

Press release

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NCC increases provisions in construction and civil engineering projects and reduces overhead costs

NCC's earnings for the fourth quarter will be charged with SEK 315 million for increased provisions in construction and civil engineering projects. This adjustment entails that the project portfolios in the construction and civil engineering operations will have a lower and more balanced risk. Earnings will also be charged with SEK 75 million regarding restructuring costs for reducing overhead costs and severance pay for the former CEO. Operating profit for the fourth quarter is expected to be close to zero.

The Acting Business Area Manager of NCC Infrastructure, Göran Landgren has endeavored to turn around the business area's weak earnings trend since the start of September. Following a review of both completed and ongoing projects, a need to establish provisions has now been identified ahead of the closing of the annual accounts. A revaluation of the ongoing project portfolio of SEK 260 million will be charged to the business area's earnings in the fourth quarter, of which SEK 150 pertains to road and land projects and SEK 110 million to major civil engineering projects. NCC Infrastructure is expected to report an operating loss of approximately SEK 100 million for the fourth quarter.

Earnings for the NCC Building business area will also be charged with SEK 55 million in the fourth quarter for provisions in construction projects, primarily attributable to the Danish operations. Operating profit is expected to amount to approximately SEK 200 million for the fourth quarter.

The higher provisions mean that the project portfolios in NCC's construction and civil engineering operations will have a lower and more balanced risk. These provisions do not impact fourth-quarter cash flow.

As stated in the most recent interim report, NCC will apply the new accounting standard IFRS 15 Revenue from Contracts with Customers from January 1, 2018. An analysis of the effects of the standard is in progress and will be presented in the year-end report.

NCC Industry is expected to report operating profit in line with the fourth quarter of 2016.

As previously announced, NCC Property Development has no property projects to recognize in profit in the fourth quarter, thus yielding an operating loss of about SEK -50 million.

NCC's overhead costs are too high at the current rate of growth and these costs will thus be reduced, resulting in annual savings of approximately SEK 200 million. The purpose of the cost reduction is to ensure an overhead cost level of a maximum of 5 percent of sales. Restructuring costs of approximately SEK 75 million will be charged against earnings for the fourth quarter. These restructuring costs also include severance pay for the former CEO.

In 2015, NCC launched a new strategy with the target of annual sales growth of 5 percent and improving the operating margin from 3 to at least 4 percent.

“For our strategy to be successful, our construction and civil engineering operations must perform well. These operations have delivered on targets for orders received but earnings have been weak. Focus going forward will be concentrated to improving profitability and maintaining the growth ambitions of the strategy plan is not a priority. Alongside improving profitability, work environment and safety are key priorities,” says Håkan Broman, Acting President and CEO of NCC AB.

A teleconference will be held today, Wednesday, December 13 at 8:30 a.m. NCC’s Acting President and CEO, Håkan Broman, and CFO, Mattias Lundgren, will respond to questions. To participate in this teleconference, call +46 8 519 993 55 (SE), +44 203 194 05 50 (UK) or +1 855 269 26 05 (US).

All other information related to the fourth quarter of 2017 will be presented in NCC’s 2017 year-end report on January 25, 2018.

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This is the type of information that NCC is obligated to disclose pursuant to the EU Market Abuse Regulation. The information was issued for publication through the agency of the contact persons set out above on December 13, 2017, at 7:00 a.m. CET.

About NCC. Our vision is to renew our industry and provide superior sustainable solutions.

NCC is one of the leading companies in construction, infrastructure and property development in the Nordic region, with sales of SEK 53 billion and 17,000 employees in 2016. The NCC share is listed on Nasdaq Stockholm.