

# Interim report

January 1 - September 30, 2018

## Comprehensive analysis impacted earnings

- Orders received amounted to SEK 12,738 M (12,738) in the third quarter and to SEK 44,093 M (40,554) for the January-September period
- Net sales amounted to SEK 14,269 M (13,075) in the third quarter and to SEK 39,513 M (38,168) for the January-September period
- The result after financial items amounted to a negative SEK 1,133 M (pos: 339) for the third quarter and to a negative SEK 1,078 M (pos: 1,048) for the January-September period. Earnings in the third quarter were charged with revaluations in the amount of SEK 1,565 M
- The result after tax amounted to a negative SEK 955 M (pos: 283) in the third quarter and a negative SEK 910 M (pos: 881) for the January-September period
- Earnings per share after dilution amounted to negative SEK 8.87 (pos: 2.59) in the third quarter and to negative SEK 8.47 (pos: 8.11) for the January-September period

Group, SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Orders received	12,738	12,738	44,093	40,554	60,316	56,777
Order backlog	56,587	52,175	56,587	52,175	56,587	51,734
Net sales	14,269	13,075	39,513	38,168	55,786	54,441
Operating profit/loss	-1,108	364	-1,020	1,118	-1,063	1,075
Profit/loss after financial items	-1,133	339	-1,078	1,048	-1,142	983
Net profit/loss for the period	-955	283	-910	881	-913	877
Profit/loss per share after dilution, SEK	-8.87	2.59	-8.47	8.11	-8.51	8.07
Cashflow before financing	-574	443	-3,099	117	-1,856	1,361
Equity/asset ratio, %	11	18	11	18	11	19
Net cash +/- net indebtedness -	-4,169	-884	-4,169	-884	-4,169	-149

For definitions of key figures, see [www.ncc.group/Investor-relations/Financial-data/Financial-definitions](http://www.ncc.group/Investor-relations/Financial-data/Financial-definitions)

Comparative figures for NCC Building and NCC Infrastructure have been recalculated due to the introduction of new accounting policies according to IFRS 15; also refer to Note 1 Accounting Policies

## CEO Tomas Carlsson comments

Earnings for the third quarter were strongly impacted by the consequences of the comprehensive analysis of NCC's operations that was completed and communicated on October 16 by press release and a capital markets meeting, refer to ncc.se. Quarterly earnings were charged with provisions for claims and warranties, the revaluation of certain development properties and impairment losses totaling SEK 1,565 M. NCC's result after financial items amounted to a negative SEK 1,133 M (pos: 339) in the third quarter and to a negative SEK 1,078 M (pos: 1,048) for the January–September period.

### Actions for higher profitability

We have initiated extensive measures in all business areas to strengthen profitability. These measures include:

- Processes for the divestment and closure of unprofitable operations
- Turnaround plans for the civil engineering operations in Norway and for the Building Nordics business area
- A strengthened organization with new recruitments to key positions, training initiatives and the development of control and follow-up processes to achieve general improvement
- An enhanced process for the risk assessment of projects.

These measures that have now been decided will probably entail further restructuring costs of approximately SEK 200 M until the end of 2019.

### Market

The market is generally favorable and we had a healthy level of orders received both during the quarter and in the January–September period. The order backlog was added to during the year and amounted to SEK 56.6 billion (52.2) at the end of the quarter.

### Fewer financial objectives

The Board of Directors has decided to reduce the number of objectives for the Group in order to give greater clarity and focus on profitability ahead of volume. Among other measures, the growth target is being removed, read more on page 10.

### New baseline

We are now lowering the risk level associated with the Group's project portfolio and balance sheet, discontinuing certain unprofitable operations and focusing on NCC's healthy core operations that can be found in all business areas and countries. With a new Executive Team in place, a consistent approach to risk management in projects and extensive measures to improve profitability to turn around non-performing operations, we are creating a platform on which to build a strong future for NCC.

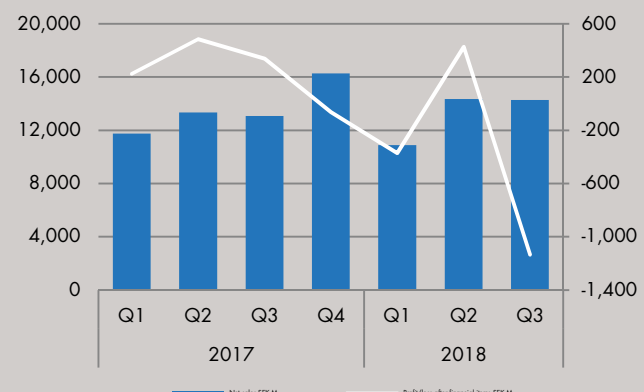


Tomas Carlsson, President and CEO  
Solna, October 25, 2018

Order backlog



Net sales and result after financial items



## Group performance

The period January–September 2018

### Orders received and order backlog

Orders received amounted to SEK 12,738 M (12,738) in the third quarter and to SEK 44,093 M (40,554) for the January–September period. The higher number of orders received this year is mainly a result of first-quarter increases in NCC Infrastructure and NCC Building. Changes in exchange rates increased orders received by SEK 712 M (317) during the period.

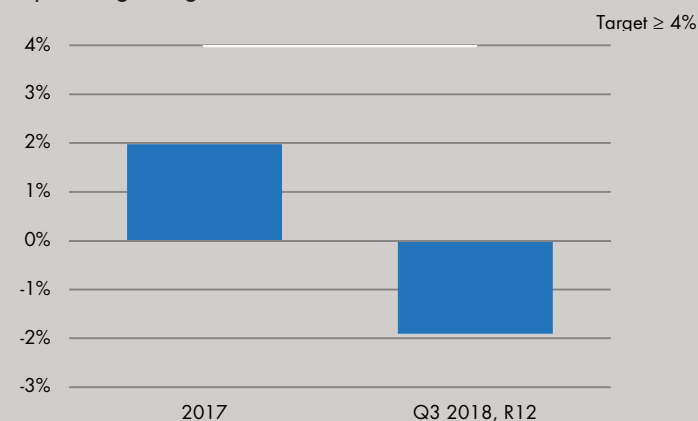
The Group's order backlog was SEK 56,587 M (52,175), an increase that is mainly due to the increase in orders received in the first quarter within NCC Infrastructure and NCC Building. Changes in exchange rates increased the value of the order backlog by SEK 1,048 M (neg: 88).

### Net sales and earnings

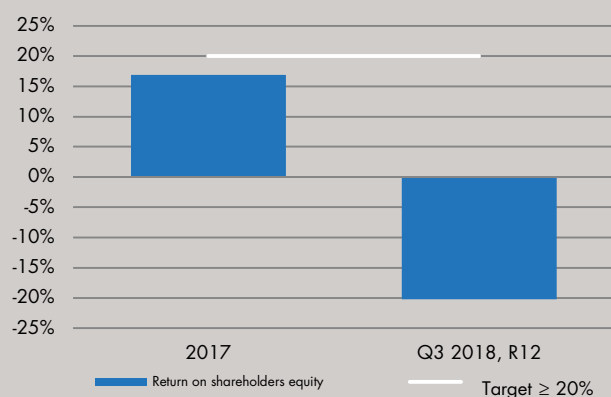
Net sales amounted to SEK 14,269 M (13,075) in the third quarter and to SEK 39,513 M (38,168) for the January–September period. The increase in net sales in the third quarter was driven mainly by Building, but all of the business areas noted higher net sales than in the preceding year. Changes in exchange rates had a positive impact of SEK 688 M (370) on sales during the period.

NCC's operating result amounted to a negative SEK 1,108 M (pos: 364) in the third quarter and a negative SEK 1,020 M (pos: 1,118) for the January–September period. Earnings for the quarter were charged with the revaluation of claims and warranties in an amount of SEK 693 M, revaluation of development properties in an amount of SEK 363 M due to decisions to discontinue projects, impairment losses in the project portfolio as a result of revaluation of SEK 225 M, restructuring costs for the discontinuation and restructuring of operations in an amount of SEK 75 M and other revaluations of SEK 209 M. In total, earnings were charged in the amount of SEK 1,565 M. The preceding year's earnings were charged with impairment losses on one projects of SEK 150 M.

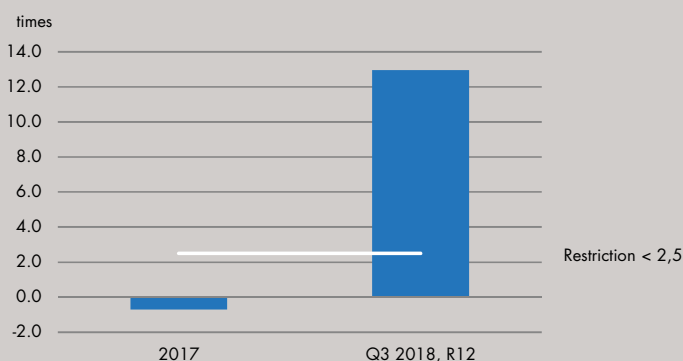
Operating margin



Return on equity



Net indebtedness (excl. pension debt)/EBITDA



Net financial items were an expense of SEK 58 M (expense: 70) for the January–September period. Net financial items were favorably impacted by positive interest rate effects on loans and investments, lower credit margins and higher capitalization of interest rates for NCC Property Development. However, net indebtedness increased year-on-year, which adversely affected net financial items.

## Cash flow

Cash flow from operating activities was a negative SEK 2,436 M (pos: 676) for the January–September period. The change in working capital was mainly attributable to reduced earnings from the sale of property projects during the period and increased investments in development properties. In the preceding year, Torsplan 2, among other properties, was sold at a high profit. The period's revaluations charged to earnings did not have a negative impact on the cash flow for the period. Total cash and cash equivalents at the end of the period amounted to SEK 585 M (2,414).

The Group's net indebtedness at September 30 amounted to a negative SEK 4,169 M (neg: 884). The low profit level in the quarter meant that the restriction (<2.5 times EBITDA) was exceeded due to the revaluations carried out in the third quarter. The debt/equity ratio will be affected by this for the next four quarters.

The Group's total assets amounted to SEK 28,574 M (27,557) at September 30.

The average maturity period for interest-bearing liabilities, excluding pension debt according to IAS 19, was 25 months (33) at the end of the quarter. At the same date, NCC's unutilized committed lines of credit totaled SEK 3.6 billion (3.4), with an average remaining maturity of 35 (46) months.

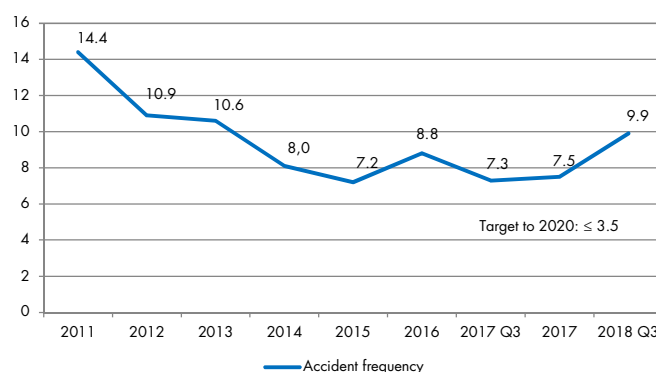
## Capital employed

The capital employed at September 30 amounted to SEK 8,254 (9,100), a decrease mainly due to the revaluations charged to earnings. The return on capital employed was negative 11 percent (pos: 20) in the third quarter.

## Safety

Safety has a high priority and NCC has a zero vision with respect to worksite accidents. NCC's target is for the accident frequency rate to be less than 3.5 in 2020. On a rolling 12-month basis, the accident frequency rate increased during the third quarter of 2018 compared with the corresponding quarter in 2017. The accident frequency rate increased in NCC Infrastructure and NCC Industry, while NCC Building had a lower accident frequency rate on a rolling 12-month basis.

Accident frequency



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

	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Net indebtedness, SEK M				
Net indebtedness, opening balance	-149	-222	-884	-222
- Cash flow from operating activities	-2,436	676	-954	2,158
- Cash flow from investing activities	-663	-559	-902	-797
Cash flow before financing	-3,099	117	-1,856	1,361
Acquisition/Sale of treasury shares	-11	-4	-11	-4
Change of provisions for pensions	-513	-440	-471	-399
Currency exchange differences in cash and cash equivalents	35	-10	25	-20
Paid dividend	-433	-324	-973	-865
Net cash + /net indebtedness - closing balance	-4,169	-884	-4,169	-149
- Whereof provisions for pensions	1,920	1,448	1,920	1,407
- Net indebtedness excluding provisions for pensions	-2,249	564	-2,249	1,258



# NCC Building

The period January–September 2018

## Market

The market conditions are generally favorable. The economies in the Nordic countries are stable with rising GDP. Changed demography and expanding cities are driving the demand for schools, hospitals and homes for the elderly. The market for refurbishment is favorable in Denmark and Finland. Demand for new production of housing cooperative apartments has fallen in Sweden. Customers' demands for long-term partnerships and early involvement are increasing.

## Orders received and order backlog

Orders received declined to SEK 4,882 M (5,538) in the third quarter and to SEK 16,934 M (18,281) for the January–September period. The change in the third quarter is primarily attributable to lower orders received in Sweden compared with the year-earlier period.

The order backlog amounted to SEK 28,545 M (30,358) at the end of the period.

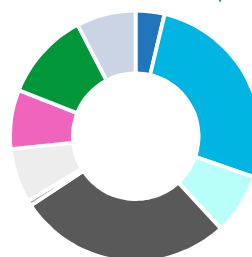
## Net sales and earnings

Net sales increased in the third quarter to SEK 6,101 M (5,319) and to SEK 18,677 M (17,085) for the January–September period. The increase derived from Sweden.

The operating result amounted to a negative SEK 107 M (pos: 89) in the third quarter and to a positive SEK 196 M (pos: 234) for the January–September period. Earnings for the quarter were lower than in the preceding year primarily due to revaluations totaling SEK 295 M, of which revaluations of claims and warranties accounted for SEK 191 M, restructuring costs for SEK 14 M and other revaluations for SEK 90 M. The Swedish operations displayed healthy underlying profitability, excluding revaluations. The Building business area was split into Building Sweden and Building Nordics as of October 1. Building Nordics will focus on a number of profitability-enhancing turnaround plans.

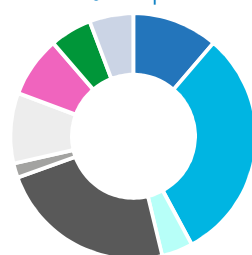
## Product mix

Orders received Jan-Sep



- Offices 4 (7)%
- Residential 26 (34)%
- Industry/Logistics 8 (3)%
- Refurbishment/Conversion 27 (25)%
- Retail 1 (2)%
- Health Care 7 (7)%
- Educational 8 (8)%
- Public Buildings 11 (8)%
- Other 8 (6)%

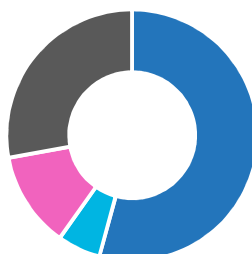
Net sales Jan-Sep



- Offices 11 (8)%
- Residential 31 (38)%
- Industry/Logistics 4 (3)%
- Refurbishment/Conversion 23 (21)%
- Retail 2 (3)%
- Health Care 9 (7)%
- Educational 8 (10)%
- Public Buildings 5 (4)%
- Other 6 (6)%

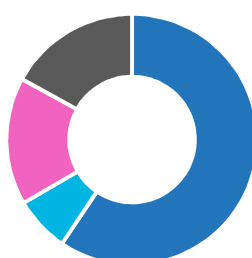
## Geographical breakdown

Orders received Jan-Sep



- Sweden 54 (69)%
- Norway 6 (5)%
- Denmark 12 (12)%
- Finland 28 (14)%

Net sales Jan-Sep



- Sweden 60 (57)%
- Norway 7 (8)%
- Denmark 16 (13)%
- Finland 17 (22)%

NCC Building, SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Orders received	4,882	5,538	16,934	18,281	23,614	24,961
Order backlog	28,545	30,358	28,545	30,358	28,545	29,628
Net sales	6,101	5,319	18,677	17,085	26,214	24,622
Operating profit/loss	-107	89	196	234	371	409
<b>Financial target:</b>						
Operating margin, % <sup>1)</sup>	-1.8	1.7	1.0	1.4	1.4	1.7

<sup>1)</sup> Target: operating margin  $\geq$  3.5%

# NCC Infrastructure

The period January–September 2018

## Market

Public infrastructure initiatives are driving the Nordic market and leading to significant national differences with strong growth in Norway and Sweden. The share of major projects in excess of SEK 100 M is increasing.

## Orders received and order backlog

Orders received increased to SEK 5,423 M (5,158) in the third quarter and to SEK 18,660 (14,638) for the January–September period. The increase in orders received in the third quarter was mainly attributable to the Civil Engineering Norway division securing the Venjar Eidsvoll railway project, with an order value SEK 1.7 billion.

The order backlog increased to SEK 24,923 M (18,792) at the end of the period.

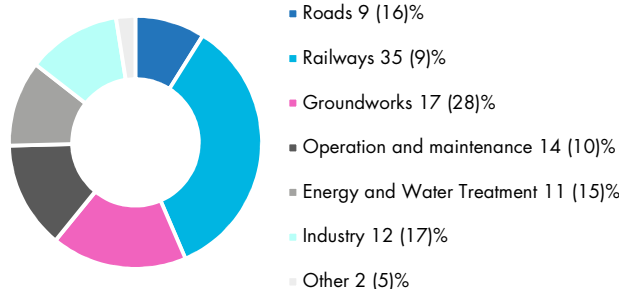
## Net sales and earnings

Sales amounted to SEK 4,515 M (4,472) in the third quarter and to SEK 13,799 M (12,375) for the January–September period. The increase in the January–September period was the result of higher sales in both the Civil Engineering Sweden division and the Infra division.

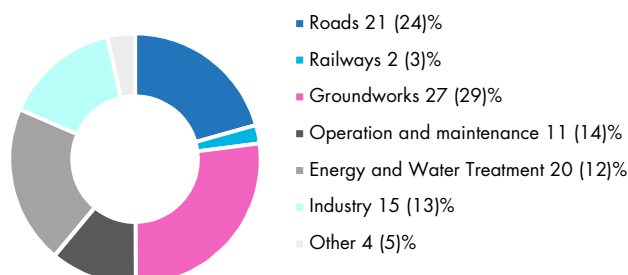
The operating result amounted to a negative SEK 883 M (neg: 65) in the third quarter and to a negative SEK 843 M (neg: 61) for the January–September period. The operating result for the third quarter was charged with revaluations totaling SEK 727 M, of which revaluations of claims and warranties accounted for SEK 458 M, impairment losses in the project portfolio for SEK 225 M, restructuring costs and revaluation of a property for SEK 8 M and other revaluation for SEK 36 M. The preceding year's earnings were charged with revaluation of SEK 150 M. The operating result in Infrastructure was lower in all divisions, with the largest decline in earnings in Civil Engineering Norway and Road Services. A decision was taken to explore the possibilities of divesting the Road Services operation and accordingly, the division will be reported separately from the fourth quarter of 2018.

## Product mix

Orders received Jan-Sep

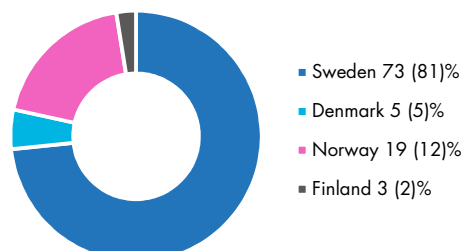


Net sales Jan-Sep

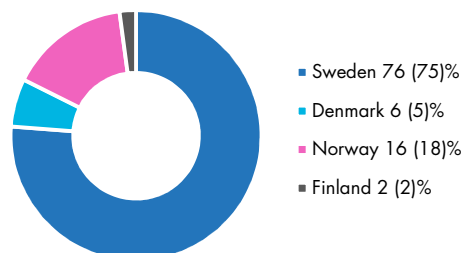


## Geographical breakdown

Orders received Jan-Sep



Net sales Jan-Sep



NCC Infrastructure, SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Orders received	5,423	5,158	18,660	14,638	25,750	21,727
Order backlog	24,923	18,792	24,923	18,792	24,923	19,682
Net sales	4,515	4,472	13,799	12,375	19,914	18,490
Operating profit/loss	-883	-65	-843	-61	-981	-198
<b>Financial target:</b>						
Operating margin, % <sup>1)</sup>	-19.6	-1.4	-6.1	-0.5	-4.9	-1.1

<sup>1)</sup> Target: operating margin  $\geq$  3.5%

# NCC Industry

The period January–September 2018

## Market

A strong civil engineering market is driving demand for asphalt and stone materials in Norway and Sweden. Sales of stone materials were boosted by high housing production and numerous infrastructure projects. The demand for asphalt is healthy, driven by such factors as higher funding of roads and increased maintenance. The market for asphalt in Denmark is weak.

## Net sales and earnings

Sales were higher and amounted to SEK 4,301 M (4,051) in the third quarter and to SEK 9,092 M (8,554) for the January–September period. The increase was due to higher sales in the asphalt operations, but also by a high level of activity in the Swedish and Danish stone materials operations. The higher sales in the asphalt operations did not impact earnings as the change was the result of higher asphalt prices, driven by higher bitumen and energy costs.

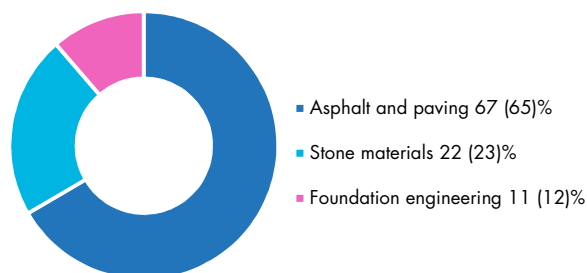
The operating result was a positive SEK 283 M (409) in the third quarter and a positive SEK 196 M (435) for the January–September period. Earnings for the quarter were charged with revaluations totaling SEK 115 M, of which revaluations of claims and warranties accounted for SEK 44 M, restructuring costs for SEK 3 M and other revaluations for SEK 68 M. Earnings in all divisions were lower than in the preceding year. The asphalt operations in Sweden and Norway displayed stable earnings, while Finland and Denmark's earnings declined due to intensifying competition. The stone materials operations' earnings were at a healthy level, excluding revaluations. Earnings in foundation engineering were impacted not only by revaluations, but also by lower sales in Sweden.

## Capital employed

Capital employed increased seasonally, and as a result of higher investments, by SEK 1.1 billion since year-end and amounted to SEK 5.5 billion.

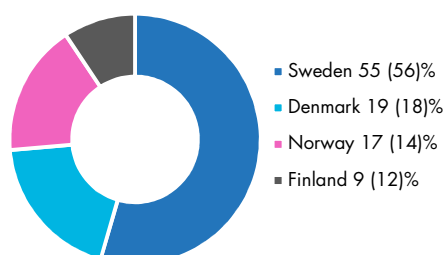
## Product mix

Net sales Jan-Sep



## Geographical breakdown

Net sales Jan-Sep



NCC Industry, SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Orders received	2,913	2,584	9,885	9,445	12,962	12,522
Order backlog	3,940	3,781	3,940	3,781	3,940	3,059
Net sales	4,301	4,051	9,092	8,554	12,931	12,393
Operating profit/loss	283	409	196	435	338	577
Capital employed	5,540	4,825	5,540	4,825	5,540	4,400
Stone materials, tons <sup>1)</sup>	7,347	8,364	21,736	22,476	30,558	31,298
Asphalt, tons <sup>1)</sup>	2,459	2,560	4,627	4,712	6,424	6,509
<b>Financial targets:</b>						
Operating margin, % <sup>2)</sup>	6.6	10.1	2.2	5.1	2.6	4.7
Return on capital employed, % <sup>3)</sup>					6.9	13.1

1) Sold volume

2) Target: operating margin  $\geq 4\%$

3) Target: return on capital employed  $\geq 10\%$

# NCC Property Development

The period January–September 2018

## Market

Transaction volumes in the Nordic region are at a high level. Low yield requirements from investors and high demand for modern and sustainable new premises provide favorable market conditions.

## Net sales and earnings

Net sales were SEK 397 M (168) in the third quarter and SEK 797 M (2,525) for the January–September period. During the third quarter, three projects were recognized in profit, the office project Alberga E in Finland and the logistics project Arendal 3 and retail project Mölndals Galleria in Sweden. During the third quarter of 2017, one project, Önskebrunnen in Sweden, was recognized in profit. During the January–September period, five projects (five) were recognized in profit. Land sales and gains from earlier sales made a positive contribution to earnings in the quarter.

The operating result amounted to a negative SEK 326 M (neg: 9) in the third quarter and to a negative SEK 326 M (pos: 650) for the January–September period. The preceding year's operating profit for the January–September period was impacted by a large, profitable project that was recognized in profit in Sweden during the first quarter of 2017. Earnings were affected by the revaluation of development properties in Norway, Denmark and Finland in an amount of SEK 363 M as a result of the decision to discontinue these.

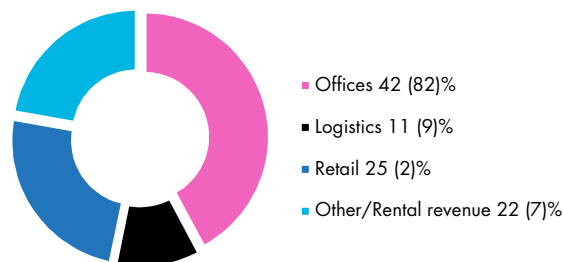
## Property projects

During the third quarter, three projects were recognized in profit. No project started construction during the period, but NCC and Platzer reached agreement during the quarter on the construction start of Gårda, an office and hotel project in Gothenburg, during the fourth quarter of 2018. During the quarter, NCC also acquired a property from ICA Fastigheter, with approximately 50,000 square meters of development rights for offices, retail and a hotel.

After the end of the quarter, the Fredriksberg 1 office project in Finland was sold and this sale will have a positive earnings impact in the fourth quarter of 2018.

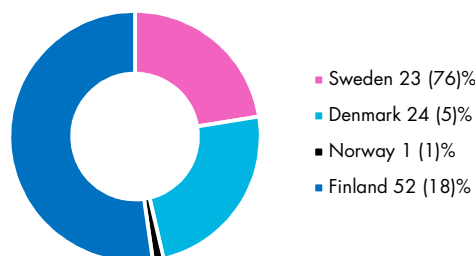
## Produktmix

Net sales Jan-Sep



## Geographical breakdown

Net sales Jan-Sep



Leasing in the January–September period totaled 17,800 square meters (40,500), of which 6,400 square meters (1,800) in the third quarter

At the end of the third quarter, 18 projects (18) were either ongoing or completed but not yet recognized in profit. The costs incurred in all projects amounted to SEK 2.7 billion (2.0), corresponding to a completion rate of 59 (43) percent. The leasing rate was 60 (53) percent. Operating net for the January–September period amounted to SEK 33 M (40) and to SEK 10 M (12) in the third quarter.

## Capital employed

The decline in the third quarter is attributable to the three projects recognized in profit and revaluations. Capital employed totaled SEK 4.4 billion at the end of the quarter.

NCC Property Development, SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Net sales	397	168	797	2,525	838	2,567
Operating profit/loss	-326	-9	-326	650	-374	601
Capital employed	4,383	3,836	4,383	3,836	4,383	4,086
Financial targets:						
Operating margin, % <sup>1)</sup>	neg	neg	neg	25.7	neg	23.4
Return on capital employed, % <sup>2)</sup>					neg	15.7

1) Target: operating margin  $\geq 10\%$

2) Target: return on capital employed  $\geq 10\%$



# NCC Property Development

Property development projects as of 2018-09-30 <sup>1)</sup>

## Ongoing Property development projects

Project	Type	Location	Sold, estimated recognition in profit	Comple- tion ratio, %	Lettable area (sqm)	Letting ratio, %
CH Vallensbæk 4.2	Office	Vallensbæk		9	4,500	0
Flintholm 2	Office	Copenhagen		44	9,300	100
Frederiks Plads 1	Office	Århus		88	5,200	81
Skejby CH Alfa	Office	Århus	Q1 2019	59	6,300	36
Zleep Hotel	Other	Århus	Q2 2019	33	3,200	100
<b>Total Denmark</b>				<b>50</b>	<b>28,500</b>	<b>69</b>
Laajasalo	Retail	Helsinki	Q4 2018	79	8,600	90
<b>Total Finland</b>				<b>79</b>	<b>8,600</b>	<b>89</b>
Lysaker PP11	Office	Bærum	Q1 2019	73	6,700	77
Valle 1	Office	Oslo		65	7,900	5
<b>Total Norway</b>				<b>69</b>	<b>14,600</b>	<b>39</b>
K11	Office	Solna		36	12,000	27
K12	Office	Solna		50	21,700	94
Brunna 4	Logistics	Upplands Bro		79	11,600	42
Multihuset	Other	Malmö		56	19,700	59
<b>Total Sweden</b>				<b>49</b>	<b>65,000</b>	<b>65</b>
<b>Total</b>				<b>54</b>	<b>116,700</b>	<b>65</b>

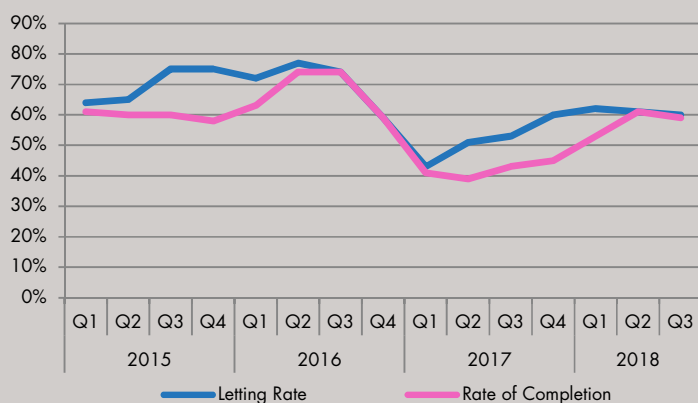
## Completed Property development projects

Project	Type	Location	Sold, estimated recognition in profit	Lettable area (sqm)	Letting ratio, %
CH Vallensbæk 4.1	Office	Vallensbæk		6,100	14
Kolding Retailpark	Retail	Kolding		3,000	0
Roskildevej	Retail	Taastrup		4,000	100
Viborg Retail II+III	Retail	Viborg		900	0
<b>Total Denmark</b>				<b>14,000</b>	<b>31</b>
Fredriksberg 1	Office	Helsinki	Q4 2018 <sup>2)</sup>	9,000	71
<b>Total Finland</b>				<b>9,000</b>	<b>71</b>
Stavanger Business Park 1	Office	Stavanger		9,200	31
<b>Total Norway</b>				<b>9,200</b>	<b>31</b>
<b>Total</b>				<b>32,200</b>	<b>45</b>

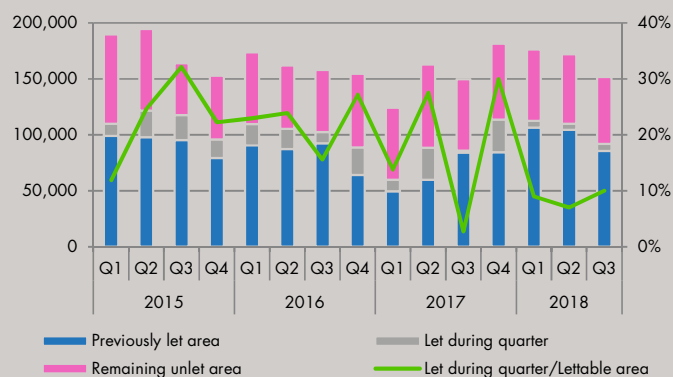
<sup>1)</sup> The table refers to ongoing or completed property projects that have not yet been recognized as revenue. In addition to these projects, NCC also focuses on rental (rental guarantees / additional purchase) in six previously sold and revenue recognized property projects, a maximum of approximately 30 MSEK.

<sup>2)</sup> Agreement on sales was signed October 1, 2018.

## Property projects



## Leasing



## Other

### Significant risks and uncertainties

An account of the risks to which NCC may be exposed is presented in the 2017 Annual Report (pages 46–47). This description remains relevant.

### Related-party transactions

Related parties are the Nordstjernan Group (including the associated company Bonava), NCC's subsidiaries, associated companies and joint arrangements. Related-party transactions were of a production nature. Related-party sales during the third quarter amounted to SEK 355 M (601) and purchases to SEK 10 M (6). Related party sales in the interim period amounted to SEK 1,404 M (2,291) and purchases to SEK 23 M (162).

### Seasonal effects

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

### Repurchase of shares

NCC AB holds 402,050 Series B treasury shares to meet its obligations pursuant to long-term incentive programs.

### New accounting policies

NCC is applying IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments effective January 1, 2018. Read more on page 16.

### Dividend

The 2018 Annual General Meeting resolved to approve a dividend of SEK 8.00 per share, divided into two payments. The first payment of SEK 4.00 per share took place in April. The second payment of SEK 4.00 per share will take place in November with the record date set as November 5, 2018.

### Changes in the business area structure

The NCC Building business area was split into two new business areas on October 1: NCC Building Sweden, with Henrik Landelius as Business Area Manager, and Building Nordics, with Klaus Kaae as Business Area Manager. The aim is to create better conditions for each unit to achieve profitable growth. Preliminary results for the new business areas were presented at the capital market meeting on October 16, see [ncc.se](http://ncc.se).

### Changes in the Executive Team

Susanne Lithander has been appointed new CFO of NCC. She will take up her new position on November 12. Susanne, born 1961, is currently CFO of BillerudKorsnäs, a position she has held for seven years. She was previously CEO of Mercuri International and worked in several roles at Ericsson. Current CFO Mattias Lundgren will remain in

his role until the end of October to complete the reporting of the third quarter and then leave the company.

Ylva Lageson, born 1971, is returning to NCC as Head of Operational Development and IT.

The Executive Team will comprise

- Tomas Carlsson, President and CEO
- Susanne Lithander, CFO (from November 12)
- Ylva Lageson, Head of Operational Development and IT
- Kenneth Nilsson, Head of NCC Infrastructure
- Klaus Kaae, Head of NCC Building Nordics
- Henrik Landelius, Head of Building Sweden
- Carola Lavén, Head of NCC Property Development
- Jyri Salonen, Head of NCC Industry

### Other significant events

NCC has been awarded the contract to construct the Venjar-Eidsvoll section of railway north of Oslo by Bane NOR. The order is valued at approximately SEK 1.7 billion.

### Events after the close of the quarter

On October 15, the Board of Directors resolved to reduce the number of objectives for the Group to give greater clarity and focus on profitability ahead of volume. The decided objectives and the dividend policy remain unchanged and are as follows: return on equity  $\geq 20\%$ , operating margin  $\geq 4\%$ , net indebtedness  $< 2.5$  times EBITDA. Dividend policy: The Group's dividend policy is to distribute at least 40% of after-tax profit for the year. The financial objectives for the business areas are unchanged. NCC also has a number of non-financial objectives that the company will continue to work toward as part of its efforts to generate long-term profitability.

### Reporting occasions

Year-end report 2018	January 30, 2019
2019 Annual General Meeting	April 9, 2019
Interim Report, Jan–Mar 2019	April 29, 2019
Interim report, Jan–Jun 2019	July 19, 2019
Interim report, Jan–Sep 2019	October 28, 2019

### Signatures

Solna, October 25, 2018

Tomas Carlsson  
*President and CEO*

# Auditors' review report

NCC AB (publ), Corp. Reg. No. 556034-5174

## Introduction

We have reviewed the condensed interim financial information (interim report) for NCC AB (publ) for September 30, 2018 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 25, 2018

PricewaterhouseCoopers AB

**Håkan Malmström**

Authorized Public Accountant

Auditor in Charge

Huvudansvarig revisor

**Ann-Christine Hägglund**

Authorized Public Accountant

## Condensed consolidated income statement

SEK M	Note 1	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Net sales		14,269	13,075	39,513	38,168	55,786	54,441
Production costs	Note 2, 3	-14,671	-12,167	-38,420	-35,043	-53,837	-50,460
<b>Gross profit</b>		<b>-402</b>	<b>908</b>	<b>1,093</b>	<b>3,125</b>	<b>1,949</b>	<b>3,981</b>
Selling and administrative expenses	Note 2, 3	-661	-550	-2,076	-2,017	-2,993	-2,933
Other operating income/expenses	Note 3	-46	4	-37	10	-20	26
<b>Operating profit/loss</b>		<b>-1,108</b>	<b>364</b>	<b>-1,020</b>	<b>1,118</b>	<b>-1,063</b>	<b>1,075</b>
Financial income		4	5	36	28	47	39
Financial expense <sup>1)</sup>		-29	-30	-94	-98	-126	-130
<b>Net financial items</b>		<b>-24</b>	<b>-25</b>	<b>-58</b>	<b>-70</b>	<b>-79</b>	<b>-91</b>
<b>Profit/loss after financial items</b>		<b>-1,133</b>	<b>339</b>	<b>-1,078</b>	<b>1,048</b>	<b>-1,142</b>	<b>983</b>
Tax		179	-55	168	-167	229	-106
<b>Net profit/ loss</b>		<b>-955</b>	<b>283</b>	<b>-910</b>	<b>881</b>	<b>-913</b>	<b>877</b>
<b>Attributable to:</b>							
NCC's shareholders		-959	281	-915	877	-920	872
Non-controlling interests		4	2	6	4	7	5
<b>Net profit/loss for the period</b>		<b>-955</b>	<b>283</b>	<b>-910</b>	<b>881</b>	<b>-913</b>	<b>877</b>
<b>Earnings per share</b>							
Before and after dilution							
Net profit/loss for the period, SEK		-8.87	2.59	-8.47	8.11	-8.51	8.07
<b>Number of shares, millions</b>							
Total number of issued shares		108.4	108.4	108.4	108.4	108.4	108.4
Average number of shares outstanding before and after dilution during the period		108.0	108.1	108.1	108.1	108.1	108.1
Number of shares outstanding at the end of the period		108.0	108.1	108.0	108.1	108.0	108.1

<sup>1)</sup> Whereof interest expenses for the period Jul.17 -Sep.18, amounting to SEK 108 M and for the period Jan.- Dec. 2017 amounting to SEK 107 M.

## Consolidated statement of comprehensive income

SEK M	Note 1	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Jul 17 - Sep. 18	2017 Jan.-Dec.
<b>Net profit/loss for the period</b>		<b>-955</b>	<b>283</b>	<b>-910</b>	<b>881</b>	<b>-913</b>	<b>877</b>
<b>Items that have been recycled or should be recycled to net profit/loss for the period</b>							
Exchange differences on translating foreign operations		-43	4	94	1	120	27
Change in hedging/fair value reserve		6	-2	-30	-2	-35	-7
Cash flow hedges		-20	27	15	-14	25	-3
Income tax relating to items that have been or should be recycled to net profit/loss for the period		3	-6	3	3	2	2
		<b>-56</b>	<b>23</b>	<b>81</b>	<b>-12</b>	<b>112</b>	<b>19</b>
<b>Items that cannot be recycled to net profit/loss for the period</b>							
Revaluation of defined benefit pension plans		-473	-88	-439	-392	-297	-250
Income tax relating to items that cannot be recycled to net profit/loss for the period		102	19	94	86	63	55
		<b>-372</b>	<b>-69</b>	<b>-345</b>	<b>-306</b>	<b>-234</b>	<b>-195</b>
<b>Other comprehensive income</b>		<b>-428</b>	<b>-45</b>	<b>-264</b>	<b>-317</b>	<b>-123</b>	<b>-176</b>
<b>Total comprehensive income</b>		<b>-1,382</b>	<b>237</b>	<b>-1,174</b>	<b>563</b>	<b>-1,037</b>	<b>701</b>
<b>Attributable to:</b>							
NCC's shareholders		-1,386	235	-1,180	559	-1,043	696
Non-controlling interests		4	2	6	4	7	5
<b>Total comprehensive income</b>		<b>-1,383</b>	<b>237</b>	<b>-1,174</b>	<b>563</b>	<b>-1,037</b>	<b>701</b>

## Condensed consolidated balance sheet

SEK M	Note 1	2018 Sep. 30	2017 Sep. 30	2017 Dec. 31
<b>ASSETS</b>				
Fixed assets				
Goodwill		1,891	1,844	1,848
Other intangible assets		347	338	335
Owner-occupied properties		878	844	880
Machinery and equipment		3,103	2,637	2,712
Long-term holdings of securities		120	129	129
Long-term interest-bearing receivables		197	536	575
Other long-term receivables		29	58	26
Deferred tax assets		782	202	338
<b>Total fixed assets</b>		<b>7,346</b>	<b>6,589</b>	<b>6,843</b>
Current assets				
Properties held for future development		1,777	1,725	1,696
Ongoing property projects		2,031	850	1,039
Completed property projects		535	714	870
Materials and inventories		913	773	764
Tax receivables		286	416	241
Accounts receivable		10,173	9,605	8,882
Worked-up, non-invoiced revenues		2,675	2,654	1,554
Prepaid expenses and accrued income		1,582	1,092	1,170
Current interest-bearing receivables		159	110	167
Other receivables		498	515	687
Short-term investments <sup>1)</sup>		10	101	41
Cash and cash equivalents		585	2,414	3,063
<b>Total current assets</b>		<b>21,227</b>	<b>20,969</b>	<b>20,174</b>
<b>Total assets</b>		<b>28,574</b>	<b>27,557</b>	<b>27,018</b>
<b>EQUITY</b>				
Share capital		867	867	867
Other capital contributions		1,844	1,844	1,844
Reserves		-32	-164	-113
Profit/loss brought forward, including current-year profit/loss		436	2,481	2,571
<b>Shareholders' equity</b>		<b>3,116</b>	<b>5,028</b>	<b>5,168</b>
Non-controlling interests		18	11	12
<b>Total shareholders' equity</b>		<b>3,133</b>	<b>5,038</b>	<b>5,179</b>
<b>LIABILITIES</b>				
Long-term liabilities				
Long-term interest-bearing liabilities		1,538	1,704	1,669
Other long-term liabilities		24	23	54
Provisions for pensions and similar obligations		1,920	1,448	1,407
Deferred tax liabilities		412	658	438
Other provisions		2,330	1,707	1,889
<b>Total long-term liabilities</b>		<b>6,224</b>	<b>5,540</b>	<b>5,456</b>
Current liabilities				
Current interest-bearing liabilities		1,663	893	919
Accounts payable		5,677	4,868	5,179
Tax liabilities		22	36	95
Invoiced revenues not worked-up		6,913	6,856	5,905
Accrued expenses and prepaid income		2,937	2,772	3,207
Provisions		31	7	24
Other current liabilities		1,974	1,548	1,052
<b>Total current liabilities</b>		<b>19,217</b>	<b>16,980</b>	<b>16,382</b>
<b>Total liabilities</b>		<b>25,441</b>	<b>22,520</b>	<b>21,838</b>
<b>Total shareholders' equity and liabilities</b>		<b>28,574</b>	<b>27,557</b>	<b>27,018</b>

<sup>1)</sup> Includes short-term investments with maturities exceeding three months, see also cash-flow statement.



## Condensed changes in shareholders' equity, Group

SEK M	Sep. 30, 2018			Sep. 30, 2017		
	Shareholders' equity	Non-controlling interests	Total shareholders' equity	Shareholders' equity	Non-controlling interests	Total shareholders' equity
<b>Opening balance, January 1<sup>st</sup></b>	<b>5,167</b>	<b>12</b>	<b>5,179</b>	<b>5,553</b>	<b>13</b>	<b>5,567</b>
Adjustment for changed accounting principle: IFRS 15 Income from agreements with customers				-220		-220
<b>Adjusted opening balance, January 1<sup>st</sup></b>	<b>5,167</b>	<b>12</b>	<b>5,179</b>	<b>5,333</b>	<b>13</b>	<b>5,347</b>
Total comprehensive income	-1,180	6	-1,174	559	4	563
Dividend	-865		-865	-864	-6	-870
Sale/Acquisition of treasury shares	-11		-11	-4		-4
Performance based incentive program	3		3	2		2
<b>Closing balance</b>	<b>3,116</b>	<b>18</b>	<b>3,133</b>	<b>5,028</b>	<b>11</b>	<b>5,038</b>

If the principles for accounting for pensions, IAS19, applied before 1 January 2013, had been used, the equity would have been SEK 2,574 M higher and net indebtedness SEK 1,920 M lower at September 30 2018.

## Condensed consolidated cash flow statement

SEK M	Note	2018 Jul.-Sep.	2017 Jul.-Sep.	2017 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
<b>OPERATING ACTIVITIES</b>							
Profit / loss after financial items		-1,133	339	-1,078	1,048	-1,142	983
Adjustments for items not included in cash flow		1,311	210	1,304	645	1,771	1,112
Taxes paid		-36	-72	-295	-305	-423	-432
<b>Cash flow from operating activities before changes in working capital</b>		<b>142</b>	<b>477</b>	<b>-69</b>	<b>1,388</b>	<b>206</b>	<b>1,664</b>
Divestment of property projects		326	63	585	1,524	691	1,630
Gross investments in property projects		-381	-332	-1,530	-837	-1,845	-1,152
Other changes in working capital		-508	468	-1,422	-1,399	-5	17
<b>Cash flow from changes in working capital</b>		<b>-564</b>	<b>200</b>	<b>-2,367</b>	<b>-712</b>	<b>-1,160</b>	<b>494</b>
<b>Cash flow from operating activities</b>		<b>-422</b>	<b>676</b>	<b>-2,436</b>	<b>676</b>	<b>-954</b>	<b>2,158</b>
<b>INVESTING ACTIVITIES</b>							
Acquisition/Sale of subsidiaries and other holdings	Note 4	12	-69	1	-73	-20	-95
Acquisition/Sale of tangible fixed assets		-160	-152	-632	-443	-833	-645
Acquisition/Sale of other fixed assets		-5	-13	-33	-43	-48	-58
<b>Cash flow from investing activities</b>		<b>-152</b>	<b>-233</b>	<b>-663</b>	<b>-559</b>	<b>-902</b>	<b>-797</b>
<b>Cash flow before financing</b>		<b>-574</b>	<b>443</b>	<b>-3,099</b>	<b>117</b>	<b>-1,856</b>	<b>1,361</b>
<b>FINANCING ACTIVITIES</b>							
<b>Cash flow from financing activities<sup>1)</sup></b>		<b>423</b>	<b>-184</b>	<b>586</b>	<b>-786</b>	<b>-19</b>	<b>-1,392</b>
<b>Cash flow during the period</b>		<b>-151</b>	<b>259</b>	<b>-2,513</b>	<b>-669</b>	<b>-1,874</b>	<b>-31</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>742</b>	<b>2,146</b>	<b>3,063</b>	<b>3,093</b>	<b>2,414</b>	<b>3,093</b>
Effects of exchange rate changes on cash and cash equivalents		-7	9	35	-10	46	1
<b>Cash and cash equivalents at end of period</b>		<b>585</b>	<b>2,414</b>	<b>585</b>	<b>2,414</b>	<b>585</b>	<b>3,063</b>
Short-term investments due later than three months		10	101	10	101	10	41
<b>Total liquid assets at end of period</b>		<b>595</b>	<b>2,515</b>	<b>595</b>	<b>2,515</b>	<b>595</b>	<b>3,104</b>

<sup>1)</sup> Of the total determined dividend SEK 865 M, SEK 433 M has been paid in April 2018 and SEK 432 M to be paid in November 2018.

## Parent Company condensed income statement

SEK M	Note 1	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Oct. 17- Sep. 18	2017 Jan.-Dec.
Net sales		32	55	113	133	169	188
Selling and administrative expenses		-139	-101	-296	-271	-428	-403
<b>Operating profit</b>		<b>-107</b>	<b>-46</b>	<b>-183</b>	<b>-138</b>	<b>-259</b>	<b>-215</b>
Result from financial investment							
Result from participations in Group companies		-623	-11	-188	618	-176	629
Result from financial current assets			11	12	12	12	12
Result from other financial fixed assets				1	4	1	4
Interest expense and similar items		-52	-4	-62	-14	-66	-19
<b>Result after financial items</b>		<b>-781</b>	<b>-50</b>	<b>-420</b>	<b>481</b>	<b>-489</b>	<b>411</b>
Appropriations					527	55	582
Tax		46	11	41	-81	32	-90
<b>Net profit/loss for the period</b>		<b>-735</b>	<b>-38</b>	<b>-379</b>	<b>927</b>	<b>-402</b>	<b>903</b>

The Parent Company consists primarily of head office functions plus a branch in Norway. Net sales pertain to charges to Group companies. The average number of employees was 52 (68). During the third quarter, earnings were charged with costs for departing personnel in an amount of SEK 33 M. In the same quarter, participations in Group companies were also impaired by SEK 623 M.

Total approved dividends to shareholders amount to SEK 865 M, of which SEK 433 M was paid in April. The remainder of SEK 432 M, will be paid in November 2018.

## Parent Company condensed balance sheet

SEK M	Note 1	2018 Sep. 30	2017 Sep. 30	2017 Dec. 31
<b>ASSETS</b>				
Fixed assets				
Intangible fixed assets			38	38
Tangible fixed assets		13	5	8
Financial fixed assets		4,185	4,422	4,729
<b>Total fixed assets</b>		<b>4,198</b>	<b>4,464</b>	<b>4,774</b>
Current assets				
Current receivables		507	251	402
Cash and bank balances			700	1,100
Treasury balances in NCC Treasury AB		536	1,770	863
<b>Total current assets</b>		<b>1,042</b>	<b>2,721</b>	<b>2,365</b>
<b>Total assets</b>		<b>5,241</b>	<b>7,186</b>	<b>7,139</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity		2,518	3,801	3,768
Untaxed reserves				
Provisions		9	9	9
Long term liabilities		2,046	2,048	2,049
Current liabilities		666	1,327	1,313
<b>Total shareholders' equity and liabilities</b>		<b>5,241</b>	<b>7,186</b>	<b>7,139</b>

# Notes

## Note 1. Accounting policies

### Group

This interim report has been compiled pursuant to IAS 34 Interim Financial Reporting. The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of prevailing accounting standards issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the EU.

The interim report has been prepared pursuant to the same accounting policies and methods of calculation as the 2017 Annual Report (Note 1, pages 58–67), apart from in respect of IFRS 15 and IFRS 9, which are being applied as of January 1, 2018 and which have the following impact on the financial statements (for a more detailed description, also refer to the descriptions in the note mentioned above).

### *IFRS 15 Revenue from Contracts with Customers*

NCC has identified two revenue streams where IFRS 15 has or could have a material impact on NCC's financial statements.

The first revenue stream concerns the Building and Infrastructure business areas and relates to contract modifications covering alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The requirement to report revenue in the aforementioned situations is higher under IFRS 15 than under IAS 11, in terms of both the documented right to, and probability of, payment from the customer.

The second revenue stream concerns the development of commercial properties in the Property Development business area and whether revenue is to be recognized over time (percentage of completion) or as previously at a specific time (when the property has been completed and handed over to the customer). NCC's analysis has been completed and NCC believes that revenue is normally to be recognized as before, meaning when the property is handed over to the customer. IFRS 15 is not deemed to have any material impact on prior years' revenue or during

the period January 1 – September 30, 2018.

The impact in 2017 of the transition to IFRS 15 for the Infrastructure and Building business areas is shown in the tables on the next page.

### *IFRS 9 Financial instruments*

IFRS 9 has introduced new rules governing areas including the recognition and measurement of financial instruments, impairment of financial instruments and hedge accounting.

NCC's analysis of the effects of IFRS 9 shows that the new rules do not impact the Group's financial position because IFRS 9 does not significantly impact measurement. Nor does IFRS 9 entail any significant effect on NCC's hedge accounting or – based on IFRS 9's methodology and NCC's history – on NCC's provisions for credit losses.

### *IFRS 16 Leasing*

NCC conducts an analysis of the impact of IFRS 16 Leasing by business area and country. The intention is to complete the analysis in the fourth quarter and any effects and quantification of these effects will be determined and communicated in the year-end report. NCC intends to recognize the effect of the transition to IFRS 16 as of January 1, 2019.

### Parent Company

The Parent Company has prepared its interim report pursuant to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The interim report for the Parent Company has been prepared in accordance with the same accounting policies and methods of calculation as the 2017 Annual Report (Note 1, pages 58–67), apart from IFRS 15 and the amendments of RFR 2 in terms of the application of the measurement of financial instruments using cost as the basis as of January 1, 2018. The application of these has had no impact on the financial statements.

## Note 1. Accounting policies (cont'd)

<b>INCOME STATEMENT</b>								
SEK M	2017 Jan.-Sep.	Change	IFRS15 Jan.-Sep. 2017	2017 Jan.-Dec.	Change	IFRS 15 Jan.-Dec. 2017		
Net sales	38,290	-122	38,168	54,608	-167	54,441		
Operating profit	1,240	-122	1,118	1,242	-167	1,075		
Tax	-194	27	-167	-141	35	-106		
<b>STATEMENT OF COMPREHENSIVE INCOME</b>								
Exchange differences on translating foreign operations	-1	0	-1	25	2	27		
Earnings per share before & after dilution	8.98	-0.87	8.11	9.29	-1.22	8.07		
<b>BALANCE SHEET</b>								
SEK M	2017 Sep.	Change	IFRS15 Sep. 2017	2017 Dec.	Change	IFRS 15 Dec. 2017	2017 1 Jan.	IFRS 15 1 Jan. 2017
<b>ASSETS</b>								
Deferred tax assets	110	92	202	239	99	338	97	163
Worked-up, non-invoiced revenues	2,772	-118	2,654	1,671	-117	1,554	1,737	1,704
<b>Total assets</b>	<b>27,584</b>	<b>-27</b>	<b>27,557</b>	<b>27,035</b>	<b>-17</b>	<b>27,018</b>	<b>25,315</b>	<b>25,348</b>
<b>EQUITY</b>								
Shareholders' equity	5,339	-313	5,028	5,516	-349	5,168	5,553	5,334
<b>Total shareholders' equity</b>	<b>5,350</b>	<b>-313</b>	<b>5,038</b>	<b>5,528</b>	<b>-349</b>	<b>5,179</b>	<b>5,566</b>	<b>5,346</b>
<b>LIABILITIES</b>								
Invoiced revenues not worked-up	6,570	286	6,856	5,574	331	5,905	4,355	4,608
<b>Total shareholders' equity and liabilities</b>	<b>27,584</b>	<b>-27</b>	<b>27,557</b>	<b>27,035</b>	<b>-17</b>	<b>27,018</b>	<b>25,315</b>	<b>25,348</b>

## Note 2. Depreciation/amortization

SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Jul 17 - Sep. 18	2017 Jan.-Dec.
Other intangible assets	-17	-17	-47	-49	-64	-65
Owner-occupied properties	-9	-8	-27	-22	-37	-31
Machinery and equipment	-171	-152	-509	-469	-661	-621
<b>Total depreciation</b>	<b>-197</b>	<b>-177</b>	<b>-583</b>	<b>-540</b>	<b>-761</b>	<b>-718</b>

## Note 3. Impairment losses

SEK M	2018 Jul.-Sep.	2017 Jul.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.	Jul 17 - Sep. 18	2017 Jan.-Dec.
Development projects	-135		-135		-135	
Property projects	-240		-240		-240	
Managed properties	-9		-9		-12	-3
Machinery and equipment	-13		-13		-13	-1
Goodwill within NCC Infrastructure	-36		-36		-36	
Other intangible assets	-39		-39	-3	-39	-3
<b>Total impairment expenses</b>	<b>-472</b>	<b>0</b>	<b>-472</b>	<b>-3</b>	<b>-476</b>	<b>-7</b>

## Note 4. Acquisition of operations

The Building business area acquired the construction company Jakobsen & Blindkilde via NCC A/S on April 1, 2018 and there-by gained a stronger position in Jutland but also in the rest of Denmark. The company has 75 employees and annual sales of about SEK 460 M.

The acquisitions had no material impact on the Group's earnings or financial position in the third quarter.

## Note 5. Segment reporting

SEK M

<b>July - September 2018</b>	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations <sup>1)</sup>	Group
Net sales, external	5,655	4,414	3,805	385	14,259	10	14,269
Net sales, internal	444	102	495	12	1,054	-1,054	
Net sales, total	6,101	4,515	4,301	397	15,313	-1,044	14,269
Operating profit	-107	-883	283	-326	-1,032	-75	-1,108
Net financial items							-24
Profit/loss after financial items							-1,133

<b>July - September 2017</b>	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations <sup>1)</sup>	Group
Net sales, external	5,070	4,397	3,454	152	13,075		13,075
Net sales, internal	249	74	597	15	935	-935	
Net sales, total	5,319	4,472	4,051	168	14,010	-935	13,075
Operating profit	89	-65	409	-9	425	-62	364
Net financial items							-25
Profit/loss after financial items							339

SEK M

<b>January -September 2018</b>	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations <sup>2)</sup>	Group
Net sales, external	17,384	13,485	7,872	760	39,501	12	39,513
Net sales, internal	1,292	315	1,219	37	2,863	-2,863	
Net sales, total	18,677	13,799	9,092	797	42,364	-2,851	39,513
Operating profit	196	-843	196	-326	-777	-243	-1,020
Net financial items							-58
Profit/loss after financial items							-1,078

<b>January -September 2017</b>	NCC Building	NCC Infrastructure	NCC Industry	NCC Property Development	Total segments	Other and eliminations <sup>2)</sup>	Group
Net sales, external	16,443	12,057	7,188	2,475	38,163	4	38,168
Net sales, internal	642	318	1,366	50	2,376	-2,376	
Net sales, total	17,085	12,375	8,554	2,525	40,540	-2,372	38,168
Operating profit	234	-61	435	650	1,258	-139	1,118
Net financial items							-70
Profit/loss after financial items							1,048

<sup>1)</sup> The figures for the quarter include among others NCC's head office and results from small subsidiaries and associated companies, totalling an expense of SEK 122 M (income: 12). Further, the figures for the quarter includes eliminations of internal profits amounting to an income of SEK 13 M (expense: 10) and other Group adjustments, mainly consisting of differences of accounting policy between the segments and the Group (including pensions) and a provision for restructuring amounting to an income of SEK 34 M (expense: 26).

<sup>2)</sup> The figures for the period include among others NCC's head office and results from small subsidiaries and associated companies, totalling an expense of SEK 228 M (expense: 58). Further, the figures includes eliminations of internal profits amounting to an expense of SEK 16 M (income: 32) and other Group adjustments, mainly consisting of differences of accounting policy between the segments and the Group (including pensions) and a provision for restructuring amounting to an income of SEK 2 M (expense: 113).

## Geographical areas

	Net sales		Orders received	
	2018 Jan.-Sep.	2017 Jan.-Sep.	2018 Jan.-Sep.	2017 Jan.-Sep.
SEK M				
Sweden	24,773	24,153	27,269	28,283
Denmark	5,411	4,215	4,729	4,025
Finland	4,510	5,141	5,859	4,011
Norway	4,819	4,659	6,237	4,235
Sum	39,513	38,168	44,093	40,554



## Note 6. Fair value of financial instruments

In the table below, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value in NCC's balance sheet. When determining fair value, assets have been divided into three levels. No transfers were made between the levels during the period.

In level 1, measurement complies with the prices quoted on an active market for the same instruments. Derivatives in level 2 comprise currency forward contracts, interest-

rate swaps, oil forward contracts, as well as electricity forward contracts used for hedging purposes. The measurement to fair value of currency forward contracts, oil forward contracts as well as electricity forward contracts is based on accepted 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 based on observable yield curves. In level 3, measurement is based on input data that is not observable in the market.

SEK M	Sep. 30, 2018				Sep. 30, 2017				Dec. 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss												
Securities held for trading					71			71	10			10
Short-term investments	10			10								
Derivative instruments		14		14		3		3	43			43
Derivative instruments used in hedge accounting		56		56		15		15	45			45
Available-for-sale financial assets							91	91			91	91
Financial assets measured at fair value through other comprehensive income												
Equity instruments			81	81								
<b>Total assets</b>	<b>10</b>	<b>70</b>	<b>81</b>	<b>161</b>	<b>71</b>	<b>18</b>	<b>91</b>	<b>180</b>	<b>10</b>	<b>88</b>	<b>91</b>	<b>189</b>
Financial liabilities measured at fair value through profit and loss												
Derivative instruments		31		31		20		20	3			3
Derivative instruments used in hedge accounting		45		45		33		33	55			55
<b>Total liabilities</b>	<b>0</b>	<b>76</b>	<b>0</b>	<b>76</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>58</b>

In the tables below, disclosures are made concerning fair value for the financial instruments that are not recognized at fair value in NCC's balance sheet.

SEK M	Sep. 30, 2018		Sep. 30, 2017		Dec. 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term interest-bearing receivables held to maturity			132	132	131	131
Long-term interest-bearing receivables - amortized cost*	197	198				
Short-term investments held to maturity			30	30	30	30
Long-term interest-bearing liabilities	1,538	1,541	1,704	1,716	1,669	1,676
Current interest-bearing liabilities	1,663	1,663	893	901	919	925

\* Sep 30 2018 includes other long-term interest bearing receivables with previous classification "accounts and loan receivables".

For other financial instruments recognized at amortized cost - accounts receivables, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities - the fair value does not materially deviate from the carrying amount.

## Note 7. Pledged assets, contingent liabilities and guarantee obligations

SEK M	2018	2017	2017
Group	Sep. 30	Sep. 30	Dec. 31
Assets pledged	484	406	429
Contingent liabilities and guarantee obligations <sup>1)</sup>	558	703	510
<b>Parent company</b>			
Contingent liabilities and guarantee obligations <sup>1)</sup>	19,298	20,500	19,280

1) Among these, NCC AB has sureties which are indemnified by Bonava AB based on the Master Separation Agreement. Bonava is working on formally replacing these sureties with other forms of collateral in a gradual process, which means that this item will decline further over time. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

# Summary of key figures

	2018	2017 <sup>3)</sup>	Oct. 17-	2017 <sup>3)</sup>	2017	2016	2015	2014	2013
	Jul.-Sep.	Jul.-Sep.	Sep. 18	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.	Jan.-Dec.
<b>Profitability ratios</b>									
Return on shareholders equity, % excl profit from dividend of Bonava <sup>1)</sup>	-20	28	-20	17	18	19	26	22	26
Return on shareholders equity, % incl profit from dividend of Bonava <sup>1)5)</sup>	-20	28	-20	17	18	118	26	22	26
Return on capital employed, % excl profit from dividend of Bonava <sup>1)</sup>	-11	20	-11	12	13	13	17	14	15
Return on capital employed, % incl profit from dividend of Bonava <sup>1)5)</sup>	-11	20	-11	12	13	63	17	14	15
<b>Financial ratios at period-end</b>									
EBITDA % excl profit from dividend of Bonava	-3.1	4.1	0.3	3.3	3.6	4.7	6.2	5.8	5.9
EBITDA % incl profit from dividend of Bonava <sup>5)</sup>	-3.1	4.1	0.3	3.3	3.6	17.0	6.2	5.8	5.9
Interest-coverage ratio, times excl profit from dividend of Bonava <sup>1)</sup>	-8.0	14.5	-8.0	8.5	9.8	6.6	7.1	6.4	7.8
Interest-coverage ratio, times incl profit from dividend of Bonava <sup>1)5)</sup>	-8.0	14.3	-8.0	8.5	9.8	31.1	7.1	6.4	7.8
Equity / asset ratio, %	11	18	11	19	20	22	25	23	22
Interest bearing liabilities/total assets, %	18	15	18	15	15	16	24	26	25
Net cash +/- net debt -, SEK M	-4,169	-884	-4,169	-149	-149	-222	-4,552	-6,836	-5,656
Debt / equity ratio, times	1.3	0.2	1.3	0.0	0.0	0.0	0.5	0.8	0.7
Capital employed at period end, SEK M	8,254	9,084	8,254	9,174	9,523	9,585	19,093	18,935	18,345
Capital employed, average	9,076	9,221	9,076	9,138	9,418	13,474	18,672	18,531	18,005
Capital turnover rate, times <sup>1)</sup>	6.1	5.8	6.1	6.0	5.8	4.1	3.3	3.1	3.2
Share of risk-bearing capital, %	12	21	12	21	22	24	25	23	23
Closing interest rate, %	0.9	2.1	0.9	2.0	2.0	2.6	2.8	2.8	3.3
Average period of fixed interest, years	0.2	0.5	0.2	0.6	0.6	0.9	0.9	1.1	1.2
<b>Per share data</b>									
Profit/loss after tax, before and after dilution, SEK excl profit from dividend Bonava	-8.87	2.59	-8.51	8.07	9.29	11.61	19.59	17.01	18.40
Profit/loss after tax, before and after dilution, SEK incl profit from dividend Bonava <sup>5)</sup>	-8.87	2.59	-8.51	8.07	9.29	73.81	19.59	17.01	18.40
Cash flow from operating activities, before and after dilution, SEK	-3.90	6.25	-8.83	19.97	19.97	10.88	37.65	12.47	23.46
Cash flow before financing, before and after dilution, SEK	-5.31	4.09	-17.16	12.59	12.59	-0.05	30.88	5.32	15.40
P / E ratio excl profit from dividend Bonava <sup>1)</sup>	-19	14	-19	19	17	19	13	15	11
P / E ratio incl profit from dividend Bonava <sup>1)5)</sup>	-19	14	-19	19	17	3	13	15	11
Dividend, ordinary, SEK				8.00	8.00	8.00	3.00	12.00	12.00
Dividend yield, %				5.1	5.1	3.5	1.1	4.9	5.7
Shareholders' equity before dilution, SEK	28.84	46.52	28.84	47.81	51.04	51.39	89.85	82.04	80.24
Shareholders' equity after dilution, SEK	28.84	46.52	28.84	47.81	51.04	51.39	89.85	82.04	80.24
Share price / shareholders' equity, %	546	415	546	329	308	439	293	301	262
Share price at period-end, NCC B, SEK	157.50	193.20	157.50	157.30	157.30	225.40	263.00	246.80	209.90
<b>Number of shares, millions</b>									
Total number of issued shares <sup>2)</sup>	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at period-end	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.6
Total number of shares outstanding at period-end before dilution	108.0	108.1	108.0	108.1	108.1	108.1	107.9	107.8	107.8
Average number of shares outstanding before dilution during the period	108.0	108.1	108.1	108.1	108.1	108.1	107.9	107.8	107.9
Market capitalization before dilution, SEK M <sup>4)</sup>	17,056	20,917	17,056	16,997	16,997	24,325	28,369	26,574	22,625
<b>Personnel</b>									
Average number of employees	16,454	16,795	16,454	17,762	17,762	16,793	17,872	17,669	18,360

<sup>1)</sup> Calculations are based on the rolling 12 month period.

<sup>2)</sup> All shares issued by NCC are common shares.

<sup>3)</sup> The amounts are adjusted for change in accounting policy regarding IFRS 15, except to rolling 12 months in the period Jul.-Sep. 2017.

<sup>4)</sup> Market value December 2016 excludes NCC's residential business, Bonava. Including Bonava the market value amounts to SEK 39 563 M.

<sup>5)</sup> The profit arising from the dividend of Bonava was SEK -31M and SEK 6,724 M in the quarter and full year 2016 and 2017.

For definitions of key figures, see [www.ncc.group/investor-relations/financial-data/financial-definitions](http://www.ncc.group/investor-relations/financial-data/financial-definitions).

## 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 and building 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.*

### Vision

We will renew our industry providing superior sustainable solutions.

### Business concept – responsible enterprise

NCC develops and builds future environments for working, living and communication. Supported by its 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.

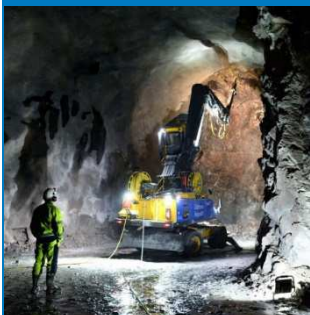
### Core values

The company's values and Code of Conduct function as the backbone for the way NCC works and operates. They also jointly 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

### Organization

NCC conducts integrated construction and development operations in the Nordic region. The company has three businesses: Industrial, Construction and civil engineering, and Development – and is organized in five business areas.



NCC Infrastructure

NCC Building Sweden

NCC Building Nordics

NCC Industry

NCC Property  
Development

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## Information meeting

An information meeting with integrated telephone conference will be held at 9:00 a.m. on October 25 at Tändsticspalatset, Västra Trädgårdsgatan 15 in Stockholm. The presentation will be held in English. To participate in this teleconference, call +46 (0) 8 566 426 93 (SE), +44 203 008 98 17 (UK) or +1 855 831 59 45 (US), five minutes prior to the start of the conference.

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 person set out above on October 25, 2018 at 07:10 a.m. CET.



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