equity manager AMF/AMF Fonder) was newly elected as members of the Nomination Committee, with Viveca Ax:son Johnson as Chairman. Chairman of the NCC Board Tomas Billing is a co-opted member of the Nomination Committee but has no voting right. No remuneration was paid to members of the Nomination Committee. The Nomination Committee's proposal to the 2017 AGM is available on www.ncc.se.

THE BOARD OF DIRECTORS' WORKING YEAR 2016 – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING

BOARD MEETING DECEMBER 7
- Strategy
- Evaluation of the CEO's work
- Audit
- Budget
- Internal control
- Succession planning
- Insider policy

BOARD MEETING OCTOBER 27
- Quarterly report
- Strategy
- Accounting and audit matters

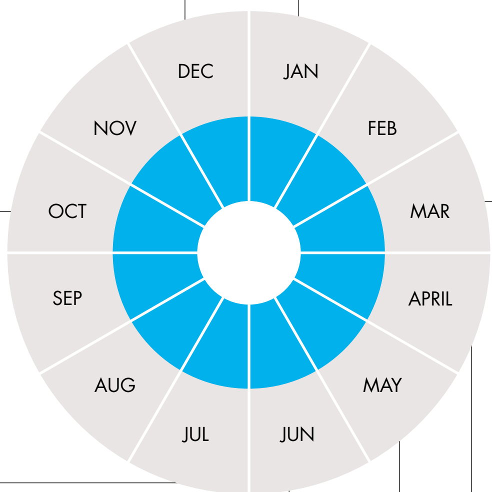
UNSCHEDULED BOARD MEETING OCTOBER 13
- Accounting and financial matters

UNSCHEDULED BOARD MEETING OCTOBER 6
- Accounting and financial matters

BOARD MEETING JULY 19
- Semi-annual report
- Instructions for the Audit Committee

BOARD MEETING JUNE 29
- Workplace visit Gothenburg
- Sustainability issues
- Strategy
- Accounting and audit matters
- Insider policy
- LTI matters

UNSCHEDULED BOARD MEETING MAY 18
- Spinoff and IPO of Bonava



BOARD MEETING JANUARY 27
- Year-end accounts 2015
- Annual Report
- Proposed distribution of profits
- Motions to the AGM
- Guidelines for salary and other remuneration
- Corporate Governance Report
- Definitive audit report
- Spinoff of Bonava
- Revision of working and decision-making regulations
- the Board's evaluation of the Board's work

UNSCHEDULED BOARD MEETING MARCH 18
- Diversity policy
- Spinoff of Bonava
- AGM matters

BOARD MEETING APRIL 12
- Information prior to the AGM
- Strategy
- Competitor analysis

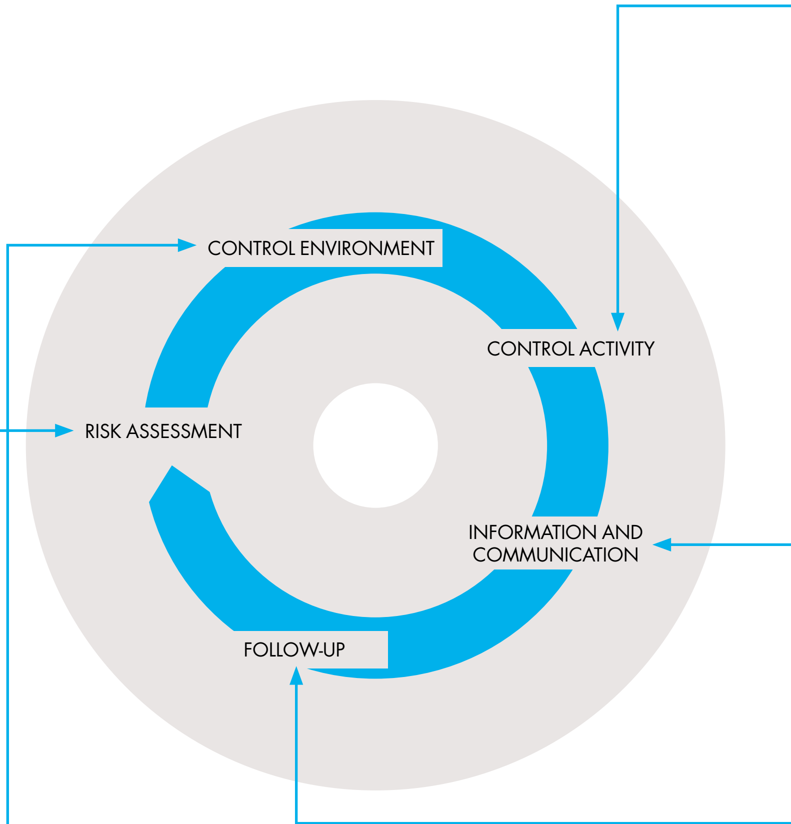
ANNUAL GENERAL MEETING APRIL 12

STATUTORY MEETING APRIL 12
- Company signatories appointed
- Rules of procedure
- Decision-making regulations
- Instructions for the CEO

BOARD MEETING APRIL 28
- Quarterly report
- Financial policy

Board of Directors' report on internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal control and risk management systems in connection with financial reporting and in the preparation of the company's consolidated financial statements. Information on this is provided in this section.



1 RISK-ASSESSMENT AND RISK-MANAGEMENT

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial statements, are addressed within the company's established processes.

The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial recognition. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk of errors in percentage-of-completion profit recognition and items based on assessments and estimates, such as valuations of land held for future development and ongoing property-development, goodwill and provisions.

At NCC, risks are followed up in several different ways, including via:

- **Regular status checks** with the Business Area Manager and financial manager of each particular business area. Representing NCC AB, these meetings are always attended by the CEO and the CFO. The status checks address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- **Business area meetings** in the various business areas, which are held at least five times per year. The meetings are minuted. Those participating in the meeting, apart from the Heads of the business area and its management group, are NCC AB's CEO, the Chief Financial Officer and the Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome, forecast and alternative budget. Forecasts are formulated and are checked in connection with the quarters ending March, June and September, and in the following-year budget in November. The meetings also address tenders, investments and sales, in accordance with the decision-making regulations. Investments and divestments of properties exceeding SEK 150 M must be approved by NCC AB's Board. All investments exceeding SEK 50 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board. Projects exceeding SEK 300 M are also monitored via the NCC Project Trend Report (PTR) process.
- NCC AB's Board receives monthly **financial reports** and NCC's current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Finance. NCC's finance policy stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and shortcoming in insurance coverage. These risks are monitored by the Compliance and Insurance function.

For more information on control and governance at NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

2 CONTROL ENVIRONMENT

The Board has overall responsibility for internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, guidelines, manuals and work descriptions. These must be documented and kept available. In NCC, this means that the Board establishes rules of procedure for the Board's work each year. The Board also prepares an instruction concerning the division of work between the Board and the CEO. According to this instruction, the CEO is responsible for ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is a decentralized international organization, in which legal governance occurs on the basis of a uniform corporate structure with subsidiaries in each country. Operational management of the Group is based on decision-making regulations within the NCC Group that are adopted annually by the Board. The decision-making regulations stipulate the matters that require the Board's approval or confirmation. In turn, this is reflected in the corresponding decision-making regulations and attestation regulations applying for the business areas. The basis for the internal control of financial reporting comprises everything that is documented and communicated in control documents, such as internal policies, guidelines and manuals. Considerable effort has been devoted to achieving a structure between the policies that are to be regarded as central and the policies to be regarded as local, and that all significant areas are covered.

For more information on governance and control, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

3 CONTROL ACTIVITIES

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units.

The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal managment of identified risks. For the business operations, operational control systems form the basis for the established control structure and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects. NCC attaches considerable importance to project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting.

For a number of years, NCC has had several SSCs, in part NCC Business Services (NBS), which manages most of the financial transactions of the Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Group Operational IT, which has central responsibility for the shared IT systems in NCC.

These functions require that their processes include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control target matrixes that connect risks, control and measurement of efficiency, and ensure that the control is documented and that proof of control exists.

4 INFORMATION AND COMMUNICATION

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (Starnet/Economy).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. Starnet /Economy is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and Nasdaq Stockholm. NCC's CFO has principal responsibility for Starnet/ Economy, which includes the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- The organization of the financial control function.
- Time schedules for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions.

All financial reporting must comply with the rules and regulations found on Starnet/Economy.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with specially formulated templates. Instructions and regulations concerning both written and figure-based reporting are available on Starnet/Economy. Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

The status of the internal control set-up is reported annually at a meeting of the NCC AB Board. Debriefing also occurs at business area level.

The CFO of the NCC Group is responsible for ensuring that information about and communication of the control have been established and are effective.

5 FOLLOW-UP

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component of the Board's assessment of internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are followed up via Board work within the various business areas and, in cases where it is considered that targeted action is required, the financial control and controller organization is utilized, or external consultants with suitable expertise for the assignment. In view of the follow-ups conducted via the operational audits and through the financial control and controller organization, the Board is of the opinion that there is no need for a special internal examination function, except for the operational audits.

As part of its audit of the financial statements and the administration, NCC's auditor, EY, also examines a selection of NCC's controls. In 2016, the Board established an Audit Committee, which held three meetings during the year. The duties of the Audit Committee in terms the financial statements include monitoring the efficiency of the company's internal controls, internal audit and risk management. The Board meets the auditors at least once a year. In addition, the Chairman of the Board has direct contact with the auditors on a number of occasions during the year. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. The views that arise are to be considered and followed up within the particular unit. NCC's auditor also reviewed the company's nine-month report.

AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the AGM of NCC AB, Corp. Reg. No. 556034-5174

It is the Board of Directors that is responsible for the 2016 Corporate Governance Report on pp. 106–111 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on this reading and our knowledge of the company and the Group, we believe that we have sufficient grounds for our opinions. This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Stockholm, March 10, 2017

EY

Mikael Ikonen
Authorized Public Accountant

Board of Directors











TOMAS BILLING

Chairman of the Board. Born 1963.
Board member since 1999 and Chairman since 2001. President of Nordstjernan AB. Chairman of the Board of Nobia. Board member of BiJaKa AB and Parkinson Research Foundation.
Previous experience includes President of Hufvudstaden AB and Monark Bodyguard AB.
Shareholding in NCC AB: 20,600 Series A shares and 75,400 Series B shares.

VIVECA AX:SON JOHNSON

Born 1963. Board member since 2014.
Chairman of the Board of Nordstjernan AB, the Axel and Margaret Ax:son Johnson Foundation for Public Benefit and FPG Media AB. Board member of Bonava AB, Rosti Group AB and the Axel and Margaret Ax:son Johnson Foundation.
Previous experience: Deputy Chairman of Nordstjernan, 1997–2007, Chairman since 2007, as well as various positions in the Nordstjernan Group.
Shareholding in NCC AB: 59,000 Series B shares (including related-party holdings), as well as 25,000 Series A shares and 31,000 Series B shares via private companies.

SVEN-OLOF JOHANSSON

Born 1945.
Board member since 2012. President and principal owner of FastPartner AB since 1996. Board member of Allenex AB and Autoropa AB.
Previous experience includes own business and entrepreneur.
Shareholding in NCC AB: 100,000 Series B shares via companies.

ULLA LITZÉN

Born 1956.
Board member since 2008. Board member of Alfa Laval AB, Atlas Copco AB, Boliden AB and Husqvarna AB.
Previous experience: President of W Capital Management AB (2001– 2005) and Vice President of Investor AB (1996–2001), among other positions.
Shareholding in NCC AB: 3,400 Series B shares

CHRISTOPH VITZTHUM

Born 1969.
Board member since 2010. President and CEO of Oy Karl Fazer AB.
Previous experience: VP Wärtsilä Services 2009–2013, Wärtsilä Power Plants (2006–2009), President of Wärtsilä Propulsion (2002–2006) and CFO at Wärtsilä Oyj Abp, Ship Power (1999–2002).
Shareholding in NCC AB: 0 shares.

CARINA EDBLAD

Born 1963.
Board member since 2014. CEO of Thomas Betong AB. Board member of Hifab Group AB and Svensk Betong.
Previous experience 25 years of experience from Skanska AB, where she was Line Manager and Chief of Staff in various operations in the Nordic region.
Shareholding in NCC AB: 0 shares.

Employee representative
LARS BERGQVIST

Born 1951. Construction engineer.
Board member since 1991. Employed since 1975. Shop steward at NCC. Employee representative of Ledarna (Swedish Association of Supervisors).
Other assignments: President of Byggcheferna (union of construction managers).
Shareholding in NCC AB: 1,140 Series A shares and 200 Series B shares (including related-party holdings).

Employee representative
LIS KARLEHEM

Born 1963. Team leader Group IT.
Deputy Board member since 2009. Employed since 1999. Employee representative of Unionen (formerly SF, Swedish Industrial Salaried Employees' Association).
Shareholding in NCC AB: 0 shares.

Employee representative
KARL G. SIVERTSSON

Born 1961. Carpenter and crane operator.
Board member since 2010. Employed since 1981. Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet.
Other assignments: Board member of Svenska Byggnadsarbetareförbundet, Central Norrland Region, and deputy member of Federation Board of Svenska Byggnadsarbetareförbundet.
Shareholding in NCC AB: 200 Series B shares.

Employee representative
MATS JOHANSSON

Born 1955. Carpenter.
Deputy Board member since 2011. Employed since 1977. Construction carpenter and shop steward at NCC, as well as chief safety officer. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers Union).
Other assignments: Deputy Chairman and Board member of AB Ronneby Industrifastigheter and Byggnadsarbetareförbundet in the Småland/Blekinge region.
Shareholding in NCC AB: 100 Series B shares.

Employee representative
KARL-JOHAN ANDERSSON

Born 1964. Paver.
Board member since 2011. Employed since 1984. Shop steward at NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).
Other assignments: Member of SEKO's Road and Rail Department in Skåne. Senior shop steward of the paving section in Skåne.
Shareholding in NCC AB: 0 shares.

Auditors – Ernst & Young AB
Mikael Ikonen

Auditor-in-charge. Born 1963.
Other significant assignments: auditor of D. Carnegie AB, Corem Property Group, Tribona AB and Hemsö Fastighets AB.

Secretary of the Board
Håkan Broman

Born 1962.
General Counsel at NCC AB. NCC AB's Board Secretary since 2009.
Shareholding in NCC AB: 4,386 Series B shares.

Group Management









PETER WÅGSTRÖM

Born 1964. President and CEO since 2011. Employed by NCC since 2004. Previous experience: Business Area Manager of NCC Housing (2009–2010) and NCC Property Development (2007– 2008), Head of NCC Property Development's Swedish operations (2004–2006), various management positions in Drott (currently Fabege) (1998–2004) and various positions in Skanska's real estate operations (1991–1998).
Other assignments: Board member of Stockholm Chamber of Commerce.
Shareholding in NCC AB: 41,946 Series B shares (including related-party holdings).

MATTIAS LUNDGREN

Born 1971. Chief Financial Officer since January 1, 2016. Employed by NCC since 1998.
Previous experience: Head of Mergers & Acquisitions and Strategy (2015), Head of NCC Housing Sweden 2012–2015 and various business development roles in NCC.
Shareholding in NCC AB: 1,703 Series B shares

HARRI SAVOLAINEN

Born 1971. Head of Operational Support since January 1, 2017. Employed by NCC since 2001.
Previous experience: Division Manager of NCC Building Finland and Business Area Manager of NCC Construction Finland, among other positions.
Other assignments: Board member of Ömsesidiga Pensionsförsäkringsbolaget Etera and Delegate of the Helsinki Chamber of Commerce.
Shareholding in NCC AB: 3,983 Series B shares.

SVANTE HAGMAN

Born 1961. Head of NCC Infrastructure since January 1, 2016. Employed by NCC since 1987.
Previous experience includes: Business Area Manager of NCC Construction Sweden (2012–2015), Head of NCC Housing (2011–2012), Head of Stockholm/Mälardalen Region at NCC Construction Sweden and Head of Market and Business Development at NCC Construction Sweden.
Other assignments: Board member of Swedish Construction Federation.
Shareholding in NCC AB: 11,435 Series B shares.

KLAUS KAAE

Born 1959. Head of NCC Building since January 1, 2016. Employed by NCC since 1985.
Previous experience includes: Business Area Manager of NCC Construction Denmark (2012–2015) and Vice President of NCC Construction Denmark (2009–2012). Executive Director of NCC Construction Denmark 2002–2009.
Other assignments: Member of the Board of Dansk Byggeri.
Shareholding in NCC AB: 6,074 Series B shares.

CAROLA LAVÉN

Born 1972. Head of NCC Property Development since 2013. Employed by NCC since 2013.
Previous experience includes Business Development Director at Atrium Ljungberg (2006–2013), Business Development Director at Ljungberg-Gruppen (2003–2006), Property Manager for Stockholm/Uppsala at Drott (1998–2003) and Property Manager for Skanska (1995–1998).
Shareholding in NCC AB: 2,404 Series B shares.

ANN LINDELL SAEBY

Born 1962. SVP Corporate Relations since January 1, 2016. Employed by NCC since 2012.
Previous experience includes Senior Vice President Corporate Communications at NCC (2012–2015), Senior Vice President Corporate Communications at Fortum (2004–2012) and communications consultant and partner at Kreab Gavin Anderson (1998–2004).
Shareholding in NCC AB: 3,103 Series B shares.

HÅKAN BROMAN

Born 1962. General Counsel in NCC AB since 2009. Employed by NCC since 2000.
Previous experience includes: corporate lawyer at NCC International Projects and NCC Property Development (2000– 2008), corporate lawyer at ABB/Daimler Chrysler Transportation (1996– 2000), lawyer at Ekelunds advokatbyrå (1993–1996), positions in Swedish court system (1991–1993), active in the European International Contractors (EIC) (2001–2010) and Member of the Board (2008–2010).
Shareholding in NCC AB: 4,386 Series B shares.

JYRI SALONEN

Born 1965. Head of NCC Industry since January 1, 2016. Employed by NCC since 2007.
Previous experience includes Business Area Manager of NCC Roads (2015), Division Manager of NCC Roads Services (2014), Business Unit Manager of NCC Roads in Finland (2009–2013), various positions at ExxonMobil and Esso in Finland.
Shareholding in NCC AB: 2,255 Series B shares.

Changes in Executive Management Team 2017:
Effective January 1, 2017, Harri Savolainen was appointed Head of Operational Support at NCC and member of the EMT. Operational Support is a new function that includes IT and Management Systems, R&D and Purchasing. Peter Gjörup remains in his current position as Head of Purchasing but left the EMT due to the new organizational structure.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2016.

Financial information and contact details

NCC will publish financial information regarding the 2017 fiscal year on the following dates:

April 5	Annual General Meeting
April 28	Interim report, January–March
July 19	Interim report, January–June
October 26	Interim report, January–September
January 2018	Year-end report 2017

NCC's interim reports are downloadable from the NCC Group's website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 2009 and annual reports dating back to 1996. NCC does not print or distribute its interim reports. The printed Annual Report is sent to those who request it.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are relevant financial figures. NCC's press releases are available on the website.

NCC's financial information can be ordered either by using the order form available on the www.ncc.se website, by e-mailing ir@ncc.se, writing to NCC AB, SE-170 80 Solna, Sweden, or calling NCC AB at +46 8 585 510 00. The person at the NCC Group responsible for shareholder-related issues and financial information is Johan Bergman, IR Manager (Tel: +46 8 585 523 53; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 4:30 p.m. CET on April 5, 2017.

Location: Musikhögskolan (Royal College of Music), Valhallavägen 105, Stockholm. Notification can be made via NCC's website www.ncc.se, by regular mail to NCC AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, or by telephoning +46 8 402 92 54 not later than March 30, 2017. Notification should include name, personal identification number/corporate registration number, address, telephone number and details of any accompanying advisors.

Registration at the Meeting will begin at 3:30 p.m. The official notification of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- and Inrikestidningar on February 28, 2017. Confirmation that the official notification had been issued was announced the same day in Dagens Nyheter and Svenska Dagbladet.

NCC AB (publ), Corp. Reg. No. 556034-5174,
Registered Head Office: Solna.
Addresses to the companies in the NCC Group are available at www.ncc.se.

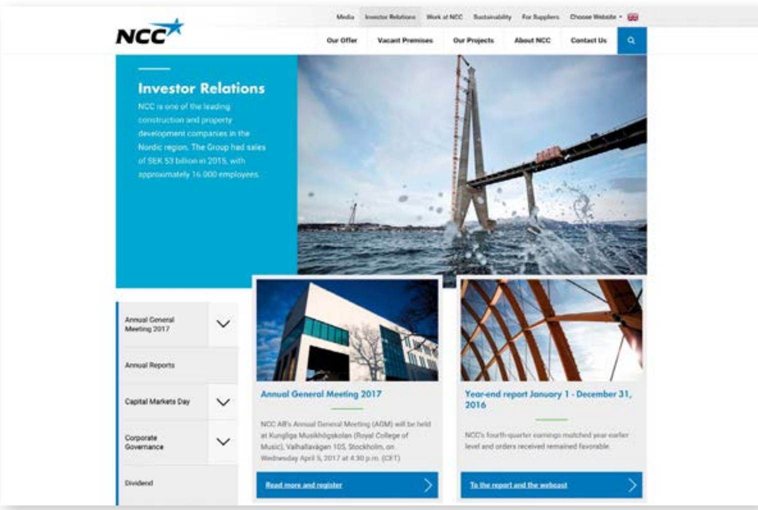
SHAREHOLDER INFORMATION ON NCC.SE

All financial information concerning the NCC Group and everything that concerns you as a NCC shareholder is available on NCC's website under the Investor Relations tab.

SHAREHOLDER SERVICE. From our Shareholder Service, you can subscribe for the information you would like to receive and also decide the format in which you will receive it, on paper or by e-mail.

SHARE-PRICE INFORMATION Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

LIST OF ANALYSTS. Here, you will find a list of the analysts who regularly monitor NCC and their expectations of the company.



MORE INFORMATION/ CONTACT PERSON.

Johan Bergman IR Manager
Tel: +46 8 585 523 53,
E-mail: ir@ncc.se

Definitions/glossary

FINANCIAL KEY FIGURES

Share of risk-bearing capital: Sum total of shareholders' equity and deferred tax liabilities as a percentage of total assets.

Return on shareholders' equity: Profit after financial items including results from participations in associated companies following the reversal of interest expense in relation to average capital employed. Return on capital employed is used to optimize the Group's capital allocation and value generation.

Return on capital employed: Profit after financial items including results from participations in associated companies following the reversal of financial expenses as a percentage of average capital employed.

Dividend yield: Dividend as a percentage of the market price at year-end.

Operating net: Profit from property management before depreciation.

Average period of fixed interest: The remaining period of fixed interest weighted by interest-bearing liabilities outstanding.

Average shareholders' equity: Average of the balances at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate: Net sales divided by average capital employed.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classed as current assets.

Net indebtedness: Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net sales: The net sales of construction operations are recognized in accordance with the percentage-of-completion principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. For NCC Housing, net sales are recognized when a housing unit is transferred to the end customer. Property sales are recognized on the date when significant risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as are finished properties included in inventory.

Order backlog: Period-end value of remaining non-worked-up project revenues for projects received, including proprietary projects for sale that have not been completed.

P/E ratio: Year-end market price of the shares, divided by earnings per share after taxes.

Earnings per share, after taxes: Net profit for the year attributable to NCC shareholders divided by the weighted number of shares during the year in question.

Interest-coverage ratio: Profit after financial items following the reversal of financial expense divided by financial expense.

Operating margin: Operating profit as a percentage of net sales.

Debt/equity ratio: Net indebtedness divided by shareholders' equity.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

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

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Closing date interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

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

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

Buyback of company shares (treasury shares) in share data: Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.

SECTOR-RELATED DEFINITIONS

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

Development rights: Estimated possibility to develop a site. With respect to housing, a development right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site concerned is a prerequisite for being granted access to a development right. For commercial properties, development rights are measured in square meters.

Detailed development plan: Municipal plan for the use of land in a certain area, which is legally binding and can form the basis for granting building permits.

Required yield: The yield required by purchasers in connection with acquisitions of property and housing projects. Operating revenues less operating and maintenance expenses (operating net) divided by the investment value.

Proprietary project: When NCC, for its own development purposes, acquires land, designs a project, conducts construction work and then sells the project. Pertains to both housing projects and commercial property projects.

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

Function contract: Usually a multi-year contract in which the customer imposes functional requirements rather than detailed requirements concerning materials and design.

Buildings/other buildings: In descriptions of operations, this term pertains in part to commercial buildings, mainly offices, retail outlets, shopping malls, garages, hotels and industrial buildings and in part to public premises and buildings such as hospitals, schools, healthcare and care facilities and public administration buildings.

NCC Partnering: A cooperation format applied in the construction and civil engineering industry, whereby the client, consultants and contractor establish open and trusting cooperation at an early stage of the process based on shared goals, joint activities and joint financial targets in order to optimize the project.

Platforms: Group-wide standardized technical solutions. Have been developed for everything from sports arenas, offices, logistics facilities and bridges to single-family and multi-family housing.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

VDC: Virtual Design and Construction.

General plan: Municipal plan for the use of land in a certain area, which is not legally binding and normally necessitates being followed up and defined in greater detail in detailed development plans.

Production: NCC and Solberg.

Translation: The Bugli Company.

Photographers: Klas Andersson p.3, 22. Carina Gran p.41. Peter Hoelstad/Agent Molly p.4. Ulf Huett p.40. Sten Jansin p.8, 112, 114. Ricke Johansson p.31. Joakim Kröger p.3, 7, 26, 32, 36, 43, cover. Lund+Slaatto Arkitekter p.34. Erik Mårtensson p.3, 8, 27, 29, Carolin Freiholtz/Omelettfoto p.44. Pontus Orre p.18. Peter Svenson p.15.

Printing: Göteborgstryckeriet.

MILJÖMÄRKT 3041 0250 Trycksak

FSC www.fsc.org MIX Papper från ansvarsfulla källor FSC® C021184

NCC is one of the leading construction and property development companies in the Nordic region, with sales of SEK 53 billion and 17,000 employees. With the Nordic region as its home market, NCC is active throughout the value chain – developing commercial properties and constructing housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure.

NCC also offers input materials used in construction and accounts for paving and road services. NCC creates future environments for working, living and communication based on responsible construction operations that result in sustainable interaction between people and the environment.

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