

Our vision is to

renew

Annual Report
2013

our
industry



and provide

superior
sustainable
solutions

“NCC
will drive
renewal.”

Vision and values must be translated into tangible actions. We will develop new products, be a pioneer in applying new methods and use proprietary innovations, as well as those developed by others. By means of tangible actions, we will show that we have the ability and the desire to drive development in the industry.”

Peter Wågström
President and CEO

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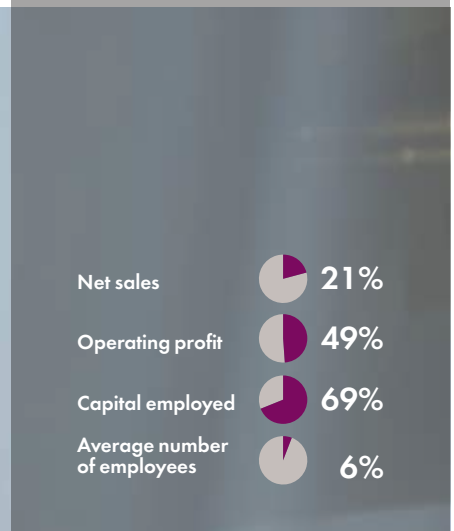
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More information on NCC: Visit www.ncc.se



Profitable growth *in three businesses*



2013 in figures

Orders received <i>SEK millions</i>	56,979
Operating profit <i>SEK millions</i>	2,679
Cash flow <i>SEK millions</i>	1,661
Debt/equity ratio <i>times</i>	0.7
Return <i>on shareholders' equity, %</i>	26

NCC'S MARKETS
SHARE OF TOTAL NET SALES, %



Review by the President

Our focus on the right business in tough market conditions gave results

Goal-oriented efforts pay off. Profit in 2013 exceeded that of the preceding year. Slack market conditions led us to focus on continuing to enhance operational efficiency, secure our earnings, make the “right” deals and take the “right” risks. NCC continues to grow – but we are determined to grow profitably.

Despite a sluggish market, there is a great deal to be pleased about as we close the books for 2013. We successfully delivered a number proprietary property projects with reliable tenants to their new owners. Our housing sales surpassed those of previous years, and we hit our target of 7,000 housing units in production during the year. Despite a lengthy winter and difficult market conditions, NCC Roads offset its volume decline by focusing on the right kind of business during the latter part of the year. We attained healthy earnings by refusing to hunt volume at any price, offering instead attractive products with a higher client value.

“

Money can be made even in a challenging market

Repeated use of processes and methods, plus the right selection of projects, results in rewarding business even in a slow market. Our Danish contracting model proved itself again during 2013 and can be exported to other parts of the Group.

TARGET-ORIENTED EFFORTS GENERATE RESULTS

NCC’s housing construction venture in Germany continues to produce sound results. Our Danish contracting model also confirmed its effectiveness during the year. Thanks to repeated use of shared methods and processes, backed by target-oriented and strategic project selection, our Danish construction operations confirmed that it is possible to engage in profitable business even in a challenging market.

“

Sustainable business is the right way to go

Sustainability must be a self-evident element of our offering. Our customers demand sustainable solutions, which are essential to being able to attract the talents we wish to recruit. A sustainability perspective is not only a major and integrated component of our everyday activity – it is also a feature of sound enterprise.

I am also pleased that we took crucial, major steps toward our goal of attaining higher efficiency in purchasing and IT support throughout the Group. These actions are decisive to our efforts to achieve sustained improvement in earnings. Simply by raising the share of direct, international and coordinated purchases, we can significantly reduce our purchasing costs. Our establishment of a new, central purchasing organization and a Group-wide sales portal during the year is a key component in efficiency-enhancement work.

SLOW RECOVERY

Although the market strengthened during the second half of 2013, we did not get to see the upturn that many had hoped for. The Swedish construction market is relatively stable but recovery is slow. Although we are prioritizing healthy profitability in Sweden, the Swedish contracting operations did not meet expectations during the past year. The market in Norway remained generally





Peter Wågström,
President and CEO

favorable but we encountered serious profitability problems in a number of projects, leading to major impairments. Since a flat economy is turning the Finnish market into a challenge, it will take time to reverse construction activity in Finland to reasonable profitability.

NCC WILL DRIVE RENEWAL

Over the course of 2013, we completed a renewal of our vision and values in a bid to challenge ourselves and provide additional guidance and energy to the organization. As a result of these efforts, we added pioneering spirit to our core values; which for us includes having the courage to test new concepts and work methods, and to show initiative and be proactive. Another reason for renewing our vision was our aim of re-shaping our industry by providing superior sustainable solutions.

Visions and values must be backed up by concrete actions and an efficient organization. One example of renewal and simultaneous efficiency enhancement is that we recently introduced a mobile phone app that offers our project managers direct access to documents relating to all projects. During 2013, NCC became a global pioneer by gaining certification according to new, rigorous requirements for land remediation. We also developed an entirely new climate-smart facility to melt and treat vast volumes of snow. Deployment of this unique technology permits us to avoid dumping contaminated snow in lakes and at sea.

NCC Construction Sweden has been reorganized. Bringing market and production development closer to the various customer segments empowers us to offer improved customer value, while also developing production methods using joint platforms and systems. Similarly, NCC Roads now has a Nordic-wide organization as part of efforts to boost the potential for shared deployment of expertise and equipment, attaining higher efficiency and offering uniform quality stone material and asphalt products, and road services, throughout the Nordic region.

A PIONEER IN MULTI-FAMILY HOUSING OFFERING ENERGY SURPLUSES

Identifying procedures that facilitate industrial-style production and enhance efficiency is one of the major challenges facing the industry. To deliver ever-rising customer value, we must be better able to standardize our products and attain results from serial production. Backed by our new vision and relentless product innovation, NCC shows its intention to be a driver of development.

NCC was the first in its industry to offer customers climate-aligned solutions through its green tenders, and we continue to challenge in the sustainability area. For example, NCC Roads has devised a method that permits us to advance from conventional fossil fuel to wood pellets firing in asphalt plants. In autumn 2013, we commenced the building of Sweden's first plus-energy multi-family dwelling, on behalf of HFAB i Halmstad, a municipal housing company. The building will produce sufficient heat and power to cover household requirements and also make a contribution to the electricity grid.

KEY DATA

SEK M	2013	2012
Orders received	56,979	55,759
Order backlog	47,638	45,833
Net sales	57,823	57,227
Operating profit	2,679	2,519
Profit after financial items	2,400	2,277
Profit for the year	1,989	1,910
Earnings per share after dilution, SEK	18.40	17.62
Dividend per share, SEK	12.00 ¹⁾	10.00
Cash flow before financing	1,661	-932
Cash flow before financing per share after dilution, SEK	15.40	-8.61
Return on shareholders' equity, %	26	28
Equity/assets ratio, %	22	20
Net indebtedness	5,656	6,467
Average number of employees during the year	18,360	18,175

¹⁾ Proposed dividend.





PRACTICAL HELP IN WORKING ETHICALLY

To continue winning customer confidence, we will also pursue operations by using an ethically sustainable approach. Our employees are ambitious and seek professionalism, and we have a firm ambition to actively support them as a feature of our endeavor to do right rather than pointing out when things are done wrong. By way of practical input in business ethics support, we have launched a new, unique system – NCC Compass – which, using specially trained navigators, is designed to guide our employees by giving them concrete advice and answering their questions.

The efforts to achieve a sustainable environment must encompass our own organization and work environment. NCC's vision is zero workplace accidents. Occupational health and safety issues and safety awareness must be ever present and we are working hard to promote behaviors and attitudes that lead to reduced risks. All workplaces conduct a program called "Awareness Days" that permits all Group employees to discuss the work environment and propose improvement measures.

SUSTAINABILITY – A SELF-EVIDENT FEATURE OF THE BUSINESS

NCC works actively to enhance diversity and counter discrimination. For example, the Swedish construction operation, in consultation with the women's network Stella, has formulated targets and actions to deal with the lack of



Lower cost base

We will continue to focus on shrinking our cost base. Higher efficiency, lower purchasing prices, improved utilization of shared platforms and processes are crucial measures in supporting sustainable improvement in earnings.

equality in the construction sector, which many women in the industry experience. Another example among many is that, in cooperation with Helsinki City Council, we are participating in a project aimed at offering training and practical work experience that promote integration.

It is not only a matter of doing the right thing from a sustainability perspective; it is equally important to meet growing customer demand. This clear, ambitious and sound move from a business viewpoint also means that we find it easier to recruit the right employees and win the confidence of our stakeholders. The fact that sustainability is an essential and natural part of everyday activities and our offering is quite simply an integrated part of the work involved in closing the "right" deals.

HOUSING CRISIS DEMANDS A SOLUTION

There is an urgent need in Sweden to restore and create the conditions for a more smoothly functioning housing market. While it is good that political proposals are in the pipeline, a concerted effort is required if the hous-

Office building, Copenhagen Port Company, Denmark



“

Housing shortage hampers growth

NCC does not merely participate in the Swedish housing debate; we also ensure that rental apartments can be constructed at reasonable production costs. This strengthens our argument when we ask the state and municipalities to intensify their efforts to find a solution.

ing shortage, notably of rental units, is not to present a serious obstacle to economic growth.

NCC is actively participating in the housing debate but is also conveying new, attractively priced rental units to the market. We have products that are part of the solution to the housing shortage. We have begun to deliver apartments to the public housing organization in Sundsvall in line with our low-cost NCC Folkboende concept. In the Stockholm area, we have sold a project with more than 300 environmentally certified rental units, based on proprietary designs, to the KPA pension organization. The apartments are built using an NCC platform and represent one example that confirms how housing block structures with an urban feel can be constructed cost effectively.

NCC can and will accept its responsibility for building more housing at reasonable prices but the government and municipalities can contribute more. They can do this, for example, by relaxing costly regulations, speeding up planning processes and supplying sites at prices permitting the building of rental apartments.

“

Profitable growth

When recovery moves slowly and the market trend is sluggish, it becomes even more important to complete the right deals and take the right risks. Conscious and strategic project selection rather than hunting volume at any price has a positive impact on profitability. We will grow, but will do so profitably.

GROWING WITH PROFITABILITY

Growth while maintaining profitability is the basis of NCC's strategy. In Sweden and Norway, the planned major infrastructure investments offer considerable potential. Production volumes in our housing construction business have established themselves at a healthy level but there is scope to do more to boost profitability. In Finland, on the other hand, we are continuing our efforts to gain reasonable profitability against a poor economic backdrop. The application of our contracting model in Denmark confirms that it is possible to earn money even in a challenging market. We plan to continue to increase our profitable housing production in Germany in pace with rising demand. Programs designed to continuously add to operational efficiency throughout the Group, capitalize on synergism and reduce the cost base are continuing.

Solna, February 2014

Peter Wågström
President and CEO

Strategic focus

Profitable growth – *strategy for a stronger market position*

VISION

NCC's vision is to renew our industry and provide 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.

OBJECTIVE

NCC's overriding objective is to create value for its customers and shareholders. NCC aims to be a leading player in the markets in which it is active, offer sustainable solutions and be the customer's first choice.

FINANCIAL TARGETS AND DIVIDEND POLICY

NCC aims to generate a healthy return to shareholders under financial stability. The return on shareholders' equity after tax shall amount to 20 percent. The level for the return target is based on the margins that the various parts of the Group are expected to generate on a sustainable basis, and on capital requirements in relation to the prevailing business focus.

To ensure that the return target is not reached by taking financial risks, net indebtedness, defined as interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables, must never exceed 1.5 times shareholders' equity during any given quarter.

NCC's dividend policy is to distribute at least half 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, to provide NCC with the potential to invest in its operations and thus to ensure that future growth can be created while maintaining financial stability.

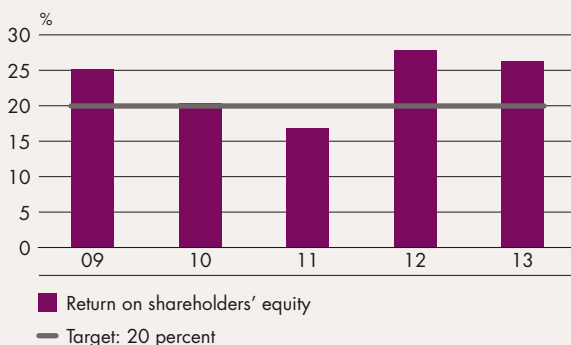
RETURN ON SHAREHOLDERS' EQUITY

Objective

The return on shareholders' equity shall amount to 20 percent.

Target fulfillment

The Group has achieved its objective of 20 percent in four of the past five years. In 2013, NCC achieved the objective with a return of 26 percent. Both shareholders' equity and earnings increased in 2013.



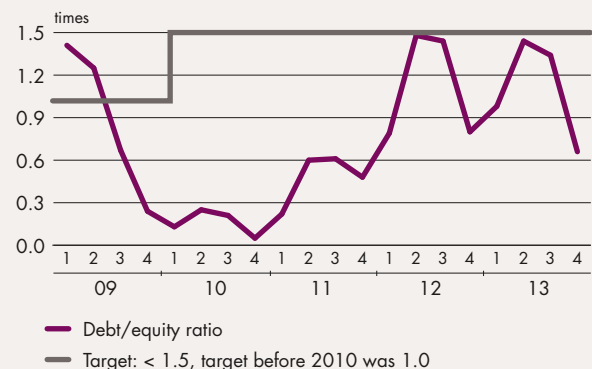
DEBT/EQUITY RATIO

Objective

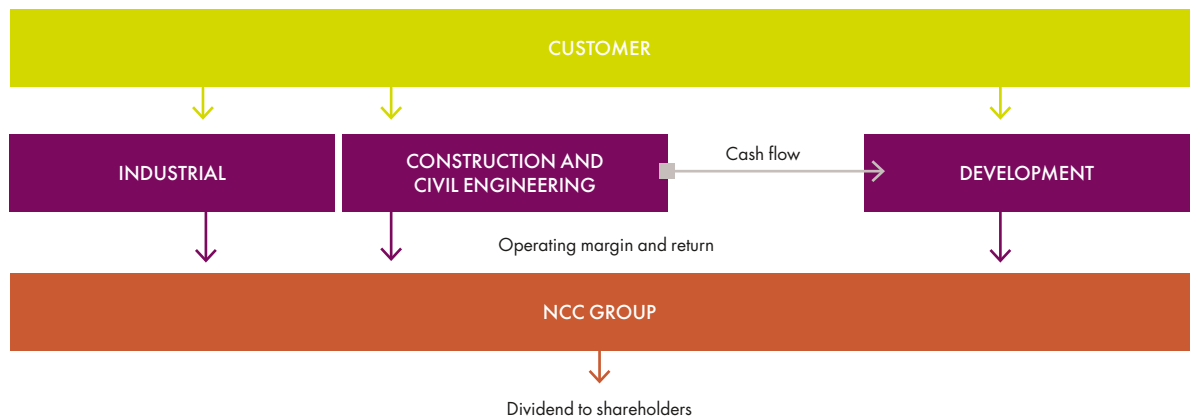
Net indebtedness, defined as interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables, shall not exceed 1.5 times shareholders' equity. The target applies to the end of every quarter.

Target fulfillment

The debt/equity ratio did not exceed the limit stated in NCC's financial objective at the end of any of the quarterly periods in 2013 and totaled 0.7 (0.8) at year-end. The debt/equity ratio is affected by seasonal variations. More capital was tied up in the second and third quarters due to a high pace of activity in the asphalt and civil engineering operations.



NCC'S BUSINESS MODEL



THREE BUSINESSES

NCC operates three businesses with different business concepts.

- An industrial business with a process-oriented focus operated under NCC Roads' aggregate and asphalt production. This business ties up capital in pits and quarries, as well as in stone materials and asphalt works, which have high fixed costs.
- A construction and civil engineering business operated under NCC's Construction units. This business requires little tied-up capital, has a strong cash flow and is project oriented.
- A development business operated under NCC Housing and NCC Property Development. This business ties up capital in properties held for future development and ongoing projects. The development business is transaction oriented and faces a greater market risk than NCC's other businesses since it takes many years to deliver a project from the time the land is initially acquired.

SYNERGIES BETWEEN THE BUSINESSES

The industrial business supports the construction and civil engineering business with stone materials, asphalt, paving and road services. For major roadworks, in particular, the synergies are significant.

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

The development business provides internal employment for the construction units when housing units and commercial properties are under development.

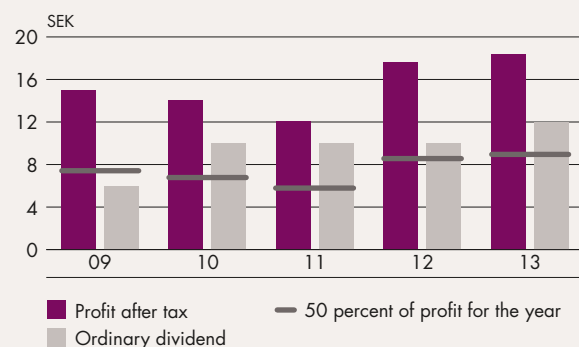
Since the construction and civil engineering businesses normally have negative working capital and favorable cash flows, this also creates a financial synergy. These cash flows are invested in the development businesses, which will generate a high return over time.

DIVIDEND

Dividend policy

NCC's dividend policy is to distribute at least half of after-tax profit for the year to the shareholders. This level has been established to generate a healthy return for NCC's shareholders and to provide NCC with the potential to invest in its core operations and thus ensure that future growth can be created while maintaining financial stability.

The proposed dividend for 2013 is SEK 12.00 (10.00) per share, distributed into two payments. The proposed dividend for 2013 corresponds to 65 percent of profit after tax.



Vallda Heberg, Kungsbacka, Sweden



STRATEGY 2012–2015

NCC has a strong financial position and solid potential to expand its operations, provided that the market outlook does not deteriorate significantly. The aim is to primarily grow organically and in existing markets but this may be supplemented with acquisitions. NCC aims to achieve profitable growth and be a leading player in the markets in which it is active. Being a leading player entails being among the top three companies in the industry in terms of profitability and volumes.

Key strategic issues

Achieving profitable growth is contingent on a number of critical conditions and key issues. NCC aims to always be the customer's first choice. To achieve this objective, NCC focuses on four key areas when engaging in customer relations; one company – one voice, understanding the customer's business, openness and clarity, and delivering the right product with the right quality at the right time.

NCC operates in mature markets characterized by price-based competition, which means that cost reductions are a prerequisite for achieving organic growth. NCC will continue working to reduce construction costs.

NCC will capitalize on Group synergies in both support functions and operations. There are operational and financial synergies.

The housing development business is a Group-wide activity. Growth of the housing development business will require more efficient processes and a broadening of the product mix. One step toward more efficient processes will be further cooperation between development and production operations. Other steps include developing construction systems that reduce costs, improving quality and increasing the level of specialization in development and production operations. NCC's product mix will be expanded to include lower price segments and additional rental units.

NCC aims to be the leading society builder of sustainable environments and will capitalize on this sustainability perspective to proactively develop new businesses.

Growth priorities

Three markets and areas will be prioritized:

- Growth in Norway within all business areas
- Establishing a presence in the civil engineering market in Finland
- Expansion of the housing development business in all markets

KEY STRATEGIC ISSUES

Profitable growth The aim is to grow – but not at the expense of profitability

Customer focus

NCC aims to be the customer's first choice

Leader in NCC's markets

Leading player in the Nordic region

Reduced costs

Organic growth based on reduced costs

THREE BUSINESSES

Industrial



CAPITALIZE ON SYNERGIES BETWEEN OPERATIONS

Construction and civil engineering



ACTIVITIES

- > Strengthen position in Denmark and Finland – stone materials
- > Expand in Norway

- > Develop position in the value chain – recycling – road services

- > Establish civil engineering operations in Finland
- > Expand in Norway

GROWTH TARGET FOR THE STRATEGIC PERIOD

SALES GROWTH ≥ DOUBLE GDP GROWTH RATE

STATUS IN 2012–2013

Sales growth 2.0 percent (double GDP = 1.7 percent)¹⁾

¹⁾ The average GDP growth for Sweden, Denmark, Norway and Finland amounted to 0.83 percent (0.83x2=1.66). Source: Euroconstruct.

Growth targets and activities

The target for the industrial business is for sales growth to correspond to at least double the GDP growth rate by the end of the strategy period in 2015.

Although NCC currently has a strong position in all markets, the company aims to further advance its position in the stone materials market in Norway, Denmark and Finland and the asphalt market in Norway. The focus on road services will continue and the recycling of construction waste will be expanded. The target for construction and civil engineering operations is to increase sales by at least twice as much as GDP growth at the close of the strategy period in 2015. While this growth will primarily be achieved organically, it may be supplemented with acquisitions. The main focus in the construction and civil engineering business will initially be placed on joint strategies for Virtual Design and Construction (VDC), operational systems, risk management and further enhancement of the company's purchasing activities.

The housing development business aims to grow during the strategy period. The target is that the number of housing units under production will amount to at least 7,000. Achieving this expansion will require more efficient processes and certain changes to the product

mix. NCC has a project portfolio of commercial properties at a favorable level and the aim for the strategy period is to maintain the project portfolio at this level.

Development 2012-2013

Now at the halfway stage of its strategy period, NCC has advanced its positions in its priority areas. Thanks to organic growth and acquisitions, NCC has more extensive operations in Norway today. Revenues in Norway in 2013 were 44 percent higher than at the outset of the strategy period; and the focus is now on boosting earnings. In Finland, the establishment of civil engineering operations is proceeding as planned. The Finnish operations, which employ some 70 people, undertake basic earthworks. NCC is gradually building up competencies and competitiveness in its Finnish civil engineering activities. As a result of buoyant sales of housing, NCC has been able to start more housing units and expand the housing development business. At year-end, NCC had an additional 1,000 housing units in current production, with the minimum target of 7,000 surpassed earlier in 2013. Growth targets for NCC's three businesses for the strategy period and the trend during 2012-2013 are illustrated below.

One NCC

Capitalize on synergies between operations

Housing development business

Shared activity with a greater degree of integration between construction and development operations

Sustainability perspective

Proactive development of new businesses



CAPITALIZE ON SYNERGIES BETWEEN OPERATIONS



Development

- > Focus on joint strategies for VDC, operational systems and risk management and further enhance purchasing activities

- > Expand the housing development business
 - more efficient processes
 - broader product mix

SALES GROWTH ≥ DOUBLE GDP GROWTH RATE

≥ 7,000 HOUSING UNITS UNDER CONSTRUCTION MAINTAINED LEVEL IN THE PROPERTY DEVELOPMENT PORTFOLIO

Sales growth of 2.7 percent (double GDP=1.7 percent)¹⁾

6,383 housing units under construction (5,363 in 2011). 17 (23 in 2011) property projects at a total investment cost of SEK 5.0 billion (5.6 in 2011)

Market and competitors

NCC holds a strong position

The Nordic construction market generated sales of SEK 882 billion (839) in 2013. NCC is one of the largest players, with a market share of 7 percent.

THREE BUSINESSES

NCC operates three businesses with different business concepts, market conditions and driving forces.

Construction and civil engineering

As a rule, the construction market tracks the general economic trend but with a time lag of at least one year. The housing market generally reacts the fastest to economic cycles. Other building construction (offices, industrial and public premises) and the civil engineering market are subject to a greater time lag, since such projects depend on the investment plans of other industries. In general, larger projects also extend over a longer period of time. The risk is local in character, although the market for construction contracts is generally sensitive to economic conditions.

Industrial

The industrial business is slightly less sensitive to economic conditions than the construction and civil engineering business, since large volumes pertain to maintenance or are linked to major infrastructure projects with long lead times. The market and market risk are local.

Development

The development business is transaction-oriented and faces a relatively large market risk, since it tracks the economic cycle. The housing market is particularly sensitive to changes in interest and employment rates. Demand for investments in property projects is largely controlled by the leasing rate, market transparency and access to funds in the financial system.

EXTERNAL TRENDS THAT IMPACT NCC

NCC has identified four major trends in the business environment that will affect operations in the years ahead and that the company must address.

Environment and sustainability

The high demand for energy-efficient solutions is impacting all of NCC's business areas. This is an area with opportunities for new business, where NCC has the potential to play a leading role.

COMPETITORS

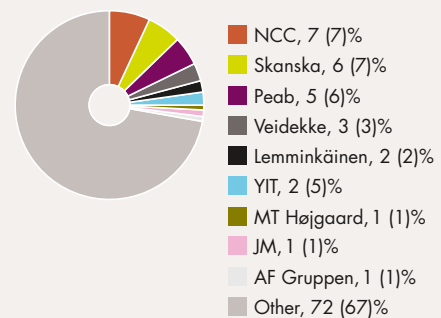
The Nordic construction market is national, highly fragmented and characterized by intense local competition. In local markets, NCC competes with thousands of small building contractors. Large-scale civil engineering projects in the Nordic region are often procured in the face of international competition from Europe's largest 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 and YIT and Lemminkäinen of Finland. In Sweden, JM is a competitor in residential development. 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 other significant competitors. In Denmark and Finland, Colas and CRH are also competitors in asphalt and stone materials.

From a Nordic perspective, the property development market comprises a few major players 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 YIT and SRV of Finland.

MARKET SHARES IN 2013

The Nordic construction market is highly fragmented. NCC is one of the largest construction companies in the Nordic region with a market share of 7 percent. The Nordic construction market (excluding residential refurbishment) generated sales of approximately SEK 882 billion in 2013.



(Source: Euroconstruct and NCC)

IT and digital media

IT is an effective support tool for the company’s operations. NCC is working to promote greater use of IT in its production activities. VDC is the most significant technological advancement in the construction industry in the past 30 years.

Generational shift

The ongoing generational shift is a key issue facing the industry. The level of job mobility among production personnel is high and, with the retirements expected in the future, NCC will need to hire a large number of employees, primarily engineers, in the next five years.

Internationalization

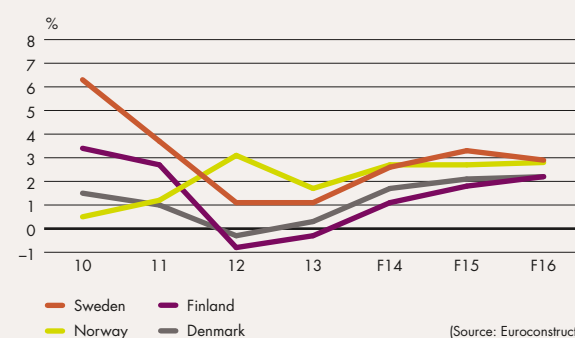
The level of international competition in the Nordic construction market is on the rise.

Greater job mobility represents both a challenge and an opportunity. The main challenge is that well-educated employees, particularly engineers, will have access to an even larger international labor market. At the same time, NCC will have the opportunity to attract employees from other countries.

Internationalization is also creating excellent opportunities in the area of purchasing.

ECONOMIC AND GDP DEVELOPMENT

GDP growth was noted in Norway, Sweden and Denmark during 2013. The growth rate diminished in Norway. In Finland, GDP declined in 2013.



MAJOR COMPETITORS IN THE NORDIC REGION IN 2013

Key figures and products	NCC	Skanska ¹⁾	Peab	Veidekke	Lemminkäinen	YIT	JM	AF Gruppen	MT Højgaard ²⁾
Sales (SEK billion)	58	136	43	24	16	16	13	11	8
Number of employees (thousands)	18	57	13	6	6	6	2	3	5
Housing	●	●	●	●	●	●	●	●	●
Buildings	●	●	●	●	●	●	●	●	●
Civil engineering	●	●	●	●	●	●	●	●	●
Asphalt, stone materials, concrete	●	●	●	●	●	●	●	●	●
Property development	●	●	●	●	●	●	●	●	●
Machinery operations	●	●	●	●	●	●	●	●	●
Market share, Nordic region, total (%)	7	6	5	3	2	2	1	1	1

¹⁾ It is estimated that approximately SEK 56 billion of Skanska’s sales derives from Nordic operations.

²⁾ Pertains to the period October 2012–September 2013.



NCC's geographical markets

OPERATION / LEGEND

■ Industrial (stone materials, asphalt, paving and road services)	■ Construction and civil engineering	■ Housing development	■ Property development
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All amounts are stated in SEK millions (SEK M).

NCC holds a strong market position in all segments in Sweden. In the other Nordic countries, as well as Estonia, Latvia, Germany and St. Petersburg, NCC occupies various positions with a potential for strengthening, both geographically and within different segments.

NCC IN SWEDEN ■ ■ ■ ■

Sweden is NCC's largest market by far and NCC is a market leader in most sectors, including civil engineering, building construction, housing development, property development and stone materials. Large customer groups are the central government, municipalities and major companies in areas including the mining industry, as well as private customers who buy housing.

Orders received: 27,560 (28,659)
Order backlog: 22,366 (23,236)
Net sales: 30,547 (31,338)
Operating profit: 1,648 (1,511)
Capital employed: 7,382 (8,287)
Number of employees: 9,988 (10,060)

NCC IN DENMARK ■ ■ ■ ■

In Denmark, NCC is a major player in offices, housing and other buildings, as well as stone materials, asphalt, paving and road services. NCC has also developed a number of property projects. Major customers include the central government, municipalities, various investors and private customers.

Orders received: 7,683 (5,571) **Operating profit:** 239 (297)
Order backlog: 5,995 (3,586) **Capital employed:** 3,847 (3,478)
Net sales: 5,671 (6,721) **Number of employees:** 2,114 (2,239)

NCC IN GERMANY ■

In Germany, NCC builds housing. NCC is active in a number of selected metropolitan regions in Germany.

Orders received: 3,255 (2,664) **Operating profit:** 229 (159)
Order backlog: 3,256 (2,402) **Capital employed:** 877 (985)
Net sales: 2,508 (2,140) **Number of employees:** 686 (650)



NCC IN FINLAND 

NCC in Finland focuses on residential and building construction. Establishment of civil engineering operations in Finland is in progress. NCC is a leading developer of business parks, with several projects under way in the Helsinki region. In recent years, NCC has expanded its presence in stone materials, asphalt, paving and road services.

Orders received: 7,381 (7,461)	Operating profit: 267 (343)
Order backlog: 6,514 (6,883)	Capital employed: 3,039 (2,708)
Net sales: 8,181 (8,261)	Number of employees: 2,786 (2,810)

NCC IN NORWAY 

In Norway, NCC has a large civil engineering operation that constructs roads, tunnels, bridges and other types of infrastructure. NCC also develops and constructs offices, housing and other buildings, and has a substantial stone materialsstone materials, asphalt, paving and road service operation. Major customer categories include the Norwegian central government, municipalities, property companies and other major companies.

Orders received: 9,691 (10,425)	Operating profit: 198 (143)
Order backlog: 7,641 (8,397)	Capital employed: 3,453 (3,557)
Net sales: 10,172 (8,590)	Number of employees: 2,418 (2,090)

NCC IN ST. PETERSBURG 

NCC develops and constructs housing in St. Petersburg, Russia. NCC also has asphalt and paving operations.

Orders received: 1,290 (912)	Operating profit: 108 (80)
Order backlog: 1,800 (1,253)	Capital employed: 779 (903)
Net sales: 633 (500)	Number of employees: 356 (314)

NCC IN THE BALTIC COUNTRIES¹⁾ 

In Estonia and Latvia, NCC constructs housing properties and buildings. NCC has also established a property development operation. Construction has been concentrated to the capital cities of Tallinn (Estonia) and Riga (Latvia).

Orders received: 118 (68)	Operating loss: -11 (-20)
Order backlog: 89 (77)	Capital employed: 527 (533)
Net sales: 111 (73)	Number of employees: 12 (12)

¹⁾ The Baltic Construction units are included under NCC Construction Finland.

Operations

The operations in NCC's three businesses are described on the following pages.



Industrial

Stone materials, asphalt, paving and road services.

14▶



Construction and civil engineering

Housing, offices, other buildings, industrial premises, roads, civil engineering and other types of infrastructure.

18▶



Development

Development of housing and commercial premises.

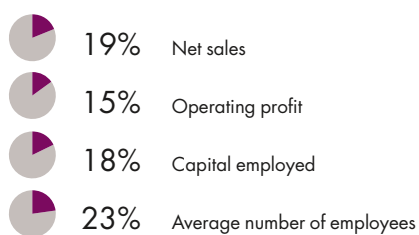
24▶

Industrial

The Motala bridge, Sweden

Industrial operations are conducted in the NCC Roads business area.

SHARE OF NCC IN TOTAL



FAST FACTS

SEK M	2013	2012	Change, %
Net sales	11,999	12,211	-2%
Operating profit	406	417	-3%
Capital employed	3,557	3,049	17%
Average number of employees	4,119	4,209	-2%
Stone materials (1,000 tons) ¹⁾	27,395	29,657	-8%
Asphalt (1,000 tons) ¹⁾	6,257	6,462	-3%

¹⁾ Sold volume.

2013 IN BRIEF

The long winter impacted NCC's industrial operations and, despite a mild autumn, the sold volume of stone materials declined. However, the decline in volume was offset by higher prices. Operating profit matched the preceding year, despite negative results from road-services operations.

NCC's industrial operations are based on the production of stone materials and asphalt, as well as asphalt paving and road services. The various areas are intertwined and contribute to a natural processing chain that is well integrated with NCC's construction and civil-engineering operations.

Stone materials, which are primarily extracted from proprietary quarries, are used in asphalt production and as input materials in construction and civil engineering projects. Asphalt is produced in proprietary asphalt works and used in various types of paving. Road networks have to be maintained, and multi-year road-service contracts are signed frequently.

Through a high-tech manufacturing process, input material and asphalt are delivered to everything from garage ramps and minor roads to complex infrastructure projects. Deliveries are also made to other construction and civil-engineering operations. For example, stone materials are used when laying foundations for housing, offices and industrial sites, as well as in the concrete industry.

The private sector constitutes the customer base for stone materials, asphalt production, paving and road services, as do municipal and government administrations. The private market for paving and deliveries of stone materials comprises the largest portion of the customer

Stone materials, asphalt, paving and road services

Sales
SEK billion 12

Operating profit
SEK billion 0.4

Thousand tons
of stone materials 27,395

Thousand tons
asphalt 6,257

base. Increasingly, NCC is offering total-package solutions, or function contracts, to public-sector customers, including long-term resource planning for production, operation and maintenance of road networks. Multi-year framework agreements are usually signed with those customers.

The main markets are concentrated in the Nordic countries, where NCC is the leading player in the industry. Sweden is the largest single market, accounting for nearly 50 percent of sales. Asphalt and paving operations are also conducted in the St. Petersburg area.

In 2013, NCC continued its long-term strategic efforts to be the local market leader, secure access to stone materials from proprietary quarries near urban areas, increase coordination within the business area and strengthen its customer focus.

To further strengthen this leading position and to capitalize on the economies of scale available to a Nordic organization, work commenced in 2013 on restructuring the business area into three Nordic divisions based on the value chain – stone materials, asphalt and road services. The change, which came into force on January 1, 2014, streamlines the organization and creates improved

NCC's industrial business is based on a distinct value chain with four steps – aggregate and asphalt production, paving and road services. The four components are linked in a well-integrated processing chain.

THE VALUE CHAIN



STRATEGIC ACTIVITIES 2012–2015

Strengthened position
in Denmark and Finland
– stone materials

Develop
position in the value chain
– recycling
– road services

Expand
in Norway

GROWTH OBJECTIVE

The target for industrial operations is to increase sales at the end of the strategy period, in 2015, by at least twice as much as GDP growth.

STATUS IN 2012–2013

Revenue growth 2.0 percent
(twice GDP=1.7 percent)



KEY STRATEGIC ISSUES

Activities in 2013

During the year, work on the prioritized key issues continued at a high pace and the organization was remodeled to meet the challenges faced by NCC.

Roads United – the new joint working method and IT system to increase synergies in the business area and the integration with customers – was implemented in Sweden during 2013. In the first quarter of 2014, Roads United was also implemented in Denmark, Norway and Finland.

NCC Recycling – the establishment of a network of recycling terminals for construction and civil-engineering residue – continues. A number of new terminals were opened during the year and 18 operations in the Nordic market are currently active within the framework of the NCC Recycling concept.

Capital rationalization – the initiative to enhance production efficiency and machine utilization in the business area has increasingly entailed the moving of resources across national borders, and more tons of asphalt being produced with less machine resources.

Pricing of stone materials – the screening of aggregate operations has yielded results. All of the major quarries have been reviewed and the project has now been established and become a vital tool for improving efficiency and profitability.

Road services – the Nordic coordination to increase internal efficiency and integration with key customers – continues. Web portals and other IT solutions are to be used to facilitate cooperation across the business area.

Reorganization – during the year, work commenced on the restructuring of operations into a trans-Nordic organization based on the various parts of the value chain – stone materials, asphalt, paving and road services – to better utilize the synergies of Nordic operations and develop strategic initiatives.



Biodiversity

In one of NCC's largest quarries at Ohkola, Finland, a pilot project for biodiversity was initiated with the Society for Nature Conservation in spring 2013. The project is unique for several reasons, including the form of collaboration and method of restoration. Ohkola has been an active quarry since the 1960s and was acquired by NCC in 2001. The area comprises a total of 48 hectares, of which the pilot project concerns four hectares, where operations have been discontinued.

Traditionally, quarries are usually restored primarily through reforestation but, in Ohkola, NCC has gone a step further to promote the region's natural diversity of species and living environments. NCC and the local Society for Nature Conservation have jointly planned to restore the four hectares of discontinued quarries in the best possible manner.

The first phase of the project was to combat a non-native and poisonous species of lupin that was suppressing domestic meadow flora. The eco-friendly method for weed control, NCC Spuma, was used successfully.

In the next phase, a building is planned for the storage of seeds and the sowing of meadow flora that support butterflies and other insects. Aspen will also be planted in the area to promote an environment for endangered birds to rest and breed.

Experiences from the pilot project will be assessed and utilized for the restoration of other quarries where NCC has operations.

conditions for a trans-Nordic mode of operation, while further enhancing the efficiency of operations in strategic areas of investment.

The future also requires a far greater investment in business development, enabling NCC to remain at the leading edge and to identify the products and services demanded by customers at an early stage. As a consequence of the restructuring, business development will be conducted by the divisions to a greater degree, with an increased focus on the customers' future requirements and the aim of being the customers' first choice in the product area.

To strengthen market positions and secure future access to stone materials, a number of strategic acquisitions of quarries in Finland and Denmark were implemented in 2013. Within recycling operations, NCC Recycling also implemented acquisitions of several existing terminals. In addition, a number of niche asphalt and road services operations were acquired in Denmark.

PRODUCTS AND METHODS FOR REDUCED ENVIRONMENTAL IMPACT

Customer demands for eco-friendly products and services are on the rise, as revealed by NCC Roads' most recent customer survey of all of the Nordic markets. As a result, NCC is taking proactive initiatives to reduce its environmental impact, primarily of carbon emissions,

through energy optimization and recycling. Energy-efficient paving techniques, asphalt recycling and alternative fuels are some of the initiatives that have been introduced. A higher portion of total-package undertakings enables more long-term and efficient resource planning, thus contributing to the optimization of asphalt paving from a life-cycle perspective.

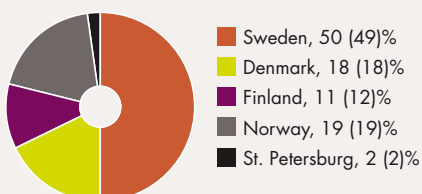
A range of green products and production methods have been developed. NCC Green Concept is the Group's identity for products and methods that reduce the adverse impact on the environment. The best known of these is NCC Green Asphalt, a production method through which carbon emissions are significantly lower than in the traditional manufacture of hot asphalt.

Because recycling asphalt is more energy-efficient than new production, NCC continuously improves the recycling capacity of its asphalt plants, enabling more eco-friendly operations. In 2013, recycled asphalt granulate accounted for 15 percent (14) of hot asphalt production.

In 2013, NCC reduced its carbon emissions from asphalt production in the Nordic region by 14,100 tons through recycled asphalt and increased production of NCC Green Asphalt. This corresponds to emissions from about 5,205 diesel-powered vehicles over one year. NCC currently has 79 plants (80) that manage the recycling of asphalt, of which 36 (28) have been rebuilt to produce NCC Green Asphalt.

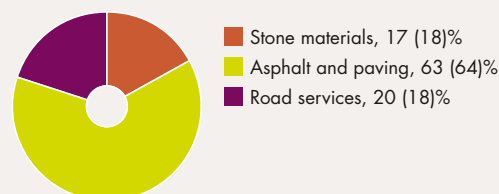
GEOGRAPHIC MARKETS, SHARE OF NET SALES

The distribution among the markets is relatively constant and tracks the construction trend. No major changes in the distribution of net sales occurred in relation to 2012.



PRODUCT MIX, SHARE OF NET SALES

Asphalt and paving, which represent the dominant products, declined during the year, primarily due to lower paving volumes.



The energy requirements for asphalt production are substantial and have a considerable impact on the environment. To continue to reduce its carbon footprint, NCC launched a patented method for heating asphalt plants with wood pellets during 2012. The wood-pellet method reduces the use of fossil fuels and minimizes the emission of greenhouse gases. Work on converting asphalt plants into wood-pellet heated plants continued in 2013 in Sweden and will be extended continuously to other markets.

Another initiative for reducing the environmental impact is NCC's strategic focus on a Nordic recycling concept – NCC Recycling. A number of new recycling terminals were opened during 2013 and 18 operations in the Nordic market are currently active within the framework of the NCC Recycling concept.

NCC Spuma is another example within the framework of the NCC Green Concept. This method for biological weed control has been used successfully in Denmark for many years. During the year, the product was firmly established in Sweden and is now rapidly spreading to other markets.

Floods and overloaded sewage systems are becoming increasingly commonplace due to climate changes. To offset these effects, NCC has developed products and methods for preventing inundation. NCC Drænstabil is an aggregate product with properties that allow water to rapidly and easily penetrate the ground. NCC DrænAf is a screeding compound that allows the water to be channeled away without the loss of bearing capacity.

A proprietarily developed method for solving the problems associated with snow management has awakened considerable interest in the Nordic market. NCC Snow-melting is a climate-smart facility with the capacity to melt and clean high volumes of snow. Trucks dump the snow onto a melting facility on a barge. The snow is then subjected to various stages through which it is filtered and purified. No fuel is required for melting the snow, apart from cold lake water or seawater. The concept is convenient for metropolitan areas and several municipalities have visited the first facility in Oslo.

In 2010, the results were published in respect of a unique development project between NCC, Vejdirektoratet of Denmark and a number of consultancies concerning an energy-saving paving method with significant benefits to the environment and public economy involving the use of paving with lower rolling friction. During 2013, a number of test sections were paved in Denmark using this energy-saving paving, which will now be assessed with the aim being included in NCC's product portfolio under the name, NCC Green Road, in the near future.

CUSTOMER MIX, SHARE OF NET SALES

The customer base is evenly distributed between the private sector and municipal and public-sector administrations.



Market and business environment

STONE MATERIALS

The stone materials market is generally highly fragmented. Securing access to stone materials from proprietary quarries requires a long-term strategy and is critical to a sustainable operation. Opening a new operation normally requires five to ten years. The general trend is that permits are becoming more difficult to receive and processing periods for the issue of extraction permits are becoming longer.

ASPHALT AND PAVING

Competition in the asphalt production market primarily consists of other nationwide companies. For paving operations, however, large numbers of small local players are active.

The maintenance market for road networks is growing in pace with increased road traffic, offering potential for future asphalt operations. Since the energy requirements for production are significant, actions have been taken to reduce energy dependence and gain control over energy costs, as have initiatives aimed at reducing carbon emissions.

ROAD SERVICES

The competitive pressure within road services is increasing. Although the market was previously dominated by government-owned companies, public-sector operators are becoming exposed to ever greater competition and are losing their market shares to private players. The remaining government-operated companies have begun to move across national borders, intensifying competition in certain geographic areas.



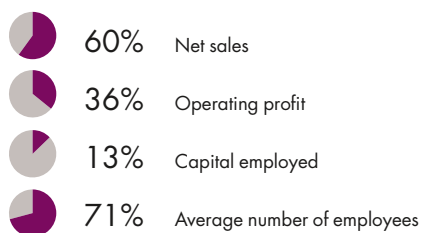
Heater, paving in Stockholm, Sweden.

Construction and *civil engineering*

Citybanan. Stockholm, Sweden.

Construction and civil-engineering operations comprise the four business areas – NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland and NCC Construction Norway.

SHARE OF NCC IN TOTAL



FAST FACTS

SEK M	2013	2012	Change, %
Orders received	38,865	39,432	-1%
Net sales	39,163	41,219	-5%
Operating profit	976	1,164	-16%
Average number of employees	12,853	12,675	1%
Cash flow before financing	312	1,392	-78%

2013 IN BRIEF

The Nordic construction market declined during the first six months of 2013, but has since recovered slowly. Orders received matched the preceding year. A lower order backlog at the beginning of the year led to a decline in net sales. Operating profit declined, due mainly to reduced sales in Sweden and lower profit in Norway.

NCC is one of the leading construction companies in Northern Europe and can, through its size and know-how in sustainable development, contribute to positive social development. With several thousand ongoing construction projects, NCC is building future environments for living, working and communication.

NCC's construction operations, the Construction units, meet customers from the private and public sectors on a daily basis. The results of these meetings form the foundation for our shared future society. Ideas are realized through 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.

Internal partnership projects are also conducted on a daily basis with NCC Property Development, which develops commercial properties, and NCC Housing, which builds housing. The NCC Roads business area, which among other produces stone materials, asphalt and lays asphalt paving, is another key partner in, for example, earth works and infrastructure projects.

NORTHERN EUROPE AS A BASE

NCC, which has Northern Europe as its base and conducts construction and civil-engineering operations in many countries around the Baltic Sea, is active in



All of NCC's construction, from housing to infrastructure

Sales
SEK billion 39.2

Operating profit
SEK billion 1.0

Number of
construction projects 4,000

Norway, Denmark, Sweden, Finland, St. Petersburg, Estonia and Latvia.

In Sweden, NCC is one of the very largest players in the market, with a major geographic spread and a strong local presence. NCC is a leader in a number of strategic areas, including partnering and virtual construction. Orders received are relatively evenly distributed among housing, building and civil engineering.

NCC in Norway has a long tradition of civil engineering works, where roads, tunnels and other infrastructure form a stable base. NCC is also engaged in construction operations in areas including housing, commercial premises and public buildings, such as, schools and hospitals. Norway is a stated growth area for NCC.

In Denmark, NCC is one of the largest construction and civil engineering companies in a fragmented market, with operations in building and civil-engineering construction, housing construction and services.

In line with the Group's strategy for profitable growth, NCC is also establishing a civil engineering operation in Finland in order to become a more comprehensive contractor in the Finnish market. In this market, NCC's strength is primarily within housing and office production.

NCC also has operations in Estonia, Latvia and St. Petersburg. There is a strong, underlying need for new housing in St. Petersburg, where NCC has significantly increased its housing production in recent years and is currently one of NCC's largest housing markets.

STRATEGIC ACTIVITIES 2012–2015

Focus on

joint strategies for VDC, operational systems and risk management, as well as further enhancement of purchasing activities

Establish

civil-engineering operations in Finland

Expand

in Norway

GROWTH OBJECTIVE

The target for construction and civil-engineering operations is to increase sales at the close of the strategy period, in 2015, by at least twice as much as GDP growth.

STATUS IN 2012–2013

Revenue growth 2.7 percent
(twice GDP=1.7 percent)

KEY STRATEGIC ISSUES

Activities in 2013

Shared work methods and resources – continued development of business systems and portals are generating synergies and economies of scale across national borders.

Cooperation between Norway and Sweden – an exchange of expertise between Sweden and Norway involving civil-engineering operations was initiated in 2013. The cooperation increases the expertise in civil-engineering construction and supports NCC's expansion in Norway.

New organization in Sweden – during the autumn, a new organization was presented, which will enhance the efficiency of NCC Construction Sweden in specific market segments through more distinct specialization and a strong local presence.

Industrialization – in order to reduce production costs, NCC has prepared predefined offerings. Within the housing sector, this will lead to increased housing production for a wider target group.



THOUSANDS OF PROJECTS

NCC's construction and civil-engineering operations conduct thousands of projects annually in the Nordic region. The core expertise for NCC's construction units is the ability to manage the complex organization of a wide range of projects, from replacing the plumbing in a multi-family dwelling to large-scale national infrastructure projects.

The common theme, regardless of their size or market, is the uniqueness of many projects, without any opportunities for repetitive effects. For this reason, NCC's expertise in planning, logistics, resource allocation, technical know-how, flexibility and risk management is a critical success factor in an increasingly internationalized Nordic construction market.

Construction production ties up relatively little capital and normally generates a continuous cash flow, thus supporting NCC's capacity to also engage in office and housing development as well as asphalt and aggregate production, which are more capital-intensive.

STRATEGY FOR PROFITABLE GROWTH

The construction and civil engineering business is the backbone of NCC's operations and contributes to achieving the Group's overriding objective of profitable growth and being the customer's first choice, through efficient production, innovative capacity and market leadership. The market presence of the business is strengthened by sustainable processes, products and services.

A number of strategic areas are key to strengthening competitiveness. Partnering, virtual construction, platforms and coordinated purchasing contribute to more efficient operations and create customer value.

For the past few years, NCC has focused on improving its skills in such areas as project development, platforms and virtual construction. NCC has also developed extensive knowledge in the partnering cooperative format and is now a leader in this field.

PARTNERING GENERATES ADDED VALUE

NCC leads and promotes new forms of collaboration in the construction industry and the purest form of collaboration is partnering. The focus on partnering, whereby the customer, NCC and other project participants jointly

formulate project targets and perform the work under shared responsibility, has been highly successful.

NCC's experience and evaluations of partnering demonstrate that the entire delivery has improved, both for NCC and for customers. Partnering is ideal for complex projects, which benefit from access to the knowledge of more than one party. This is applicable to, for example, technically difficult projects or projects to be implemented in a complex environment.

Many customers, in both the private and public sector, now request this form of collaboration and the number of partnering projects, following an upward trend over several years, holds a strong market position.

An increasing trend involves strategic partnering, which creates long-term customer relationships, and longer framework agreements that are procured on the basis of partnering. In a long-term cooperation that extends over several projects, partners are able to work in a more structured format and share best practices, while the repetition enhances quality and reduces costs.

RISK MANAGEMENT AND PROFITABILITY

Risk management is fundamental to NCC's construction operations. A one-percentage-point margin increase has a significantly larger impact on earnings than a 5–10 percent increase in volume. Risk management is based on well-functioning shared business systems and well-developed procedures for tendering new projects.

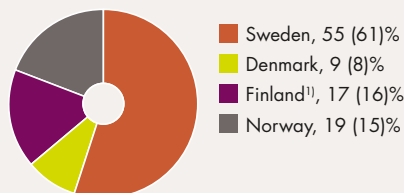
PLATFORMS GAINING GROUND

One of the advantages of being a large construction company is the solid foundation this creates for developing project engineering and planning tools, and platforms. Economies of scale can also be achieved by negotiating volume discounts when purchasing goods and services. The platforms are developed with a strong focus on customer requirements.

The platforms have defined technical solutions and governing project engineering requirements, as well as instructions for choosing effective production methods. As a result, production becomes more repetitive which thus provides opportunities for continuous improvement. The platform concept simplifies project engineer-

GEOGRAPHIC MARKETS, SHARE OF NET SALES

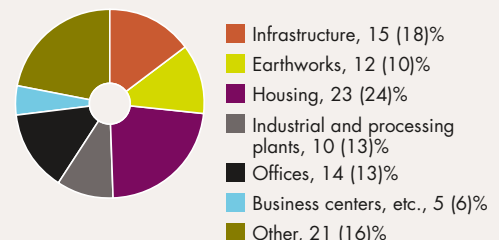
Sweden is the largest market for NCC's construction and civil-engineering operations, accounting for 55 percent (61) of sales. NCC Construction Norway's share of net sales rose due to company acquisitions in the preceding year, while NCC Construction Sweden's share declined as a result of lower sales.



¹⁾ Including St. Petersburg, Estonia and Latvia.

PRODUCT MIX AND SHARE OF NET SALES

Housing continues to account for a major portion of the product mix. During 2013, the category, "Other," increased primarily in Denmark, as well as in Norway and Finland. The "Other" segment includes schools and hospitals.



ing, purchasing and construction, and ultimately facilitates greater control of costs and quality.

NCC has developed platforms in all business areas and can offer sports centers, nursing homes, offices and logistics facilities, as well as roads, bridges and housing.

NCC has successfully developed a platform for standardized activity centers. The centers are designed for ball sports, including handball, mini handball, floorball and mini basketball. Despite a high level of standardization, several options are available for both the exterior and interior design. The center can be expanded with stands, for example, or social areas including club rooms and a café. A fully packaged product called NCC Bollhall is also offered.

NORDIC SWAN ECOLABELED WITH LOW CONSTRUCTION COSTS

The construction systems, P303 and P404, are examples of the integration of technological development and sustainability, enabling NCC to construct Nordic Swan ecolabeled housing for a low fixed price with a short construction period. Thanks to preplanning, combined with a controlled and standardized construction process, customers receive a quality-assured product with very low energy usage and a predictable construction period. The Nordic Swan ecolabeled housing units demonstrate the possibilities that can be achieved when the platform concept is fully utilized.

VDC A NATURAL PART OF THE PROCESS

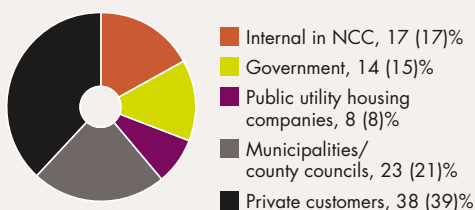
NCC has long experience of using virtual construction, VDC, in more than 600 projects, ranking it as the industry leader, not just in the Nordic region, but also globally. VDC is used in all types and sizes of construction projects, from housing and building production to civil engineering and infrastructure projects.

VDC enables the information flow to be managed so that the right information is available to the persons who need it. It leads to higher quality and reduced costs in project planning, implementation and the delivery of construction projects.

VDC has now become a natural component of many projects and is about to change the entire construction process. To some extent, VDC is about the technology for

CUSTOMER MIX, SHARE OF NET SALES

Private customers remain the predominant customer category for construction and civil-engineering operations. Municipalities and county councils have grown due the demand for schools, homes for the elderly and hospitals.



One of the world's 100 most sustainable solutions

NCC developed and built the Øststensjøveien 27 property in Bryn/Helsfyr, near Oslo city center. The building has a distinct environmental profile with a passive-building standard and it is designed to achieve a minimum of the BREEAM classification, Very Good. The building has a spectacular open floor plan with offices around an open courtyard and with meeting rooms suspended in the atrium. The architects behind Ø27 are the famous Danish architect office, Henning Larsen Architects. Øststensjøveien 27 is a modern and sustainable project based on an innovative concept. It was voted one of the world's 100 most sustainable solutions by Sustainia 100, a global environmental organization.



creating, coordinating and reviewing models and information. However, it is just as much about the manner in which the parties involved in construction projects collaborate, the work methods used and the manner in which the work is followed up. NCC has created NCC Project Studio to promote and develop cooperation and quality. Project leaders gather in the Project Studio to use models to visualize, optimize and assess the products that are to be created. The result is efficient, quality-assured and quality-controlled products that are optimized throughout the entire process, from rough draft to management.

To maintain its lead in the area of VDC, NCC provides continuous training to its employees.

MORE EFFICIENT PURCHASING

Historically, competition in the market for building materials and subcontracting has been very weak, since construction companies have usually purchased materials and services locally. This is also one of the reasons why construction costs have exceeded consumer-price-index increases for so many years.

The purchasing of materials and services accounts for about two thirds of the NCC Group's expenses and is therefore highly significant. NCC has firmly adopted a systematic purchasing approach, which offers opportunities to reduce costs.

During the year, NCC increased the focus on further streamlining purchasing, by appointing a purchasing

manager for the Group. Functions that were earlier managed by the Swedish organization on behalf of the Group are currently centralized. By providing a uniform front to suppliers – having all transactions conducted with NCC as one company – control over purchasing is increased. NCC thus becomes a stronger business partner, which provides potential for reducing costs.

Another positive effect of coordinated purchasing is that the number of suppliers and range of items declines, which has a cost-saving effect and increases control.

NCC also purchases goods and services internationally and has purchasing offices in the Baltic countries, Poland, the Czech Republic, Germany, Turkey and China. On average, the cost of internationally purchased goods is slightly more than 20 percent lower than an equivalent purchase made in the Nordic region. Local pricing is positively impacted when NCC subjects local building-material suppliers to competition.

Purchasing by international subcontractors is an area that continues to grow. The most common international purchases are frameworks, glass and aluminum facades, and steel and concrete products.

SYSTEMATIC WORK FOR INCREASED SAFETY

NCC's systematic approach to health and safety encompasses all processes, from the early stages of planning and project engineering to the entire construction phase, aimed at minimizing risks and adopting a well-structured approach to any risks that remain.

Efficient and well-functioning construction projects are characterized by low sickness absence and few occupational injuries. Operational planning and control includes effective management and monitoring of environment, health and safety (EHS) efforts.

NCC devotes considerable resources to training, supporting and monitoring EHS measures in all countries in which the company operates.

NCC's vision is zero workplace accidents and the company works continuously to improve its safety culture. Attitudes to health and safety are based on NCC's core values and permeate the entire organization's stance and behavior in regard to these issues.

For the past three years, NCC has been arranging the Awareness Day, where all employees participate and discuss EHS issues. Feedback from the discussions contributes to a safer environment at the company's worksites.

SUSTAINABILITY SHOULD BE SIMPLE

During 2013, the sustainability work of construction and civil-engineering operations was developed and now features three pillars: environment, humans and economy. It has long been known that the construction industry has a major impact on the environment. During the year, the opportunity to influence social development in a sustainable direction was further highlighted as a new focus area. One example is the new method of reconstruction work, which capitalizes on human social values and interests through labor-market measures, assurance, recreation and the involvement of residents.

Environmental certification has impacted the industry on a wide front and now encompasses the civil-engineering sector through the CEEQUAL system. NCC is a leader in environmental certification and its activities include participation in the BREEAM environmental certification system. A relatively new addition to the field of environmental certifications is the certification of sustainable districts.

NCC has well-developed methods for constructing low-energy and passive buildings, aimed at satisfying customer requirements for more energy-efficient buildings. NCC is one of the construction companies in the Nordic region with the most extensive experience in passive building projects, and all of NCC's proprietary housing construction meets low-energy demands. During 2013, construction commenced on Sweden's first plus-energy building.

Green Tenders are NCC's method of conducting business based on the existing expertise in Green Construction. A list of green alternatives is attached to every tender exceeding SEK 50 M. The customer can then choose NCC's expertise in Green Construction and receive a specific environmentally adapted offer. The aim is to make it easy for customers to support sustainability, in both the construction process and in utilization.

Riksväg 50 – one of Sweden's largest civil-engineering projects

NCC has built 28 kilometers of new road between Mjölby and Motala, 39 overpasses, eight junctions and a 620-meter long bridge over Skepparpinan in Motala. The project has entailed many technical challenges, harsh winters and "rainy seasons," but NCC delivered it ahead of schedule and at a lower-than-expected cost. On October 2, 2013, an inspection of the opening of traffic for the highway and the final inspection of other sections were conducted, both achieving excellent results. NCC will be responsible for operation and maintenance of the highway for an additional 20 years.



Market and business environment



The weak economic trend in Europe also impacted the Nordic construction market in 2013. Demand weakened during the first six months of the year, but subsequently showed a slow recovery. The GDP in the Nordic region is expected to increase in 2014 and NCC expects this to have positive effects and that the Nordic construction market will grow.

PROTRACTED PERIOD OF LOW CONSTRUCTION ACTIVITY IN SWEDEN

The Swedish economy showed moderately slow growth in 2013 and was adversely impacted by low foreign trade and relatively weak investment levels. The growth derived from households that benefited from an expansive fiscal policy. The trend in the construction industry has been subdued and drawn out with a weak level of incoming orders. Following a weak first half-year, construction activity improved during the second half of the year, primarily within residential construction. Civil-engineering investments were essentially unchanged. Toward the end of the year, a discernible increase in optimism in the construction market and more positive economic signals were noted.

SOME ACTIVITY IN A CHALLENGING DANISH MARKET

The Danish construction industry was also marked by crisis in 2013, which led to several major bankruptcies in the sector. Nevertheless, a certain level of market activity occurred, driven by significant public invest-

ments in such areas as infrastructure, new hospitals and energy projects. Many renovation projects were also started in the public utility housing sector to stimulate growth. Activities in the market were particularly concentrated to the areas of Copenhagen and Aarhus, where sustainability is playing a key role in city development. In addition to the public-sector demand, activities were driven by a greater willingness to invest in the private sector, particularly within residential projects.

NORWEGIAN CONSTRUCTION MARKET REMAINS STRONG

Continued willingness to invest, population increases and a high oil price sustained the high level of the Norwegian economy. The construction and the civil-engineering market were both strong and are expected to grow until 2015, with the civil-engineering sector probably displaying growth for an even longer term. The share of major and more complex civil-engineering projects also increased.

WEAKER ECONOMY IN FINLAND

The economic trend in Finland had a relatively strong start, but weakened at the end of the year. The economic outlook indicates lower construction activity in coming years.

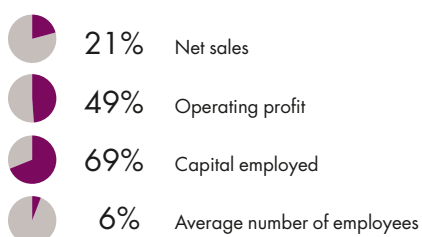
Despite the weakening market conditions, there is underlying demand for housing in growth areas. There is considerable demand for renovation in the areas built during the 1970s. Housing investors are also showing an interest in starting new housing projects.

Development



Development operations, which encompass housing and commercial property, are conducted in the NCC Housing and NCC Property Development business areas.

SHARE OF NCC IN TOTAL



FAST FACTS

SEK M	2013	2012	Change, %
Net sales	13,841	11,459	21%
Orders received ¹⁾	10,921	9,380	16%
Operating profit	1,318	1,129	17%
Capital employed	13,847	14,965	-7%
Average number of employees	1,170	1,119	5%

¹⁾ Refers solely to NCC Housing.

2013 IN BRIEF

Earnings from NCC's development operations increased in 2013 due to the property-development operations, which reported both higher sales and profit. An increase in housing sales enabled more housing starts.

All professional housing development is based on the ability to understand customer requirements and create favorable housing or work environments based on these. In line with this, sustainability is high on NCC's agenda and, by being at the cutting edge, NCC can offer an attractive solution to today's discerning customers.

The value chain in NCC's housing and property development business extends from project concept and analysis to land acquisition, concept development, production and finally sales, when capital is released for new development projects. The completion phase with aftermarket services and the establishment of long-term customer relations are highly prioritized.

Both of the development operations are capital-intensive, which means that NCC's knowledge of the areas in various markets that can generate the highest return is

THE VALUE CHAIN





vital. The entire development process is undertaken in close cooperation with customers, municipalities, landowners, architects and other stakeholders.

Housing development

NCC's housing development business is conducted in eight geographic markets in the Nordic region, Germany, St. Petersburg and the Baltic countries, thus giving NCC the ranking of the leading housing developer in Northern Europe. The total population is rising steadily in the geographic area where NCC operates, with relocation to metropolitan regions continuing to be increasingly apparent. Due to the strong urbanization trend worldwide, growth will occur in the metropolitan regions. As a result, NCC's strategy of operating solely in metropolitan regions that show distinct growth, and where a stable local labor market creates demand for new housing, remains firm.

A CUSTOMER-GUIDED PROCESS

All professional housing development is based on the ability to develop solutions derived from customer insights and to create favorable residential environments based on these. The business concept entails converting developable land into new, sustainable housing environments, where the development is adapted to customer requests and requirements, and the unique conditions of the area.



STRATEGIC ACTIVITIES 2012–2015

Expand

- the housing development business
- more efficient processes
- broader product mix

GROWTH OBJECTIVE

The housing development business aims to grow during the strategy period of 2012–2015. The target is that the number of housing units under production will total at least 7,000.

The spread of commercial property development projects is currently favorable and the objective for the strategy period is that the project portfolio maintains this positive level.

STATUS IN 2012–2013

6,383 (5,363) units in ongoing production. 17 (23) property projects at a total project cost of SEK 5.0 billion (5.6). All comparative figures pertain to 2011.

KEY STRATEGIC ISSUES

Activities in 2013

A strong customer focus is the principal aim.

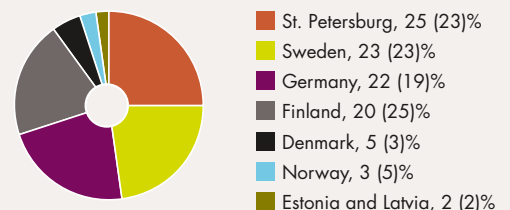
For the housing development business, a high priority is to broaden the product mix with more new concepts, including rental apartments, to enable package sales to the investor market to account for a higher share of transactions.

The property development business is currently focused on improving its sales process across all areas, with the aim of strengthening customer relations and increasing efficiency and earnings.

Sustainable development is a central feature in NCC's endeavor to systematically optimize conditions for future owners and tenants in the housing and properties that it develops. By working with leading environmental-assessment systems such as BREEAM and GreenBuilding for nonresidential properties, and Nordic Swan Ecolabel and the Sweden Green Building Council label for residential properties, the buildings are guaranteed to maintain high quality, be energy efficient, have a healthy indoor environment and contain materials that are not harmful to health or the environment.

GEOGRAPHIC MARKETS, HOUSING UNDER PRODUCTION

The diagram shows housing units for both private customers and investors. In 2013, NCC had housing starts in all markets, primarily in Germany, Finland, Sweden and St. Petersburg. The share of ongoing housing production increased in St. Petersburg and Germany thanks to healthy demand, while the share in Finland declined during 2013.



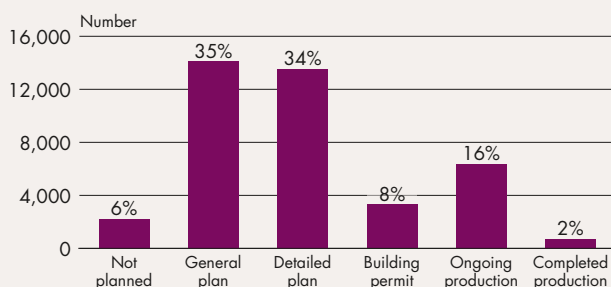


Efficient housing production in Germany

One of the numerous examples of efficient platform production in Germany can be found at Aristotelessteig in Berlin – Lichtenberg. On the small plot of land comprising 15,900 square meters, 52 row houses were constructed in a short time. NCC has been using a structured modular construction method in Germany for more than 15 years. By using this cost-efficient and time-saving method, the construction of every new project is based on well-tested base models that can be modified with little effort, while maintaining high quality. The housing units can be adapted to the architecture of the immediate surroundings, to the local customers’ requests and to the site itself. It is important to note that not only the fundamental structural elements have been standardized, but the processes too.

PORTFOLIO OF DEVELOPMENT RIGHTS, ONGOING AND COMPLETED HOUSING

Of the total portfolio of 33,200 (35,000) development rights, approximately 16,900 (16,700) have made considerable progress in the development process, with building permits or detailed development plans in place. For the remaining portion of the development rights portfolio, most have a general plan for residential development in place. In 2013, the portion with building permits increased, while the portion with shares in earlier development phases declined. Successful establishment of the detailed development plan, and the creation of attractive living environments in partnership with municipalities, accounts for a major share of the value-generation in housing development. The percentage figure denotes NCC’s total development rights.



In 2013, focus continued on a concept known as “vision-guided urban planning,” which includes a high degree of involvement by citizens prior to the production of blueprints and proposals concerning how an area can and should be developed. When combined with a sharpened focus on the customers’ needs and purchasing power, this supports NCC’s ability to offer products that match demand.

A key insight revealed by several surveys is that customers primarily prioritize a short period of time between purchase and occupancy. NCC is continuing its efforts to drive fast and efficient processes for housing development and production. The Group’s wide geographical presence in North Europe provides valuable insights into various possibilities in development and production processes.

CONSTRUCTION SYSTEMS – SHORTER LEAD TIMES WITH HIGHER QUALITY AND LOWER COSTS

During the year, NCC sharpened its focus on creating shared construction systems for housing production, thus generating economies of scale due to lower costs, bulk purchasing and higher quality. By using shared construction systems in its markets, NCC will be able to develop sustainable and attractive housing that is cost-efficient, while retaining flexibility. Process flexibility is extremely important. When developing group-built single-family dwellings or large areas of multi-family dwellings, dividing the project into several smaller stages is important in order to generate time and cost savings.

FOCUS ON CUSTOMER SEGMENT

NCC’s customers are predominantly private customers who invest in their own homes. However, the investor market is becoming increasingly important as a target group. Investor interest in housing projects is increasing steadily in several markets. NCC acquires the land, designs the project, constructs and leases the object before selling it to financial investors; this is a vital component of NCC’s strategy to develop and build proprietary rental units. During the year, several major package deals were implemented in both Finland and Germany. The number of investor transactions represented about 23 percent of total housing sales in 2013.

A SIMPLE AND SECURE TRANSACTION

NCC’s ambition is to offer new home-buying assistance to customers as early as possible in the process. Various types of security packages are offered to customers purchasing a new home. The package includes insurance policies, warranties and services that protect and help customers both before and after they purchase their NCC home. The various features include cover for double housing costs, unemployment or illness.

The number of customers that find their new homes on NCC’s websites, or through linked portals, is constantly increasing. NCC continued to develop these digital meeting places during 2013. Visualization tools allow customers to virtually explore the housing units they are interested in and also to choose their options for the selected apartment. The strategy to improve and develop sales tools was at the center of focus of marketing and sales activities during the year. A shared platform with a user-friendly interface has been implemented on all of NCC’s markets and increases customer willingness to buy a new home at an early stage.

SUSTAINABLE HOUSING

NCC’s overall target is for the person who invests in and moves into an NCC housing unit to have conditions conducive to a sustainable lifestyle, in which ecological values interact favorably with social and economic values. NCC’s goal is to reduce the energy requirements of buildings throughout their useful life and to develop housing with

higher energy-efficiency levels than required by law. NCC's low-energy buildings are well insulated, with windows that allow for minimal energy losses and where the heat derived from occupants is utilized for the building's heating. The heat generated by people, electrical equipment and the sun that shines through windows contributes to maintaining a comfortable indoor temperature. The development of low-energy housing is a step in the right direction toward achieving the EU's climate targets for reduced carbon emissions and energy consumption.

A healthy indoor environment is also an important feature of the sustainable housing built by NCC. A chemicals procurement strategy is used to avoid building materials that are harmful to the environment and health. A building's qualification for the Nordic Swan Ecolabel is confirmation that it is a low-energy building with a good indoor environment, that the construction process is eco-friendly and that the choices of materials were made with considerable attention to people's health and the environment. Since 2013, NCC has embraced the concept to certify both apartment blocks and single-family homes with the Nordic Swan Ecolabel. Buildings are also certified under the Sweden Green Building Council label.

The individual who lives in and manages a building is the most important factor for how the residential unit will maintain good environmental performance. Consequently, an individual who takes up occupancy in an NCC-built residential unit receives support for how the unit should be utilized and cared for in a sustainable manner over the long-term. NCC also offers various tools to help customers control and limit their own energy consumption, thus helping them save money and reduce their own environmental impact.

Commercial properties

NCC Property Development develops and sells commercial properties in defined growth markets in the Nordic region, Estonia and Latvia. The operations focus on sustainable office, retail and logistics properties in

attractive locations and characterized by a deep understanding of specific customer requirements.

NCC works in close cooperation with customers to create a unique workplace, combining the Group's expertise with in-depth understanding of customer operations, processes and challenges. NCC endeavors to inspire, support and provide the customer with advice on a consultative basis. In this manner, the cooperation is characterized by a shared objective to create a flexible workplace that not only creates conditions for efficient operations, but also improves the work situation for the customer's employees in regard to health, the work environment and comfort.

For each project, NCC contributes solid knowledge of how good workplaces function, based on extensive experience of working closely with the customer, and on available and relevant research findings in the field. Since property development is a long process, gathering knowledge of trends is vital for being able to predict the demands and requirements of tomorrow's customers. The analyses must point in the right direction in terms of the geographic locations and types of property that customers will want to choose for their workplaces in five to ten years' time. NCC works with a systematic method for gathering knowledge through, for example, future studies, customer interviews and trend monitoring.

CUSTOMER'S CHOICE

In the case of office buildings, the customer's selection criteria include hard factors such as space efficiency, price, a communicative location for customers and employees, or that the customer requires premises in a sustainable, environmentally certified property with a focus on energy optimization and an environmentally aware choice of materials. Other criteria are that offices and their location should reflect the customer's brand. Customers also base their choice on other values, such as a business partner in whom they can trust and who offers efficient and pleasant premises.

When NCC develops a retail property, the starting point is always an excellent shopping location that can

HOUSING DEVELOPMENT

	Group		Housing development, private customers		Housing development, investor market	
	2013	2012	2013	2012	2013	2012
Development rights, of which options	33,200	35,000				
	13,200	11,300				
Housing starts			3,715	3,196	1,095	1,328
Housing units sold			3,747	2,937	1,129	1,395
Housing under construction			4,831	4,391	1,552	1,377
Sales rate, units under construction, %			47	43	98	96
Completion rate units under construction, %			49	47	38	40
Profit-recognized housing units			2,951	2,845	903	998
Completed, not profit-recognized housing units			717	393	0	0
Housing units for sale (ongoing and completed)			2,884	2,915		

During 2013, NCC sold 4,876 (4,332) housing units, including 1,129 (1,395) in projects sold to investors. A total of 2,951 (2,845) housing units for private customers were completed and recognized in revenues in 2013. The market conditions in 2013 allowed for an increase in the number of housing starts for private customers, mainly in Germany and St. Petersburg. In 2013, the total number of new housing starts rose to 4,810 (4,524) housing units, of which 1,095 (1,328) were in projects sold to investors. A complete and more detailed table is available in the year-end report on www.ncc.se.

offer major flows of customers and premises that are optimized for selling the tenant's products or services. A detailed analysis is conducted of traffic flows, public transport facilities and how the customer's incoming goods flow can be managed, other commercial players that could feasibly attract similar customer segments, that the catchment area is appropriate and other factors that are vital to the customer's business.

For a customer working with warehouse and logistics solutions, the location and a highly efficient goods flow are two key criteria. NCC specializes in optimizing warehouse solutions from both a functional and cost perspective which, in combination with standardized solutions for warehouse buildings, provides highly favorable conditions for offering the optimal solution for every customer.

SUSTAINABLE PROPERTY DEVELOPMENT

Sustainability is high on NCC's agenda and, by being at the cutting edge, NCC can offer today's environmentally aware customers attractive solutions. By localizing the operations to a property with market-leading environmental performance, NCC's customers take responsibility for sustainability and strengthening their brand from a sustainability perspective, while also acquiring NCC premises with low operating expenses, in which their employees can have a sound working environment and work efficiently without adverse effects on their health.

NCC also supports the environmental initiatives of its tenants by signing green leases, thus guaranteeing that the sustainability performance of properties is retained when the building is put into operation.

All commercial properties developed by NCC satisfy rigorous environmental requirements and, since 2010, the ambition has been to environmentally certify all projects in accordance with the BREEAM system, the world's most widely adopted environmental assessment method. Read more at: www.ncc.se/breeam.

Since 2013, Danish offices have had the option of being certified in accordance with DGNB, the German environmental-certification system that Green Building Council Denmark has chosen to work with.

At the end of 2013, 36 buildings had been certified, or were about to be certified, in line with the BREEAM standard, of which 12 buildings were in Sweden, 15 in Finland, five in Denmark and four in Norway. In 2013, the Koggen 2 office building secured the Nordic region's first BREEAM Excellent certification. At present, two early-phase projects in NCC's portfolio aim to achieve the BREEAM Outstanding standard, a world-



Market and business environment

HOUSING CONSTRUCTION IN THE NORDIC REGION, NUMBER OF CONSTRUCTION STARTS FOR APARTMENTS AND SINGLE-FAMILY DWELLINGS

The housing markets in the Nordic region performed differently during 2013. The number of housing starts rose in 2013 in Sweden, following the decline in 2012, while Denmark bottomed out at a low level. The Norwegian market matched the high levels of the preceding year. In Finland, the number of housing starts continued to decline due to the weak economic trend.



THE HOUSING MARKET

Market conditions were stable overall during 2013 and the year was characterized by recovery following the unsettled global economic situation and turbulence in the financial markets in 2012.

The most favorable market conditions continued to be found in Germany and St. Petersburg, and demand remains strong in both locations. Although the Russian economic climate worsened during the year and GDP forecasts were repeatedly downgraded, St. Petersburg continues to perform strongly with expected GDP growth, and housing prices increased during 2013.

Sales to the investor market have become an increasingly important aspect of NCC Housing's transactions and a number of major package deals were implemented during the year in Finland and Germany. The housing market in Finland weakened in 2013 due to a negative GDP trend and a declining consumer index. Only minor increases in GDP are expected in 2014 and 2015. Households are under pressure from unemployment and low increases in real wages. Housing prices have generally remained unchanged since 2011, but the number of housing transactions declined during the first half of 2013, compared with the corresponding period in 2012.

The confidence of Swedish households displayed an upward trend, with a weak rise in housing prices that should support growth during 2014 and 2015, when unemployment levels are expected to fall. Market conditions in Gothenburg and Stockholm were favorable, but customers in Sweden generally remained cautious and are completing purchases close to or after completion.

class certification level that only about 30 buildings world-wide have ever achieved. In Denmark, three buildings had been certified at year-end, or were about to be certified, by DGNB.

PROPERTY PROJECTS, 2013

During the year, five development projects were started at a total project cost of SEK 2.3 billion. These major projects included the office projects, Lysaker Polaris in Oslo (19,500 square meters) and Ullevi Park 4 in Gothenburg (20,200 square meters), as well as a half-owned retail project, the Mattby shopping center in Espoo (24,000 square meters), which comprises both retail and services.

COMPLETED LEASING CONTRACTS PER SEGMENT

m ²	Sweden	Denmark	Finland	Norway	Total
Offices	24,654	28,250	17,082	22,141	92,127
Retail	4,396	3,491	9,674	0	17,561
Other	1,830	7,645	685	221	10,381
Total	30,880	39,386	27,441	22,362	120,069

(Source: NCC.)



PROPERTY DEVELOPMENT PROJECTS¹⁾

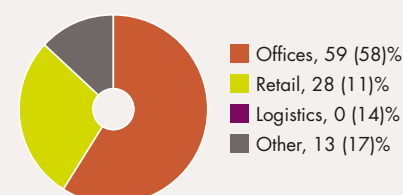
Country (number)	Completion rate, %	Leasable space, m ²	Leasing rate, %
Sverige (1)	26	20,200	100
Danmark (7)	72	44,600	63
Finland (7)	65	73,500	68
Norge (2)	53	28,700	80
Total (17)²⁾	60	167,000	74

¹⁾ The table refers to ongoing or completed property projects that have not yet been recognized as revenue. In addition to these, NCC is working on leasing (rental guarantees/supplementary sales prices) for eight previously sold property projects that have been recognized as revenue. A complete and more detailed table is available in the year-end report on www.ncc.se

²⁾ Completed and started projects at year-end included six projects for which sales contracts were signed but have not yet been recognized as revenue.

PRODUCT MIX AND SHARE OF NET SALES

The retail segment increased the most during the year, while logistics projects declined. Development of office properties remains the largest segment for NCC Property Development.



The Copenhagen market is showing signs of healthy recovery, while the recovery in other parts of Denmark is making slow progress. The housing market in Norway has cooled off and housing prices have turned downwards from a high level, at the same time as the supply has increased.

The economies of Latvia and Estonia remain among the fastest growing in the EU. Latvia will become a member of the EU during 2014, although this is not expected to result in any major changes in the housing market.

THE PROPERTY MARKET

The property sector is part of the global financial industry and NCC's offering of properties as an investment competes on the same conditions as other investment alternatives. The investor market comprises national and international players, such as pension managers, property funds or property and insurance compa-

nies. The single most important criterion for potential investors is to have an excellent yield in relation to an acceptable risk level.

With continued low yields on alternative investments, demand for attractively located, environmentally certified, space-efficient properties has strengthened and is also expected to remain firm in the years ahead. All Nordic metropolitan areas continued to show strong demand for modern workplaces, which on the whole, leads to a stable price level, a development that is favorable for NCC. While the strong financial situation of the Nordic countries is attracting international investors, the volumes mainly derive from domestic players with a considerable need for suitable investments.

During the first half of 2013, the Nordic transaction market was characterized by lower activity than a year earlier. During the latter six months, sales rose but volumes failed to reach the same level as in 2012. The deepest decline was noted on the Norwegian market, while sales increased in Denmark. Interest is focusing primarily on low-risk projects in attractive suburbs or major metropolitan centers. Transaction volume on the Nordic property market totaled SEK 184 billion (210) during the year, of which Sweden accounted for SEK 91 billion (107).

OFFICE MARKETS IN THE NORDIC REGION, 2013¹⁾

	Vacancy rate, %	Rent, m ² /year	Yield, %
Stockholm	6.5	2,700 SEK	5.1
Oslo	5.8	2,800 NOK	5.8
Copenhagen	10.5	1,200 DKK	5.0
Helsinki	7.7	209 EUR	6.5

¹⁾ Refers to the inner city (Source: Newsec)

Added value through responsibility and consideration

NCC's sustainability work is based on a holistic approach with all three dimensions of sustainability – the social, environmental and economical – interacting in a distinct and thorough manner. Our long-term sustainability strategy includes the aim of being both a leader and pioneer.

In 2013, the perspectives were increasingly intertwined into a holistic approach whereby the social dimension in particular has been strengthened, such as with the development of new business models for an overhaul of housing from the Million Program, with the aim of increased social and economic integration. The stake-

holder dialog plays a prominent role in these models. The residents and local stakeholders are allowed to influence the way the housing is renovated through a well-thought-out cooperation process. People are placed in the center of the process and provided the opportunity to participate and influence from the very start.



On the road toward a sustainable society, we should contribute ever more innovative solutions for meeting climate challenges, while having an ever smaller and ever weaker ecological footprint. NCC intends to be a leader by creating attractive social environments where we, as human beings, can develop a sustainable lifestyle.

Christina Lindbäck, Senior Vice President Corporate Sustainability

Highlights of 2013

- First prize for the Fittja People's Palace in the Nordic Built Challenge, Swedish event for sustainable renovation
- c/o CITY – a development project concerning ecosystem services
- World's first CEEQUAL certification for ground remediation went to NCC
- Nordic Swan Ecolabel for NCC's proprietary single-family home concept
- Norwegian innovation prize for snow-melting machine
- Nordic region's first BREEAM Excellent certification for office building
- Danish work-environment award for health and safety
- NCC Compass launched

NCC helps customers to reduce their environmental impact and increase sustainability

NCC works purposefully to reduce both its own and its customers' environmental impact and continues to further refine its offering with additional products and solutions for sustainability. NCC works continuously to develop more energy-efficient, climate-adapted and resource-efficient products and services, both independently and in partnership with customers, in order to minimize the strain on our environment and to jointly develop society in a more sustainable direction.

In 2013, a report from the Intergovernmental Panel on Climate Change (IPCC), which is part of the UN's environmental program (UNEP), showed that levels of greenhouse gases responsible for climate change continued to rise, that increasingly significant losses in biodiversity had been observed and that there was an increased

imbalance in ecosystems. NCC takes these signals with the utmost seriousness and, during the year, NCC intensified its work on the development of urban ecosystem services. Using nature's own resources to preserve biological diversity is not only a method of offsetting the effects of climate change, but also contributes to increased economic, social and cultural values. The social dimension has been assigned even greater scope in our sustainability work, particularly when it concerns the rejuvenation of already-existing residential zones.

During the year, NCC's environmental work was also clarified through the introduction of new measurable targets, for both the long and short term, for the four focus areas (see p. 37).

Our core values

The actual pillar of NCC's way of working and acting is based on our core values and our Code of Conduct, which when combined, function as a compass for both our employees and our business partners. They are the foundation for how we behave and act on a daily basis, and provide us with guidance on our decisions.

In addition to the three core values, *Honesty*, *Respect* and *Trust*, a fourth value was introduced during the year – pioneering spirit. With the term, "*pioneering spirit*," we wish to inspire and encourage both employees and business partners to use an innovative and creative

approach, one that results in long-term sustainable development – completely in line with NCC's vision: *to renew our industry and provide superior sustainable solutions*.

Honesty

- We are true to ourselves and to our stakeholders
- We conduct business in a correct and responsible manner
- We make sure that our stakeholders can always rely on NCC

Respect

- We value diversity and treat others respectfully
- We co-operate, value the opinion of others and we stand behind our decisions
- We use all resources with care

Trust

- We trust each other, say what we mean and do what we say
- We have the courage to be forthright and clear
- We honor our commitments and strive towards high standards on quality, ethics and sustainability

Pioneering spirit

- We take initiative, work proactively and with energy
- We have the courage to try new ways of thinking and working
- We drive development together with our stakeholders

NCC's Code of Conduct

The Code of Conduct was created in consideration of voluntary initiatives adopted by NCC, such as the World Economic Forum Partnering Against Corruption (PACI) and the UN Global Compact, an initiative that calls the attention of companies to corruption, the environment, human rights and work methods. NCC's Group Management is responsible for ensuring compliance with the Code of Conduct, which is continuously monitored within the framework of operating activities. NCC is also a member of the Corporate Supporters Forum, a business forum hosted by Transparency International Sweden.

NCC has a well-developed compliance program that is based on continuous training and discussions with all

employees. Monitoring and compliance work was further developed in 2013, through the launch of NCC Compass, for example, a Group-wide tool that makes it easier for employees to adhere to our values and that explains in a simple and clear manner how the more generally formulated Code of Conduct is to be applied in practice (see p. 32)

In 2013, NCC's greatest initiative to date in business ethics training was initiated, within the framework of NCC Compass. By the end of 2013, 1,200 managers in the Group had received the obligatory training and, in 2014, all employees will have the same training opportunities.

Secure transactions and *responsible* purchasing

NCC's entire business operation rests upon the confidence and faith of its customers. Business with NCC is to be characterized by security and transparency, and an ethical approach among all the parties involved.

The construction industry generates large quantities of goods and services, and employs a considerable number of people. The responsibility for business transactions and projects is delegated far down along the line in every market where NCC is active and the business culture and climate may vary from location to location. Consequently, our values and the Code of Conduct have a pivotal role to play in terms of preventive efforts concerning ethical issues among both employees and business partners.

RESPONSIBLE PURCHASING

Developing sustainable and competitive purchasing is a key issue for NCC.

The Group's purchasing of goods and services totals about SEK 38 billion. In addition to direct materials purchasing, NCC purchases significant amounts of energy, consumables and various types of subcontractor and consultancy services. The purchases are made through

more than 50,000 suppliers. The purchasing volumes mainly comprise services and materials relating to shafts and transports, staffing, consultants, installation, foundations, prefabricated concrete and steel, as well as construction materials.

Currently, NCC's purchases outside the Nordic region account for 6 percent of the total purchasing volume; the aim is to raise this proportion to 25 percent. NCC purchases goods from, for example, China, Thailand, Turkey, Portugal, Poland and Estonia. Over the years, NCC has built up a stable international supplier base, in part by establishing its own purchasing offices in various locations worldwide. Close cooperation with suppliers in the international market permits NCC to raise the reliability and efficiency of its supplier chain.

During 2013, NCC took a further step in enhancing the efficiency of purchasing activities by establishing a function to control and coordinate the Group's strategic

Find your way with NCC Compass

NCC Compass, which is easily accessible on NCC's intranet and also as an app, guides employees on issues concerning gifts, business entertainment, conflicts of interest and competition law. 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. It provides simple and concrete advice with the aim of preventing incorrect behavior. The Ask Me function is managed by 45 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language. The goal is that the employees always ask first, if they are unsure of what to do. 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 reporting function through which employees can report their suspicions about behaviors and actions that contradict the Code of Conduct. NCC guarantees that whatever is said or written will be handled as confidential information and that it will not reveal the identity of the person who submitted the report. All reports submitted via the Tell Me function are investigated in an impartial and thorough manner by specially trained internal resources jointly with external expertise.

During 2013 after the function was launched, NCC handled 57 questions, of which 58 percent concerned gifts and business entertainment, 12 percent competition, 12 percent conflicts of interest and 18 percent other issues. The questions have come from all of NCC's business areas, in all of the countries where it has operations. All questions are registered to gain insight into areas of potential problems, thus enabling NCC to clarify its procedures and guidelines.



purchasing operations, and is ultimately aimed at boosting efficiency and cutting costs simultaneously. Success factors will be the ability to enhance the coordination of purchases so as to strengthen the strategies set for each product range and increase the coordination of work methods and tools to ensure improved interplay between the purchasing organization and projects.

Some of NCC's international suppliers conduct manufacturing in societies marked by different conditions than those in our domestic markets, in terms of work environment and human rights, for example.

As part of efforts to monitor and develop its international suppliers, NCC conducts audits of social responsibility, environment and quality. NCC applies a 12-month supplier-assessment audit cycle for all international suppliers to ensure compliance with and development in these areas. Serious deviations among suppliers that are not rectified after having been observed lead to the termination of cooperation.

NCC combines its own audits conducted by in-house personnel with those of consultants who conduct third-party audits within the framework of NCC's affiliation to the Business Social Compliance Initiative (BSCI) and the UN's Global Compact, for example.

During 2013, a shared, Group-wide strategy was introduced for the purchase of materials and chemicals up until 2020. The strategy is aimed at clarifying the ownership of environmental issues in the purchasing process and to clarify NCC's intended direction in responsible purchasing. The strategy is based on NCC's vision and encompasses several aspects of responsible purchasing, such as the control and phasing out of chemical products with known hazardous properties, the systematic prioritization of construction products and materials with high environmental performance and ensuring that NCC's supplier base largely comprises suppliers that work systematically in respect of social responsibility, the environment, quality and occupational health and safety.

SUSTAINABLE FINANCING

In recent years, NCC has noted an increasing interest in green transactions, partly in respect of products that NCC supplies but also interest from players wishing to identify companies with a sustainable strategy. These

investors demand that the companies or projects they lend to or invest in entail high environmental ambitions. As early as in 2012, NCC concluded a long-term loan contract amounting to SEK 500 M with the Nordic Investment Bank, relating to the construction of energy-efficient office buildings by NCC Property Development. NCC believes that this type of investment market will grow to represent an attractive financial complement, as well as acting as a powerful driving force in inducing adjustments toward a sustainable society.



NCC and Blåkläder – a Nordic collaboration beyond the usual

In 2009, NCC and Blåkläder initiated a Nordic collaboration that has today evolved into a unique supplier relationship for NCC. The business relationship has generated solid business and the sustainable production of one of NCC's main indirect materials. NCC places stringent demands on the work clothes used in the course of production. In addition to safety requirements, the products must be of good comfort and quality, manufactured under healthy working conditions and have minimal impact on the environment in respect of, for example, chemicals, both during manufacture and as ready-to-wear garments. The close business relationship with Blåkläder enables NCC to proactively participate in and influence both production and product development. In addition to the ability to influence design and product quality, this also creates opportunities for NCC to influence the phasing out of chemicals known to have hazardous properties. One example is silver ions, which were removed following a joint decision and which are no longer used in Blåkläder's production. Another central aspect of the relationship with Blåkläder is that NCC participates actively in the assessment of Blåkläder's suppliers. NCC conducts its own supplier reviews alongside Blåkläder's supplier assessments.

GENERATED AND DISTRIBUTED ECONOMIC VALUE

NCC's operations in 2013, distributed by stakeholder, based on the consolidated income statement. The table shows NCC's generated economic value and the manner in which this has benefited various stakeholder groups.

SEK M	2013	2012
Generated economic value		
Customers	57,830	57,241
Distributed economic value		
Suppliers	-43,600	-43,439
Employees	-8,945	-8,759
Creditors	-279	-241
Government (tax and social insurance contributions)	-3,016	-2,891
Shareholders	-1,294 ¹⁾	-1,080
Retained economic value	696	831

¹⁾ Proposed dividend.

Consideration for employees

Attracting the best talents to the Group while successfully developing and retaining those who are already working with us is an issue of the utmost importance to NCC. There is no doubt that having competent and motivated employees generates greater profitability and increases customer satisfaction.



NCC believes in the ability and self-motivation of individuals, and its operations are based on the contribution of all employees and each individual finding his/her role and having a voice. The aim is to create an open and tolerant workplace that is characterized by Honesty, Respect, Trust and Pioneering Spirit.

DIVERSITY GENERATES CREATIVITY AND INNOVATION
NCC also works proactively to increase diversity and rid the industry of discrimination. We wish to have creative teams and workplaces, and know that creativity arises from a diversity of backgrounds, competencies, experiences and ideas – regardless of ethnicity, gender, age, religion, sexual orientation, lifestyle or other attributes.

As early as 2006, NCC joined the Fritt Fram network, Sweden's first network with a focus on sexual orientation within trade and industry. NCC also participates in several mentor programs, including Mentor Bygg through the Swedish Construction Federation, with the aim of increasing the percentage of women in the industry. It is just as important to recruit additional women as it is to retain, support and develop the women who are

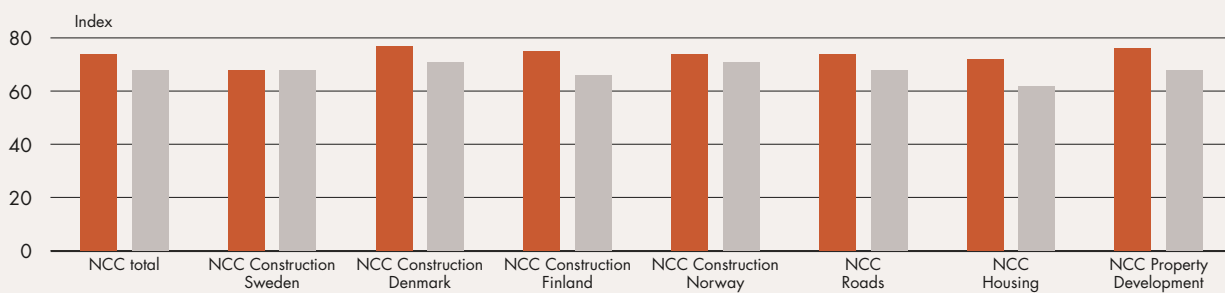
already working at NCC. The women's network Stella has a vital role to play in this effort. Stella was established as early as 1998 and has subsequently worked to highlight women's competencies and the percentage of women both generally and ones in leading positions.

However, in autumn 2013, less positive signals emerged in a report from the trade organization, Byggscheferna. The report stated that nine out of ten women in the construction industry find it to be unequal and many are considering switching to other jobs. This is unsettling and it is a problem NCC is handling with the greatest seriousness. Consequently, the Swedish construction operation has formulated targets and actions to sharpen the focus on the issue.

NCC also actively promotes an increase in the percentage of employees with other ethnic backgrounds. In Finland, NCC participated in an integration project together with Helsinki City, through which immigrants were offered training and trainee posts to work within construction and civil engineering. The course is scheduled to be completed in March 2014. Similar initiatives have also been implemented in other locations.

EMPLOYEE SATISFACTION AT NCC

Key questions in the Human Capital Index (HCI) survey are compared with the results of the European Employee Index, enabling NCC to measure its results against an industry index. The survey provides a description of the employees' job satisfaction and loyalty, and also encompasses questions regarding values, immediate superiors, motivation and commitment. The results of the 2013 survey indicate that NCC is better than the industry index in most markets.



■ NCC 2013

■ EEI Benchmark (EEI = European Employee Index). Comparison with the construction industry in Sweden, Norway and Denmark, as well as the entire labor market in Finland and Germany.

BROAD COMPETENCY DEVELOPMENT AND RESEARCH IN FOCUS

NCC is a knowledge-intensive organization where training and competency development are key issues. Training courses are provided annually in a range of areas and at many different levels. These include everything from project-manager courses to site manager certifications and NCC's proprietary foreman school, which has been operational for several years, and which provides new types of development opportunities for skilled workers.

During the year, NCC launched a new high-school course together with Kunskapsskolan. The new Technology program is a three-year course and will be offered at a number of locations in Sweden. During the course, students will have continuous company contact, such as through trainee posts, field trips and lectures by experts from NCC. The students will also be provided with traineeship at the company and a personal mentor. Also in 2013, NCC continued to work with the Technical Leap project, whereby senior high school pupils are offered trainee positions while simultaneously providing insight into and boosting interest in the engineering profession.

NCC also conducts extensive R&D work that is decentralized and conducted within each business area. This may pertain to everything from knowledge-acquisition research to more industrially oriented product and method development – usually in close collaboration with customers and suppliers.

The Group also engages in continuous collaboration with various universities and colleges and employs about seven industrial PhD candidates every year, who constructively contribute to NCC's strategic development. NCC in Sweden also has six professors who are attached on a part-time basis to a number of institutes of technology, thus providing a valuable network connection to academic researchers. During the year, the company participated in several strategic research programs, both nationally and internationally including the EU project, E2ReBuild, which focuses on energy-efficient refurbishments in cold climates.

MANAGER DEVELOPMENT

Manager development is a core issue for NCC. The challenges of the future require managers with vision and coaching skills, who dare to assume responsibility for their employees, and who want to grow in pace with the company. In 2013, particular focus was given to creating a Group-wide platform for change management. With the help of the new platform, NCC's managers will now be better equipped to drive development and the company's renewal. In addition to courses and training, the shared platform comprises a range of tools and working models that provide practical support for analysis work, planning and the implementation of various types of changes – all easily accessible on the company's intranet.

ANNUAL SURVEY – A TOOL FOR IMPROVEMENT

Workforce satisfaction and the employees' view of NCC are tracked via an employee survey – the human capital index (HCI). HCI monitors issues involving attitudes, work satisfaction and loyalty so as to provide input to NCC's continuous improvement activities. The proportion of committed employees remains high, higher than equivalent levels for the industry, and vis-à-vis those countries in which we are active. In comparison with white-collar employees, fewer blue-collar workers participated in the survey in 2013 (72 percent compared with 88 percent). The findings of the 2013 study included the following:

- Committed employees, higher comparative figures than for the industry
- Employees perceived many executives as straightforward, result-driven and motivational
- Work satisfaction remains high, but dipped in 2013

During 2013, efforts aimed at improving the dialog centered on NCC's values and the Code of Conduct were intensified. The HCI survey for the year indicates that related activities are beginning to impact, as confirmed by the fact that the portion of employees familiar with the content of the Code of Conduct increased 4 percentage points to 52 percent among blue-collar workers, and by 3 percentage points to 89 percent among their white-collar colleagues.

Diversity project, Sumak

In Malmö, NCC is participating in a project called Sumak, which was initiated by the company Xenofelia and by "Kryddor i Rosengård" ("Spices of Rosengård"). The project is based on a change process for companies and organizations that wish to work with values, attitudes and diversity in order to develop more inclusive workplaces. A total of 365 persons from NCC, the accounting firm PwC and employees of the Malmö City district, Västra inner city are participating in the project. In the course of one year, the participants will work to highlight and challenge workplace norms. The tools that are being used are communication, food and culture. Sumak is financed by the European Social Fund.



SAFE AND SECURE WORKPLACES

Occupational health and safety issues and thinking safely are ever present in NCC’s culture.

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. It is particularly important to strengthen the safety culture, which involves attitudes and behavior, and create an environment in which everybody reacts to and acts on work environment shortcomings and deviant behavior. In addition to attitudes and behavior, the focus has been on high-risk areas such as working at heights, heavy lifting with cranes, and work in environments with busy traffic.

NCC invests considerable effort in training and education on the value of safety procedures and how to prevent worksite accidents. During the year, the “Tysta Boken” manual was relaunched to offer simple and easy-to-understand assistance in performing tasks correctly, regardless of language.

In 2013, NCC received a national work-environment award in Denmark for its work on developing safety culture, which led to a halving of the number worksite accidents at NCC’s Danish worksites in 2012.

Safe worksites are also about safe and secure terms of employment. In all of our markets, with the exception of Russia and the Baltic countries, 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. In the Baltic countries, minimum wages and other terms are regulated through national legislations.



Awareness Day – a day for reflection and consideration

At the beginning of September, NCC arranged Awareness Day for the third year in succession. At 9:00 a.m. on September 4, all work was halted at all of NCC’s workplaces in all countries, to hold joint talks and discussions about the work environment and safety. In 2013, several Board members from NCC and the principal owner, Nordstjernan, participated in discussions held at various workplaces.



SICKNESS ABSENCE

NCC, Group	2013	2012	2011
Sickness absence, %	3.7	3.5	3,5

ACCIDENT FREQUENCY AND DEATHS

NCC, Group	2013	2012	2011
Accident frequency ¹⁾	10.6	10.8	14.6
Fatilities ²⁾	1	1	2

¹⁾ Number of occupational accidents resulting in one day or more of absence from ordinary work per million working hours.

²⁾ Including employees of subcontractors.

Consideration for the environment

In terms of the environment, this entails that NCC, at every step of the supply chain, is to offer resources and energy-efficient products and solutions that help our customers in reducing their environmental impact and operating more sustainably. A fundamental component of our strategy is to promote a sound and sustainable living environment for people, animals and nature, while generating business characterized by long-term profitability.

All around us in our world today, raw materials and other resources are being consumed at a rate that far exceeds the capacity of our planet's production. We live as though we have an additional planet at our disposal.

The construction industry has a significant role in this regard, since it is a major user of both material resources and energy – in terms of its own operations and the products and services it provides to society. A proactive approach to today's challenges is needed to transform the construction industry into an industry that is sustainable in the long term.

As an industry leader, NCC aims to actively drive the shift toward and the development of a more sustainable society. For NCC, this entails proactively influencing resource usage and developing new technological solutions, products and work methods that influence developments in the right direction. This also entails breaking the traditional method of working and creating new paths to cooperation with other players and stakeholders in society.

CONTROL AND OBJECTIVES

As part of its sustainability strategy, a long-term target has been formulated in the section concerning environmental work, where NCC has chosen to focus on four subareas in which the company sees an opportunity to push through significant improvements.

NCC's environmental work is based on the four overall focus areas and is managed by the Group's Head of Sustainability, in cooperation with the environmental managers of each business area. The work group meets regularly and sets shared targets and follows up on the development of environmental work.

During the year, clear and scheduled objectives and key figures were formulated for each of the focus areas, with the aim of improving the measurement of NCC's actual improvements and indicating how we have improved.

Four focus areas – ambitions and objectives

CLIMATE AND ENERGY

NCC's climate impact is to be continuously reduced and energy consumption is to derive from renewable sources.

Long-term objectives

- NCC is to increase the use of processes, products and services that generate zero or low CO₂ emissions.
- NCC is to deliver buildings with low energy consumption while aiming for "zero and plus-energy buildings"

RESOURCE EFFICIENCY, RECYCLING AND WASTE MINIMIZATION

NCC's product development is to be characterized by resource efficiency and operations are to be based on circular flows.

Long-term objectives

- No recyclable waste is to be disposed of in landfills
- Gradual growth in the percentage of renewable and recyclable materials and components in NCC's product range

CHEMICALS AND SUSTAINABLE

MATERIAL CHOICES

NCC is to create healthy built environments by minimizing the use of materials that could have harmful effects on people or the environment.

Long-term objectives

- NCC is to declare the contents of its buildings and products

ENVIRONMENTAL CLASSIFICATION OF BUILDINGS AND CIVIL ENGINEERING STRUCTURES

NCC is to be a driving force in the Nordic market for environmentally certified buildings and civil-engineering structures.

Long-term objectives

- NCC is to deliver environmentally certified buildings and civil-engineering projects

CLIMATE AND ENERGY

NCC's goal is to continuously reduce its climate impact by reducing emissions of greenhouse gases in both its operations and the products offered to the market. Increasingly optimized energy usage and a transition to more eco-friendly energy sources are high on the agenda.

Customers are offered climate-friendly solutions through, for example, what are known as Green Tenders. NCC was the first company in the construction industry to launch this type of alternative tender as early as in 2010, and has since developed the tenders to encompass an ever broader product portfolio. The Green Tenders initiative offers customers such features as the energy-efficient and environmentally adapted establishment of workplaces, climate-declared buildings and climate compensation. In 2014, the next version of Green Tenders will be launched, which comprises more services than the purely climate related.

NCC Roads also implements proactive investments to reduce climate impact, such as through the creation of new products and solutions that reduce NCC's carbon

emissions. With ever-higher energy optimization and a steady increase in the percentage of recycled materials, the environmental impact from factors such as asphalt production has continued to decline.

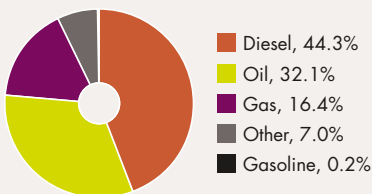
To further drive development toward reduced dependency on fossil fuels, NCC has created a patented method for converting the heating systems of asphalt plants from traditional fuels to wood pellets. The conversion results in significant reductions of carbon emissions. In 2013, conversions were implemented at four plants and, in 2014, transitions of an additional nine plants are planned.

NCC is also continuing to work systematically to reduce energy usage in the buildings it develops and constructs. An epoch-making step was taken in autumn 2013, when NCC, on assignment from the municipal housing company, HFAB in Halmstad, commenced the construction of Sweden's first plus-energy apartment block. The building will generate its own heating and electricity to cover its entire energy requirements, and will also provide a surplus to the electricity grid.



Nordic Swan-labeled houses at Hageby Backe, Huddinge, Sweden.

DIRECT ENERGY USE



The diagram shows NCC's energy usage derived from various fuels.

INDIRECT ENERGY USAGE

MWh	2013	2012
Electricity	218,078	273,196
District heating	45,119	52,498
District cooling	283	136
Total, all energy sources	263,480	325,830

The table shows NCC's usage of purchased energy.

EMISSIONS FROM NCC'S OPERATIONS

Tons, 000s	2013	2012
Nitric oxide (NOx)	860	801
Sulfur oxide (SOx)	61	63
Particles (PM10)	83	78
Greenhouse gas emissions (CO ₂ e)	266	253
– of which scope 1	240	221
– of which scope 2	25	32

The increase compared with 2012 was due in part to a larger operation than was included in Scope 3 in 2012 but in 2013 was included in Scope 1 and 2.

HAZARDOUS SUBSTANCES TO BE REMOVED

Work is continuing at an unabated pace to gradually phase out from the construction process substances that could harm people and animals in the surrounding environment. NCC's long-term objective for 2020 is to have the capacity to produce content-declared buildings and civil-engineering structures that comprise environmentally sound and sustainable products – a development that, in the long term, will result in buildings being designed to a greater extent to allow for their input materials to be recycled upon expiry of their useful life.

In addition to applying the rules and regulations set forth by the EU such as REACH, NCC uses various tools and databases that provide solid guidance on how to phase out the most harmful substances. Examples of such databases include BASTA and ChemXchange. A crucial link in the transition to thoroughly sound and recyclable products is to impose the appropriate requirements on suppliers and to work with traceability throughout the entire production chain – an effort that was further intensified by NCC's purchasing organization during 2013. Another important driving force is the environmental certification of buildings.

CIRCULAR FLOWS ARE A LONG-TERM OBJECTIVE

Lifecycle analyses help us to optimize the usage of materials in production and increased resource efficiency in the construction process will gradually raise the volume of recycled materials and reduce the volume of waste. In several of NCC's operations, recycling is a central feature of the business, particular within NCC Roads and the business concept called NCC Recycling – recycling terminals that receive and refine primarily asphalt, concrete, stone materials, earth and excavation material, as well as park waste.

In the past few years, NCC Roads has also reduced environmental impact in the manufacture of asphalt, by increasing the use of recycled asphalt, known as granulate. In 2013, the percentage was 15 percent (14).

A TOOL FOR CONTINUOUS IMPROVEMENT

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. NCC is playing an active part and is one of the founders of Green Building Councils in Denmark, Finland, Norway, Sweden and Estonia. Green Building Councils work to promote green building and to develop and influence environmental and sustainability efforts in the industry.

When collaborating with external customers, the company has the requisite experience and expertise in terms of the system that should be chosen. In NCC's proprietary developed projects, NCC has chosen to adhere to BREEAM for commercial buildings and city districts (in Denmark, NCC adheres to the German system, DGNB) and the Nordic Swan Ecolabel and Sweden Green Building Council certification for residential projects. Our civil-engineering projects adhere to the CEEQUAL certification system.

Within the NCC Roads business area, NCC has also started to introduce an environmental stamp on quarries – NCC Green Quarry. The environmental stamp, which has already been introduced to some 70 quarries in the Nordic region, comprises the measurement and monitoring of energy usage, transports, recycling, noise and dust, as well as communication with neighbors and other stakeholders.



Nordic Swan Eco labeled P303
in Ytterby, Kungälv, Sweden

Nordic Swan-Ecolabeled rental apartments and single-family dwellings

Tomorrow's housing will require greater consideration of the environment while maintaining high quality. By developing and building energy-efficient housing using healthy materials, NCC helps reduce climate impact. During the year, NCC gained Nordic Swan Ecolabel certification for its P303 and P304 Swedish housing construction systems. Because the entire construction system – featuring predefined building materials and strict control of build-

ing processes, energy and quality – is now approved, only minimal work inputs are required to achieve Nordic Swan Ecolabeling of future projects.

The first of these was a multi-family dwelling containing 27 rental apartments in Ytterby, outside Gothenburg, and later during 2013 some 70 single-family dwellings in Haninge and Huddinge in southern Stockholm will be built.

Stakeholder dialog and social responsibility

NCC's commitment to society is pursued at many different levels and aimed at several different stakeholder groups. In day-to-day work, this concerns tens of thousands of meetings between people, and a constant exchange of thoughts and experiences that help us in our continued development.

All of these meetings generate added value and help us in setting our priorities in the sustainability area. To find out the views of NCC's principal target groups in respect of sustainability issues and their expectations of NCC, we implemented a simplified, targeted survey in 2013,

which will be followed up at a more in-depth level in the years ahead.

The 2013 survey showed that our stakeholders regard the following issues as most important:

Ensure the provision of healthy and *safe workplaces*

Develop products and services *from a sustainability perspective*

Subject suppliers to demands in terms of *quality, health, security and the environment*



Dome of Visions

The Dome of Visions is a dome-shaped building of wood and Plexiglas, with a diameter of 21 meters and a height of 10.5 meters, which NCC jointly developed with the two Danish architects Kristoffer Tejlgaard and Benny Jepsen. The dome forms a protective climate shell for a garden and a resource-efficient wooden house the size of a single-family home. The objective of the dome project was to accumulate new experiences involving alternative structures and materials usage. However, it has also been used as a meeting place for dialog and discussions about the potential appearance of future buildings.

The project challenges the construction industry and materials manufacturers in terms of their responsibility for solving future climate challenges.

The dome also investigates how we can vitalize the gap between buildings and the temporary locations that arise in the course of new construction. The building is used as an arena for cultural meetings and social activities in parallel with ongoing measurements and analyses regarding the building's climate and energy performance.

NCC also implements thorough market and customer-satisfaction surveys on a regular basis, to better understand customer needs and preferences. When designing new residential districts, NCC offers stakeholders information and dialog. A notable example is the development of Norra Sigtuna, where NCC, through what is referred to as vision-controlled town planning, involved the inhabitants of Sigtuna in the planning of this new residential district.

PARTICIPATION IN THE GENERAL DEBATE

For some years, NCC has actively participated in the Swedish debate concerning the conditions for increased residential construction. With experiences gained from the Nordic countries and Germany, where NCC is the largest housing developer, the company has constructively mediated valuable insights and experiences with proposals for a faster decision and construction process. The dialog has taken place in the form of seminars, debate contributions, articles and statements of opinion submitted to various government agencies.

During the year, NCC in Denmark had major success with a project called the Dome of Visions, a mobile visionary meeting place and multi-dimensional sustainability project aimed at offering dialog and discussions on the appearance of future construction.

NCC otherwise engages in continuous dialog with various stakeholder organizations and meets with investors, analysts and shareholders regularly. During 2013, a Group-wide Public Affairs function was also established, which is tasked with increasing the company's internal expertise in handling contacts with the public.

NCC also has a commitment in many local sports clubs and supported various nonprofit organizations during the year, such as Mattehjälpen, which provides tutoring in mathematics homework to more than 100,000 high school and senior high school students in Sweden. The organization is provided with financial support and NCC employees are also offered an opportunity to serve as voluntary tutors. Another example is Drömmarnas Hus in Rosengård in Malmö, a creative educational meeting place for young people, where culture and nature experiences are in focus.

NCC also assumes responsibility for society from a broader perspective and, in 2013, donated SEK 500,000 to victims of the natural disaster in the Philippines and, following a vote among employees, donated SEK 1 M in lieu of Christmas presents, as a Christmas gift to UNICEF for its work in Niger on installing water pumps that will increase accessibility to clean drinking water.

Vision-controlled city development – a socially sustainable project

In the development of Norra Sigtuna, Sigtuna Municipality, NCC and the inhabitants of Sigtuna are cooperating to facilitate socially, economically and ecologically sustainable urban development. Dialogs with citizens and workshops are shaping the design of the new district.

No drafts are made without the inhabitants' participation and input through various consultations and citizen's forums. Competitions have also been arranged where children living in Sigtuna, through the computer game Minecraft, have been included and visually expressed their opinion on how the new district should be designed. With input from the various forums, NCC enhances its awareness and gains an understanding of what is needed before construction, and why it is needed. Some of the viewpoints that have been captured are: the use of water mirrors as active elements, surfaces for planting, mixed residential units for the elderly and young; developed track area for walking, running, skiing, horse, bicycles, car-free streets and small-town characteristics, proximity to schools, retail and services.



ABOUT THIS REPORT AND THE CONTACT PERSON

For the fourth 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 2013 Annual and Sustainability Reports, together with information on the NCC website, fulfills the GRI disclosure requirements for Application Level C. Unless otherwise stated, all the information pertains to the entire NCC Group during the 2013 financial year. The GRI index is available on NCC's website www.ncc.se/griindex. In 2014, NCC intends to commence a transition to the updated GRI reporting framework, G4. Contact: Christina Lindbäck, Senior Vice President Corporate Sustainability

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 2013 fiscal year.

GROUP RELATIONSHIP

Since January 2003, NCC AB has been a subsidiary of Nordstjernan AB, corporate registration number 556000-1421.

OPERATIONS

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. NCC also offers input materials used in construction, such as stone materials and asphalt, and provides paving and road services. NCC mainly conducts its operations in the Nordic region. In Germany, NCC primarily builds housing properties. In St. Petersburg, NCC builds housing properties and has an asphalt and paving operation. In Estonia and Latvia, NCC constructs housing properties and buildings.

OPERATIONS DURING THE YEAR

Market

Demand in the Nordic construction market is slowly improving. The Swedish construction market is relatively stable, but recovery is slow, which had an impact on Construction operations.

NCC Roads' operations were impacted by a severe winter early in 2013, but mild weather conditions late in the year enabled operations to continue longer than usual and demand for asphalt was higher towards the end of the year. However, demand for stone materials slackened.

The most favorable market conditions currently exist in Germany and St. Petersburg. In Denmark, the market in Copenhagen has improved, while recovery in the rest of the country is slower. The markets in Estonia and Latvia improved towards the end of the year.

Prices rose slightly in Sweden, but the market in Sweden was characterized by some caution and the fact that purchasing decisions are being made closer to completion of construction. The Finnish market declined late in the year and was characterized by caution.

The property market was marked by lower transaction volumes in 2013. Modern and "green" properties with stable tenants in attractive locations are in demand. In the leasing market, demand is favorable and vacancies are stable, except in Finland where demand in the office rental market is weaker.

Changes among senior executives

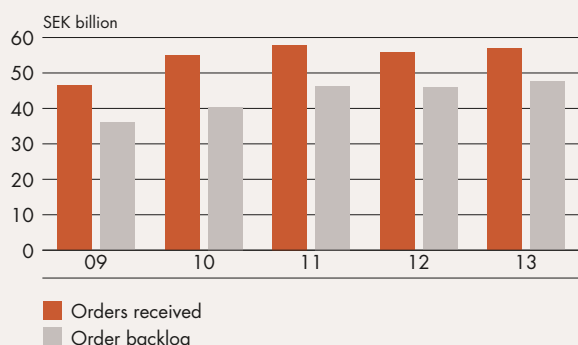
In March 2013, Christina Lindbäck assumed the new position as Senior Vice President Corporate Sustainability of the NCC Group and thus became a member of Group Management. Christina Lindbäck was previously Senior Vice President Environmental Affairs of the NCC Group. Carola Lavén assumed the position as Business Area Manager for NCC Property Development in April 2013 and also became a member of Group Management. Carola Lavén was previously Business Development Director at Atrium Ljungberg, where she was a member of company management. In June 2013, it was announced that Hakon Tjomsland had been appointed the new Business Area Manager for NCC Construction Norway. He was previously responsible for NCC's civil-engineering operations in Norway. At the same time, Peter Gjørup, the former Business Area Manager of NCC Construction Norway, took over a new position as Chief Purchasing Officer in the NCC Group. Mats Pettersson, Senior Vice President Human Resources at the NCC Group, left the company at the end of 2013. On March 12, 2014, Acting Senior Vice President Human Resources, Jacob Blom, was appointed Senior Vice President Human Resources and member of NCC's Group Management.

Orders received

Orders received amounted to SEK 56,979 M (55,759). The year-on-year increase was mainly attributable to an increased number of starts for housing property projects but also to more projects in the

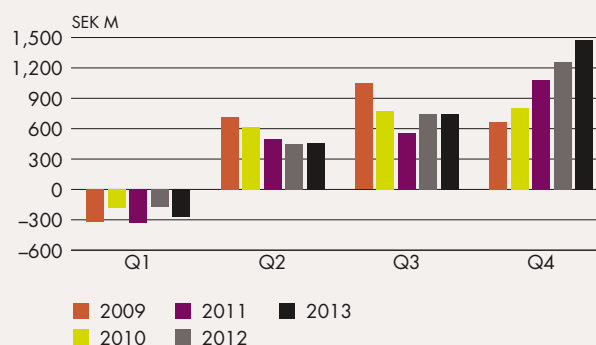
ORDERS RECEIVED AND ORDER BACKLOG

Orders received and the order backlog have increased since the decline in 2009. The increase in 2010 was due largely to robust demand for housing. In late 2011, demand for housing stagnated while demand for other building projects and civil engineering projects continued to rise throughout the year. Orders received were slightly lower in 2012 compared with 2011, mainly due to a decline in orders received for Construction units in Sweden, Denmark and Finland. During 2013, orders received increased primarily through more housing starts but also increases in other buildings.



PROFIT/LOSS AFTER FINANCIAL ITEMS

The last quarter of the year was seasonally strong, thanks to higher profit from NCC Property Development since several property projects were recognized in profit. However, the start of the year was seasonally weak. During the second quarter of 2013, profit in the Norwegian operations deteriorated, due to impairment losses on projects. The third quarter matched the preceding year.



other buildings segment. Changes in exchange rates reduced orders received by SEK 714 M compared with the preceding year.

Orders received for proprietary housing projects sold to private customers amounted to SEK 9,029 M (7,289). During 2013, 3,715 (3,196) housing units for private customers and 1,095 (1,328) units for the investor market were started. During the year, 3,747 (2,937) housing units were sold to private customers and 1,129 (1,395) housing units to the investor market. Orders received for proprietary property projects totaled SEK 2,309 M (1,644). The order backlog rose SEK 1,805 M year-on-year to SEK 47,638 M. Changes in exchange rates had an adverse impact of SEK 428 M on the order backlog.

Net sales

Net sales were in line with the preceding year and totaled SEK 57,823 M (57,227). Higher sales mainly in NCC Property Development and NCC Construction Norway were offset by lower sales in NCC Construction Sweden. Sales in NCC Roads fell due to lower volumes. The late start to the season caused by the long and cold winter early in the year resulted in lower volumes of stone materials and asphalt. Higher revenues from housing sales to investors, as well as sales of land, resulted in sales for NCC Housing being higher than in the preceding year. Most of the net sales for NCC Property Development derived from projects recognized in profit during the fourth quarter. Changes in exchange rates had an adverse impact of SEK 668 M on sales compared with the preceding year.

Operating profit

Operating profit amounted to SEK 2,679 M (2,519). The improvement in profit was due to higher earnings for NCC Property Development, which offset the lower earnings in NCC's Construction units in Sweden and Norway, as well as NCC Housing.

Total operating profit for NCC's Construction units was lower than in the preceding year. The change was primarily due to lower volumes in NCC Construction Sweden, and lower earnings in NCC Construction Norway, resulting from impairment losses on projects during the year.

Operating profit in NCC Roads matched the preceding year, primarily due to the strong recovery in the asphalt operations during the second half of the year, which offset the weak trend in the first quarter. Earnings from stone materials declined primarily due to lower volumes. Losses and weak margins in the road service operations were charged to earnings.

Profit in NCC Housing was negatively impacted by results from the sale of rental units in Sweden and land, impairment of land, restructuring costs in Sweden and higher expenses caused by the increase in project volumes.

NCC Property Development's operating profit was higher than in the preceding year. Eleven (nine) projects were recognized in profit, along with earnings from previous sales and land sales during the year.

"Other and eliminations" amounted to an expense of SEK 21 M (expense: 192). Elimination of inter-company gains amounted to profit of SEK 66 M (loss: 16). Profit after financial items totaled SEK 2,400 M (2,277). Net financial items declined to an expense of SEK 279 M (expense: 241) due to higher average net indebtedness.

Profit after tax for the year amounted to SEK 1,989 M (1,910). The effective tax rate for NCC was 17 (16) percent.

FINANCIAL POSITION

Profitability

The return on equity after tax was 26 percent (28).

Total assets

Total assets amounted to SEK 38,793 M (37,713).

Net indebtedness

Net indebtedness amounted to SEK 5,656 M (6,467), of which net indebtedness in ongoing projects in Swedish housing associations and Finnish housing companies accounted for SEK 1,714 M (2,181). Net indebtedness declined at the end of 2013, for seasonal reasons and due to higher sales of housing and property development projects.

Cash flow

Cash flow before financing was SEK 1,661 M (negative: 932). Cash flow from changes in working capital amounted to SEK 211 M (negative: 2,484). Cash flow from operating activities was higher than the preceding year thanks to strong sales of housing and property projects. Capital tied up in working capital was lower than in the preceding year due to higher interest-free financing. Investments in housing projects during the year were lower than in the preceding year – in Sweden due to few starts at the beginning of the year and in St. Petersburg due to fewer land purchases. Also refer to the Cash flow statement on p. 58.

Equity/assets and debt/equity ratio

On December 31, the equity/assets ratio was 22 percent (20). The debt/equity ratio was a multiple of 0.7 (0.8).

Seasonal effects

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

BUSINESS AREAS

NCC Construction Sweden

Orders received by NCC Construction Sweden were lower than in the preceding year, due to fewer projects in the other buildings segment, and amounted to SEK 20,348 M (21,483). The recovery in the market was weaker and set in later in the year than anticipated. Demand for housing rose and orders received in the fourth quarter increased in the segment. Orders received in the civil engineering segment remained unchanged compared with 2012. Earnings declined to SEK 637 M (801) due to the lower sales. A new organization in NCC Construction Sweden, with more distinct specialization combined with a strong local presence, will enhance efficiency in specific market segments. The new organization came into effect on January 1, 2014.

NCC Construction Denmark

Orders received by NCC Construction Denmark rose to SEK 4,929 M (3,288). The increase was primarily attributable to one major project, Carlsberg Byen, which is carried at SEK 1.5 billion and was received in the first quarter of the year. As a result of higher sales and continued strong profitability, operating profit was higher than in the preceding year, amounting to SEK 208 M (189).

NCC Construction Finland

Orders received by NCC Construction Finland were slightly lower than in 2012 and amounted to SEK 6,491 M (6,576). The decline was due mainly to lower demand for housing. Operating profit improved to SEK 127 M (101). However, the margin in ongoing projects remained low although improvement measures have begun to generate positive effects.

NCC Construction Norway

Orders received by NCC Construction Norway were lower and amounted to SEK 7,098 M (8,086). The decline was due to a decrease in orders received for housing, resulting from a slackening of the

Norwegian housing market. Orders received for civil engineering projects and other buildings rose slightly. Operating profit was SEK 3 M (74), which was lower than in the preceding year, due to impairment losses mainly on a number of other buildings projects in the second quarter. The single largest impairment loss pertained to a project that was part of the acquisition of OKK Entreprenør AS in 2012.

NCC Roads

Net sales for NCC Roads declined to SEK 11,999 M (12,211). The late start to the season caused by the long and cold winter early in the year resulted in lower volumes of stone materials and asphalt. This was partly offset by an increase in sales in road services compared with the preceding year. Profit was in line with the preceding year and totaled SEK 406 M (417). Strong recovery during the second half of the year offset the weak trend in the first quarter. Earnings from stone materials declined primarily due to lower volumes. Losses and weak margins in the road service operations were charged to earnings. A new organization became effective on January 1, 2014 to enhance the efficiency of the operations.

NCC Housing

Demand for housing was favorable in NCC's markets. A total of 3,747 (2,937) housing units were sold to private customers and 1,129 (1,395) to the investor market. During the year, construction started on a total of 3,715 (3,196) housing units for private customers and 1,095 (1,328) units for the investor market. 2,951 (2,845) housing units for private customers and 903 (998) housing units for the investor market were recognized in profit. The number of completed, not profit recognized housing units at the end of the period was 717 (393). The number of housing units under construction totaled 6,383 (5,768), of which 4,831 (4,391) for private customers. The sales rate for units under construction for private customers was 47 percent (43) and the completion rate was 49 percent (47). The sales rate for units under construction for investors was 98 percent (96) and the completion rate was 38 percent (40).

The number of development rights at year-end was 33,200 (35,000), including 11,200 (12,800) located in Sweden. Capital tied up in housing projects increased to SEK 12,625 M (11,738), mainly as a result of an increase in ongoing projects. Profit totaled SEK 605 M (835). The margin from housing sales improved compared with the preceding year. Profit during the year was negatively impacted by the sale of rental units in Sweden and by land, impairment of land, restructuring costs in Sweden and higher expenses caused by higher project volumes.

NCC Property Development

Sales for NCC Property Development amounted to SEK 4,811 M (2,847). Property sales for full-year 2013 totaled SEK 4,631 M (2,722) and gains from the sales amounted to SEK 818 M (479). Operating

profit was higher than in the preceding year, at SEK 713 M (295). A total of eleven (nine) projects were recognized in profit. Earnings from sales of land and from earlier sales also contributed to the positive result. The operating net for the period amounted to SEK 68 M (36).

At year-end 2013, NCC had 17 (23) completed and ongoing projects that had not been recognized in profit, with total project costs amounting to SEK 5.0 billion (5.9). Costs incurred in all ongoing projects amounted to SEK 3.0 billion (3.3), equal to a completion rate of 60 percent (55), while the leasing rate was 74 percent (68). Leases were signed for 120,100 square meters (76,400) during the year.

BRANCHES OUTSIDE SWEDEN

The NCC Construction Sweden business area conducts operations via a branch in Norway. NCC also has a branch in Denmark, as well as a branch in Singapore connected to two completed projects for which the guarantee periods have not yet expired.

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 Swedish subsidiaries. Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations conducted by NCC Roads that affect the external environment, as well as the construction and civil engineering operations conducted by NCC's Construction units. Within NCC Roads, quarries and harbors are subject to permit obligations, while asphalt production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Roads also conducts recycling operations that are subject to permit obligations. Some of these also include deposits, 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.

COMPETITION ISSUES

In 2011, NCC's internal investigation confirmed suspicions stated by the Norwegian Competition Authority concerning infringement of competition law in the Trondheim area during 2005–2008. The Norwegian Competition Authority announced in March 2013 its ruling in the case entailing that NCC was ordered to pay approximately NOK 140 M (approx. SEK 150 M) in competition-infringement fees. NCC then requested a review of the Competition Authority's ruling in Oslo District Court. The District Court issued its verdict on February 19, 2014, according to which the competition-infringement fee was reduced from NOK 140 M to NOK 40 M (SEK 43 M). This verdict can be appealed. Further information is provided in Note 30, Other provisions.

ORDERS RECEIVED, NET SALES AND EARNINGS PER BUSINESS AREA

SEK M	Orders received		Net sales		Operating profit	
	2013	2012	2013	2012	2013	2012
NCC Construction Sweden	20,348	21,483	21,530	25,043	637	801
NCC Construction Denmark	4,929	3,288	3,546	3,396	208	189
NCC Construction Finland	6,491	6,576	6,680	6,709	127	101
NCC Construction Norway	7,098	8,086	7,408	6,070	3	74
NCC Roads	12,311	11,807	11,999	12,211	406	417
NCC Housing	10,921	9,380	9,030	8,612	605	835
NCC Property Development			4,811	2,847	713	295
Total	62,097	60,618	65,003	64,889	2,700	2,710
Other and eliminations	-5,118	-4,859	-7,180	-7,662	-21	-192
Group	56,979	55,759	57,823	57,227	2,679	2,519

In the wake of the Finnish asphalt cartel, which took place in 1994–2002 and 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 the Roads Authority in Finland. For NCC Roads' Finnish company, this means that claims totaling approximately EUR 40 M have been directed at the company, jointly with other involved construction companies. 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 Roads' Finnish company was ordered to pay approximately EUR 1 M, including interest and process costs. The amount had been reserved in 2013.

PERSONNEL

The average number of employees in the NCC Group during the year was 18,360 (18,175). The increase was primarily due to the acquisition of the company OKK Entreprenør AS in Norway in 2012. In 2013, personal cutbacks were implemented mainly in NCC Construction Sweden, NCC Housing and NCC Roads due to the reorganization of each unit. NCC's long-term efforts involving occupational health and safety matters continued during the year.

NCC SHARE

At December 31, 2013, NCC's registered share capital consisted of 27,708,122 Series A shares and 80,727,700 Series B shares. The shares have a quotient value of SEK 8.00 each.

The Annual General Meeting on April 9, 2013 authorized the Board, until the next Meeting, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 303,620 Series B shares to participants in the long-term performance-based incentive program that was resolved for introduction at the 2013 Annual General Meeting. During the year, NCC utilized the mandate to buy back Series B shares. At the end of the year, the company had 592,500 Series B treasury shares.

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. Conversion occurs when such registration has taken place. During the year, 2,425,764 Series A shares were converted to Series B shares.

The number of NCC shareholders at year-end was 37,726 (37,840), with Nordstjernan AB as the largest individual holder accounting for 22 percent (23) of the share capital and 65 percent (66) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly account for 45 percent (48) of the share capital and 73 percent (76) of the voting rights. On February 1, 2012, NCC signed a five-year credit facility of 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 the voting rights in NCC AB, or if NCC AB is delisted from the OMX NASDAQ Exchange, the credit facility may be terminated by the lenders.

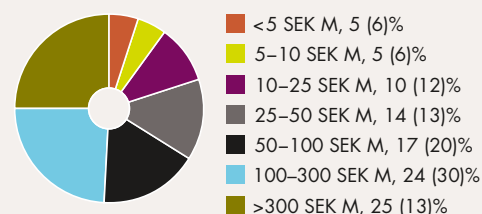
During 2011, Nordstjernan, NCC's principal owner, extended an offer to senior executives to acquire call options in NCC at market terms and conditions. The options corresponded to a total of 51,223 Series B shares in NCC AB. The call options covered by the issue have a term of 3.3 and 5.3 years, with exercise in spring 2014 and spring 2016, respectively at a price of SEK 200 and SEK 250, respectively.

MAJOR ONGOING PROJECTS

Projects >SEK 300 M		NCC's share of the order value	Completion rate at Dec. 31, 2013, %	Estimated completion
Norrström Tunnel, Stockholm	SE	1,717	77	2015
New campus, housing, offices and stores, Copenhagen	DK	1,639	16	2017
National Highway 4, Hadeland	NO	1,182	7	2016
Shopping center and travel hub, Matinkylä	FI	1,139	5	2016
Railway tunnel, Larvik	NO	1,078	33	2016
Subway depot, Stockholm	SE	1,020	6	2017
Offices, Stockholm	SE	965	32	2015
Light rail link, Phase 3, Stockholm	SE	821	84	2015
Housing and property block, Stockholm	SE	793	98	2014
Clarion Hotel, Arlanda	SE	714	99	2014
E6, expressway, Trondheim	NO	707	99	2014
Suspension bridge, Narvik	NO	694	14	2017
Airport terminal, Oslo	NO	688	98	2014
Multimedia building, Aarhus	DK	584	66	2014
University hospital, new construction and refurbishment, Linköping	SE	580	66	2015
Raise boring, Kiruna	SE	556	59	2014
Offices, Asker	NO	548	91	2014
Radiotherapy clinic, Uppsala	SE	533	73	2014
County road 456, road and tunnel, Kristiansand	NO	529	99	2014
Underground and construction works, Kiruna/Malmberget	SE	529	92	2014
Municipal and regional building Kristianstad	SE	501	86	2014
Highway, Östfold	NO	476	70	2014
Traffic hub, Bergen	NO	475	1	2015
Retail and housing, Baerum	NO	448	45	2015
Power station, Hissmofors	SE	437	96	2014
E18 expressway, Gulli	NO	436	91	2014
College of Music, Stockholm	SE	415	11	2016
Housing units and parking garage, Copenhagen	DK	412	22	2015
E16 expressway, road and tunnel, Voss	NO	397	95	2014
E4 Rotebro, road bridges, Stockholm	SE	390	62	2015
Local hospital, new-build, Gothenburg	SE	388	27	2015
Housing, Helsinki	FI	365	94	2014
Radiotherapy clinic, Lund	SE	357	99	2014
Offices, Lillehammer	NO	355	57	2015
Offices/Workshop, Ludvika	SE	351	94	2014
Offices, Oslo	NO	345	18	2015
Public baths, Malmö	SE	326	28	2015
Dam safety measures, Höljes	SE	318	55	2015
Construction and mining works, Copenhagen	DK	313	50	2014

ORDERS RECEIVED BY PROJECT SIZE 2013, NCC'S CONSTRUCTION UNITS

Projects above SEK 300 M increased most in percentage terms during the year and projects above SEK 100 M accounted for nearly half of the orders received for the year. The diagram reflects SEK 39 billion of the total orders received of SEK 57 billion. The Group's total orders received also include orders received for NCC Roads and NCC Housing.



Significant risks and uncertainties

The trend in the global economy, which has stabilized slightly, is reducing the prevailing uncertainty concerning the potential impact on the Nordic construction and property market. In the event of increased uncertainty, future developments could impact on the measurement of certain items that are based on assessments and estimations. Values that could be impacted include land held for future development and ongoing property development and housing projects.

RISK MANAGEMENT AND RISKS

Through its business operations, NCC is exposed to various risks, both operational and financial. The operational risks relate to the day-to-day operations. These could be purely operative, apply to tenders or project development, seasonal exposure or assessments of the earnings capacity of a project. Operational risks are managed

within the framework of the internal control established by NCC. The business areas assess and manage their risks using operational systems and developed processes and procedures. The Group's financial risks such as interest-rate, currency, refinancing, liquidity and credit risks are managed centrally in order to minimize and control the risk exposure. Customer-credit risks are handled within each business area. A centralized insurance function is responsible for Group-wide non-life and liability insurance, primarily property and contractor's insurance. This function also performs preventive risk-management work together with the business areas, thus resulting in cost-efficiency and coordination of insurable risks.

The most significant risks for NCC and the activities that are implemented to manage these risks in a manner that NCC deems efficient are described below.

	Risk	Activity
MARKET RISKS		
Price	<p>The stagnation in price rises for building materials during recent years has gradually transformed into certain price increases in some of NCC's markets. During a shift in economic conditions, there is a risk that prices for input materials and services will increase, and that these cannot be offset by higher prices for NCC's products and services.</p> <p>Purchases of materials and services account for about two-thirds of NCC's costs. For NCC Roads, raw material costs comprise about one-third of the price for paved asphalt. The largest input material is the oil product bitumen followed by aggregate products.</p>	<p>During the year, NCC further centralized and enhanced its purchasing processes by establishing a new Group-wide purchasing function that is to govern and coordinate all purchasing. The aim of the new organization is to additionally increase efficiency, while reducing purchasing costs and improving profitability.</p> <p>A prerequisite for success in this effort is that the organization fully utilizes NCC's approved suppliers and ensures that cooperation between the purchasing organization and projects becomes even better.</p> <p>For a number of years, NCC's Construction units have worked to increase the efficiency of the construction process, such as by using platforms that create greater purchasing volumes for individual products or by coordinating purchases of materials and services in the Nordic region and through international purchases. In these efforts, the purchasing function, in part through non-Nordic procurements, is an important feature and the financial key to gaining control over the price trend.</p> <p>The use of joint platforms is also a prerequisite for NCC Housing and NCC Property Development's ability to gain control over production costs.</p> <p>NCC Roads purchases bitumen from several international suppliers. Purchasing and logistics involving bitumen are coordinated between Sweden, Denmark and Norway. Long-term agreements with customers normally include price clauses that reduce NCC Roads' exposure to risks. Furthermore, known international purchasing volumes are hedged. In several markets, NCC Roads is self-sufficient in terms of aggregate products, through holdings of strategically located quarries.</p>
Season	<p>The NCC Roads business area is subject to major seasonal variations. This is clearly evident in sales for the business area in the various quarters over an extended period. Within the asphalt operations, most procurement is conducted during the spring, and asphalt production and paving activities are conducted during the summer half year. Warm autumn weather could have a positive impact on production, while long, cold winters have negative effects on earnings.</p>	<p>To manage these risks, NCC Roads offers the entire value chain of road-related products and services. For example, operating and maintenance operations and also the recycling initiative, as well as the establishment of a network of recycling terminals for construction and civil engineering debris, supplement the paving operation during the year.</p>
Development	<p>Proprietary project development of both residential and commercial properties includes a development and sales risk, in addition to construction contract risk, which are handled by NCC's Construction units. If mismanaged, this risk could lead to higher tied-up capital and also losses.</p>	<p>NCC possesses housing and property development competencies. Every project concept must be adapted to local market preferences and the regulatory requirements arising in planning work. State-of-the-art skills are required to optimize the timing of projects and to guide them through, for example, municipal administration and possible appeal processes. NCC has also successively limited the markets in which the Group is active and expanding. Proprietary housing and property projects are developed primarily in large growing cities in the Nordic countries, as well as in Germany, Estonia, Latvia and St. Petersburg. NCC has also consciously decided to refrain from excessively niche-oriented projects intended for narrow target groups, since earnings in this sector have historically not matched the higher inherent risks. Risk limitation is achieved through demands concerning leasing rates for commercial properties and pre-sales of housing before a project is started. Tied-up capital is reduced through early payment by customers.</p>

	Risk	Activity
OPERATIONAL RISKS		
Construction contract risk	For a building contractor, the principal operational risk limitation is normally during the contract-tendering process. NCC adopts a selective approach to tendering, which is particularly important in a declining market, when a company may be tempted to accept low-margin or high-risk projects in order to maintain employment. However, in a growing market, it is important to be selective since an extensive tendering volume could result in a shortage of internal and external resources for handling all projects, which could lead to both weaker internal control and increased costs.	When selecting suitable contracts, NCC assigns priority to projects whose risks are identified, and thus manageable and calculable. Most risks, such as contract risks and technological and production-related risks, are best managed and minimized in cooperation with the customer and other players during early stages of the project. Various types of cooperative formats, such as NCC Partnering, are ways of managing risk. Project control is of decisive importance to minimizing problems and thus costs. A number of Group units are quality and environmentally certified. A shortage of labor and of certain competencies may arise during certain periods. Consequently, it is vital for NCC to have an organization with broad competences to secure the company's ability to deliver.
Competition law	NCC's operations are normally established locally and are in many cases dominated by a few players. In a few isolated cases, NCC employees have engaged in efforts to distort the competitive situation in breach of the company's ethical standards and applicable law.	For several years, NCC has provided training in NCC's core values and competition law. Procedures have also been developed to identify and monitor employees who may be in a situation where they are exposed to the risk of collaboration with competitors. In 2013, NCC further developed its compliance program; also refer to pp. 31–32.
Financial risk taking	Financial risk taking should be viewed against the capital requirements of NCC's various operations. Contracting operations normally generate a positive cash flow at the early stage of projects. NCC Roads mainly has capital tied up in fixed assets, quarries, crushing plants, asphalt plants, paving machinery, road services, and so forth. To the extent possible, investments that achieve the maximum capacity utilization are sought. Proprietary housing and property development ties up capital throughout the course of the projects; firstly, through investment in land, then during the development phase and finally during the sale of the project.	Overall, the financial risk taking is controlled by the ceiling for the debt/equity ratio that applies for the Group. NCC's Construction units must normally not have any financial net debt but should instead continuously generate a liquidity surplus. Industrial and development operations tie up capital in their individual operation but the same amount is tied up in assets of slightly varying character. NCC Roads ties up capital, firstly in plants, gravel quarries and various types of equipment, while NCC Housing and NCC Property Development tie up capital in development projects. In NCC Roads, the seasonal variations in tied-up capital are extensive. In this respect, the operations in the three capital-intensive business areas are controlled by the setting of internal ceilings for tied-up capital. These are revised continuously but are intended to apply over a medium-long period.
Financial risks	Financial risks involve interest-rate, currency, refinancing, liquidity, credit and counterparty risks.	NCC's finance policy for managing financial risks has been adopted by NCC AB's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities. In the NCC Group's organization, finance activities are centralized in the NCC Corporate Finance unit in order to monitor the Group's overall financial risk positions, to achieve cost-efficiency and economies of scale and to accumulate expertise, while protecting Group-wide interests. The Group's financial risks are managed by the Group's internal bank. Customer-credit risks are managed within each business area. For a more comprehensive description of financial instruments and financial risk management, see Note 39, Financial instruments and financial risk management.
RISK OF ERRORS IN FINANCIAL REPORTING		
Risk of errors in profit recognition	In projects with construction contracts, NCC normally applies the percentage-of-completion method for profit recognition. This means that profit is recognized in parallel with completion, meaning before the final result is established.	The risk that the final profit will deviate from percentage-of-completion profit is minimized through NCC's project-management model. This is part of NCC's operational control and ensures the necessary production estimates, reconciliation of work performed, final forecasts and follow-up of all construction projects on which profit recognition is based. If the final result of a project is expected to be negative, the entire loss from the project must immediately be charged against earnings, regardless of the project's completion rate. When the outcome of a construction project cannot be calculated in a reliable manner, due to uncertainty in the project, revenue recognition must only occur in the amount corresponding to the recognized project costs
Estimates and assessments	Since the recognition of certain items is based on estimates and assessments, these items are subject to uncertainty. Market conditions have a particular impact on the value of land held for future development and ongoing property development and housing projects. These items are recognized on the basis of what, when this report was issued, were current, difficult-to-assess assumptions, such as sales prices, production costs, land prices, rent levels, yield requirements and the timing of production starts and/or sales.	NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis. Refer also to critical estimates and assessments in Note 1.

SENSITIVITY AND RISK ANALYSIS

	Change	Effect on profit after financial items, SEK M (annual basis)	Effect on return on equity, (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC's Construction units					
Volume	+/-5%	145	1.5	0.8	For NCC's Construction operations, 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	392	4.0	2.2	
NCC Roads					
Volume	+/-5%	43	0.4	0.2	NCC Roads' 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 effect on the margin is considerable.
Operating margin	+/-1-percentage point	120	1.2	0.7	
Capital rationalization	+/-10%	11	0.1	0.3	
NCC Housing					
Volume	+/-10%	118	1.2	0.7	For proprietary housing projects within NCC Housing, the major challenge is to have the right products and to guide them through the planning process so they arrive in the market at the right time.
Operating margin	+/-1-percentage point	90	0.9	0.5	
NCC Property Development					
Sales volume, projects	+/-10%	90	0.9	0.5	NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell development projects are affected by the leases signed with tenants, whereby an increased leasing rate facilitates higher sales. 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	46	0.5	0.3	
Group					
Interest rate, borrowing	+/-1-percentage point	37	0.4		The NCC Group had a favorable financial position in 2013. On average, the net indebtedness was higher than in 2012, but declined to a lower level at the end of the year.
Change in net debt	SEK 500 M	16	0.2	0.4	
Change in equity/assets ratio	-5-percentage point		8.2		

NOMINATION WORK

Ahead of the 2014 Annual General Meeting (AGM), NCC's Nomination Committee comprises Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB), Marianne Nilsson (Executive Vice President of Swedbank Robur AB), and Johan Strandberg (Analyst at SEB Fonder), with Viveca Ax:son Johnson as Chairman. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right.

REMUNERATION

Board of Directors' motion concerning guidelines for salary and other remuneration of the Chief Executive Officer and other members of the company's management (Group Management)
The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's management (Group Management), as resolved by the 2013 AGM, and the applicable remuneration structures and remuneration levels in the company.

As a result of the evaluation of the total remuneration package for the company's Group Management, the Board proposes that the 2014 AGM adopts the current guidelines for 2014. These guidelines encompass Group Management, including the CEO.

The objective of the guidelines for salary and other remuneration of Group Management 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. Remuneration of Group Management comprises fixed salary, variable remuneration, the long-term performance-based incentive program, pension and other benefits.

Fixed salary. When determining the fixed salary, 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 maximized 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 2014 AGM, the short-term variable remuneration payable to the CEO will be maximized at 40 percent of fixed salary and the amount payable to other members of Group Management will be maximized at 30–40 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 18 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 maximized at 50 percent of fixed salary and that for other members of Group Management will be maximized at 40–50 percent of fixed salary, which is equal to a maximum cost of SEK 22 M including social security fees.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, entailing that NCC pays contributions that represent a specific percentage of the employee's salary. Members of Group Management 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 2014 is SEK 56,900. Members of Group Management active in another country are covered by pension solutions in accordance with local practices.

NCC is endeavoring to achieve a harmonization of the retirement age of members of Group Management at 65 years.

Other benefits. NCC provides other benefits to members of Group Management in accordance with local practices. The combined value 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 Group Management 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 employer. The period of notice is normally six months if employment is terminated on the initiative of the employee.

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

Long-term performance-based incentive program

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 2014). The proposal essentially concords with the long-term performance-based incentive programs earlier adopted for 2013 and 2012. A total of 132 employees are included in LTI 2013. The Board is of the opinion that incentive programs of this type are of benefit to the company's long-term development. The purpose of the 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 2014 encompass a total of approximately 150 participants within the NCC Group. More detailed information on the proposal and earlier long-term incentive programs is available at www.ncc.se. See also Note 5, Personnel expenses and remuneration of senior executives.

PARENT COMPANY

Commission agreement

Since January 1, 2002 and January 1, 2009, respectively, NCC Construction Sverige AB and NCC Boende AB have been conducting operations on a commission basis on behalf of NCC AB.

Net sales and earnings

Invoicing for the Parent Company amounted to SEK 23,357 M (25,763). Profit after financial items was SEK 1,723 M (1,556). In the Parent Company, profit is recognized when projects are completed. Income recognition was lower and dividends from subsidiaries were higher during 2013. The average number of employees was 7,173 (7,220).

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2013 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 100–105.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 19, 2014, Oslo District Court announced its verdict on the competition case, entailing a reduction in the competition-impeding fee ordered by the Norwegian Competition Authority for breaches of competition law in the Trondheim area. The District Court reduced the fee from NOK 140 M (approx. SEK 150 M) to NOK 40 M (SEK 43 M).

On March 12, 2014, Jacob Blom took office as Senior Vice President Human Resources and simultaneously became a member of NCC's Group Management.

OUTLOOK

For 2014, NCC expects the Nordic construction market to grow slightly. The strongest performance is expected in the Norwegian and Swedish markets, while weaker performance is expected in Finland, where there are concerns about the GDP trend.

NCC believes that a general increase in construction will lead to higher demand for stone materials during 2014. The asphalt market also has potential for growth in 2014.

NCC expects stable demand in all housing markets in 2014, except for Finland and Norway, where conditions are more uncertain. Price levels are expected to remain essentially unchanged.

NCC believes that the expected increase in GDP will have a positive effect on the Nordic property market in 2014 and that the Swedish market has the best conditions.

PROPOSED DIVIDEND

The Board proposes a dividend of SEK 12.00 (10.00) per share, divided into two payments. The proposed record date for the first payment of SEK 6.00 is April 7, 2014 and for the second payment of SEK 6.00 October 28, 2014. The dividend is in line with NCC's dividend policy and corresponds to 65 percent of profit after tax for the 2013 fiscal year. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 10, 2014 and that the second dividend will be paid on October 31, 2014. 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.

Consolidated income statement *with comments*

SEK M	Note	2013	2012
Net sales	1, 19, 36 2, 3	57,823	57,227
Production costs	5, 6, 8, 15, 25	-52,027	-51,731
Gross profit		5,796	5,495
Selling and administrative expenses	5, 6, 7, 15	-3,130	-2,988
Result from sales of owner-occupied properties		6	3
Impairment losses and reversal of impairment losses, fixed assets	8, 15	7	-2
Result from sales of Group companies	9		6
Result from participations in associated companies		1	5
Operating profit	3, 10	2,679	2,519
Financial income		165	141
Financial expense	8	-444	-382
Net financial items	12	-279	-241
Profit after financial items		2,400	2,277
Tax on net profit for the year	24	-411	-367
NET PROFIT FOR THE YEAR	13	1,989	1,910
Attributable to:			
NCC's shareholders		1,986	1,905
Non-controlling interests		3	5
Net profit for the year		1,989	1,910
Earnings per share			
<i>Before dilution</i>			
Profit after tax, SEK		18.40	17.62
<i>After full dilution</i>			
Profit after tax, SEK		18.40	17.62
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before dilution during the year		107.9	108.2
Average number of shares after full dilution		107.9	108.2
Total number of shares outstanding before dilution at year-end		107.8	108.0

Consolidated statement of comprehensive income *with comments*

SEK M	Note	2013	2012
Net profit/loss for the year		1,989	1,910
Items that have been recycled or could be recycled to profit for the year ¹⁾			
Translation differences during the year in translation of foreign operations			-79
Gain on hedging of exchange-rate risk in foreign operations		-18	37
Tax attributable to hedging of exchange-rate risk in foreign operations	24	4	-10
Fair value changes for the year in cash flow hedges		6	-23
Fair-value changes in cash flow hedges recycled to net profit for the year		13	3
Tax attributable to cash flow hedges	24	-4	3
		1	-69
Items that cannot be recycled to profit for the year			
Revaluation of defined-benefit pension plans		187	-137
Tax attributable to items that cannot be recycled to profit for the year		-41	-27
		146	-164
Other comprehensive income during the year		147	-233
Total comprehensive income for the year		2,135	1,677
Attributable to:			
NCC's shareholders		2,132	1,672
Non-controlling interests		3	5
Total comprehensive income for the year		2,135	1,677

¹⁾ Also refer to the specification of the item Reserves in shareholders' equity, p. 57.

NET SALES

Net sales for the Group rose marginally to SEK 57,823 M (57,227). Higher sales mainly in NCC Property Development and NCC Construction Norway were offset by lower sales in NCC Construction Sweden. Net sales for NCC Property Development were higher than in the preceding year due to more project sales and profit-recognized projects. The increase in Construction Norway was due mainly to the acquisition of OKK Entreprenør AS in 2012 and growth in the civil-engineering segment. Orders received for NCC Construction Sweden were lower and several major ongoing projects with high worked-up rates in 2012 have not been replaced by new projects to the same extent, thus resulting in a decline in net sales during the year. Net sales for NCC Roads were slightly lower compared with the preceding year due to lower volumes. The late start to the season caused by the long and cold winter early in the year resulted in lower volumes of stone materials and asphalt. NCC Housing's net sales were higher thanks to an increase in sales to the investor market and sales of land. Changes in exchange rates had a negative year-on-year impact of SEK 668 M on sales.

GROSS PROFIT

Gross profit includes impairment losses and reversed impairment losses totaling SEK 17 M (44), of which SEK 23 M pertains to impairment losses on projects and land in NCC Housing, mainly in Denmark. Reversal of impairment losses on fixed assets amounted to SEK 7 M. In the preceding year, impairment losses on projects in NCC Property Development amounted to SEK 41 M. Refer also to Note 8, Impairment losses and reversal of impairment losses.

OPERATING PROFIT

The higher earnings for NCC Property Development were offset by lower earnings in NCC's Construction units in Sweden and Norway, as well as in NCC Housing and NCC Roads. NCC Property Development reported an earnings improvement, thanks to higher earnings from profit-recognized projects. Results for NCC Construction Sweden weakened due to lower sales. Impairment losses on projects during the year were charged against earnings for NCC Construction Norway. Earnings for NCC Roads matched the preceding year. Strong recovery in asphalt operations during the second half of the year offset the weak trend in the first quarter. Earnings from stone materials declined, primarily due to lower volumes. Losses and weak margins in the road service operations were charged to earnings. NCC Housing's margins from profit-recognized projects improved compared with the preceding year. Profit during the year was negatively impacted by the sale of rental units in Sweden and by land, impairment of land and restructuring costs in Sweden as well as by higher expenses caused by the increase in project volumes. Exchange-rate fluctuations reduced operating profit by SEK 23 M compared with the preceding year.

NET FINANCIAL ITEMS

Net financial items deteriorated due to higher average net indebtedness.

TAXATION

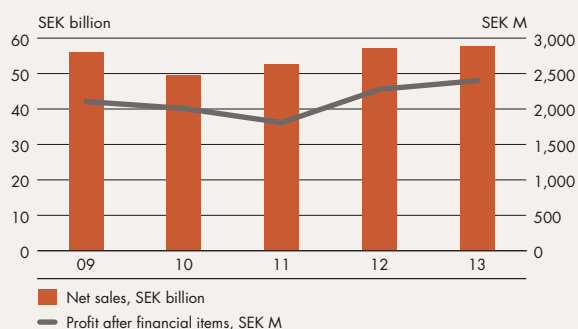
The effective tax rate for NCC, 17 (16) percent, was in line with prior years. Refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

OTHER COMPREHENSIVE INCOME

The change in other comprehensive income derived mainly from net profit for the year and from the revaluation of defined-benefit pension plans in which the actuarial gains were higher in 2013. 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 rose in 2013 thanks to higher sales, mainly in NCC Property Development and NCC Construction Norway. However, the increase was offset by lower sales in NCC Construction Sweden. Earnings improved in 2013 as a result of higher profit in NCC Property Development, which offset lower earnings in NCC's Construction units in Sweden and Norway, as well as in NCC Housing and NCC Roads.



Consolidated balance sheet *with comments*

SEK M	Note	2013	2012	2011
	1, 19, 36			
ASSETS				
Fixed assets				
Goodwill	15	1,802	1,827	1,607
Other intangible assets	15	267	204	167
Owner-occupied properties	16	704	662	596
Machinery and equipment	16	2,502	2,395	2,209
Participations in associated companies	18	9	9	8
Other long-term holdings of securities	21	131	158	173
Long-term receivables	23	247	230	295
Deferred tax assets	24	249	385	293
Total fixed assets	39	5,910	5,870	5,348
Current assets				
Property projects	25	5,251	5,321	4,475
Housing projects	25	12,625	11,738	9,860
Materials and inventories	26	673	655	557
Tax receivables	24	92	54	23
Accounts receivable	39	7,377	7,725	7,265
Worked-up, non-invoiced revenues	27	918	782	910
Prepaid expenses and accrued income		1,325	1,544	1,114
Other receivables	23	932	1,223	1,127
Short-term investments	21	143	168	285
Cash and cash equivalents	38	3,548	2,634	796
Total current assets	39	32,883	31,844	26,414
TOTAL ASSETS		38,793	37,713	31,762
SHAREHOLDERS' EQUITY				
Share capital	28	867	867	867
Other capital contributions		1,844	1,844	1,844
Reserves		-206	-207	-135
Earnings brought forward including profit for the year		6,152	5,130	4,524
Shareholders' equity		8,658	7,634	7,100
Non-controlling interests		17	15	11
Total shareholders' equity		8,675	7,649	7,111
LIABILITIES				
Long-term liabilities				
Long-term interest-bearing liabilities	29, 35	7,029	7,102	3,850
Other long-term liabilities	32	299	841	643
Provisions for pensions and similar obligations	30, 31	125	393	351
Deferred tax liabilities	24, 30	414	436	347
Other provisions	30	2,070	2,435	2,619
Total long-term liabilities	39	9,937	11,208	7,811
Current liabilities				
Current interest-bearing liabilities	29, 35	2,515	2,141	1,585
Accounts payable		4,096	4,659	4,131
Tax liabilities	24	58	122	60
Invoiced revenues, not worked up	27	4,264	4,241	4,176
Accrued expenses and deferred income	34	3,888	3,748	3,274
Provisions	30			3
Other current liabilities	32	5,360	3,945	3,611
Total current liabilities	39	20,181	18,856	16,839
Total liabilities		30,118	30,063	24,651
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		38,793	37,713	31,762
Pledged assets				
	37	1,482	1,344	1,522
Contingent liabilities				
	37	2,261	1,446	1,353

FIXED ASSETS

Goodwill

NCC impairment tests goodwill annually or when indications of changes in value arise. In 2013, no impairment losses or acquisitions occurred; the goodwill value was only impacted by exchange-rate fluctuations. In the preceding year, two companies were acquired in Norway, resulting in goodwill totaling SEK 230 M. Refer also to Note 15, Intangible assets.

Other intangible assets

Other intangible assets rose, primarily due to strategic development projects in NCC Roads, NCC Construction Sweden and NCC Housing.

Machinery and equipment

Machinery and equipment increased during the year, due mainly to NCC Roads' investments in equipment.

CURRENT ASSETS

Property projects

More profit-recognized projects compared with 2012 reduced the value of property projects. Refer also to Note 25, Properties classified as current assets.

Housing projects

Investments in ongoing housing projects increased compared with the preceding year. At year-end, the number of unsold completed housing units rose, due to relatively many housing units being completed close to the end of the year. Refer also to Note 25, Properties classified as current assets.

Materials and inventories

Volumes of asphalt and stone materials in NCC Roads account for most of the material and inventories and were largely unchanged compared with the preceding year.

Accounts receivable

Accounts receivable decreased, mainly in NCC Construction Sweden, due to a volume decline and, in NCC Housing, to an increase in the number of housing units handed over to customers and paid for at the end of the year.

LONG-TERM LIABILITIES

Long-term interest-bearing liabilities

Long-term interest-bearing liabilities declined marginally during the year. See also Note 39 Financial instruments and financial risk management.

CURRENT LIABILITIES

Current interest-bearing liabilities

Liabilities in the development business increased, due to increased investments in housing projects. See also Note 39 Financial instruments and financial risk management.

Other current liabilities

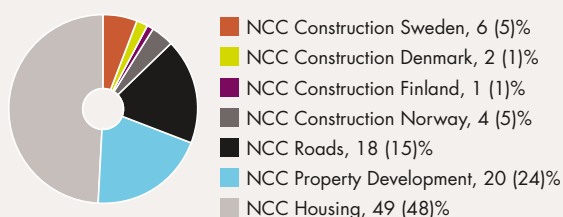
Other current liabilities increased, primarily due to advance payments from customers in connection with the sale of housing and property projects; see also Note 32, Other liabilities.

AMENDED ACCOUNTING POLICY

Comparative figures for 2012 were recalculated due to a new accounting policy according to IAS 19, Employee benefits, which applies from January 1, 2013; see Note 1 Accounting Policies, p. 60. This applies to all tables and figures pertaining to 2012 and 2011, unless otherwise stated.

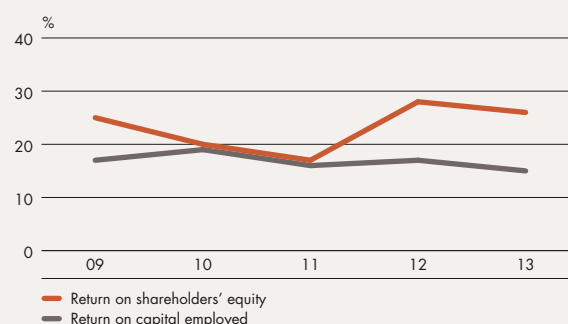
CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

In the NCC Group, capital is tied up primarily by the development and industrial operations. The proportion of capital employed declined in 2013, mainly in NCC Property Development due to project sales during the fourth quarter.



PROFITABILITY

The return on shareholders' equity declined from 2009 to 2011, due to lower profitability mainly in NCC Housing. In 2012 and 2013, NCC once again surpassed its financial objective for the return on shareholders' equity of a minimum of 20 percent, primarily because of strong earnings in the development business. In 2013, the return on capital employed declined, due to higher average capital employed during the year.



Parent Company income statement *with comments*

SEK M	Note	2013	2012
	1		
Net sales	2, 33	23,357	25,763
Production costs	5, 6, 8	-21,341	-23,296
Gross profit		2,016	2,467
Selling and administrative expenses	5, 6, 7	-1,464	-1,412
Operating profit		553	1,055
Result from financial investments			
Result from participations in Group companies	8, 9	1,308	524
Result from participations in associated companies		-2	13
Result from financial current assets		124	188
Interest expense and similar items	11	-260	-223
Profit after financial items		1,723	1,556
Appropriations	14	672	-46
Tax on net profit for the year	24	-240	-289
NET PROFIT FOR THE YEAR		2,155	1,221

Parent Company statement of comprehensive income

SEK M	2013	2012
Net profit for the year	2,155	1,221
Total comprehensive income during the year	2,155	1,221

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. The Parent Company comprises the operations in NCC AB, as well as NCC Construction Sverige AB and NCC Boende AB, which conduct their own operations on a commission basis on behalf of NCC AB.

Invoicing for the Parent Company amounted to SEK 23,357 M (25,763). Profit after financial items was SEK 1,723 M (1,556). In the Parent Company, profit is recognized when projects are completed. Profit recognition was lower and dividends from subsidiaries were higher during 2013. The average number of employees was 7,173 (7,220).

Parent Company balance sheet

with comments

SEK M	Note	2013	2012
	1, 36		
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Development expenses	15	75	35
Total intangible fixed assets		75	35
<i>Tangible fixed assets</i>			
Owner-occupied properties and construction in progress		13	15
Machinery and equipment		78	94
Total tangible fixed assets	16	91	109
<i>Financial fixed assets</i>			
Participations in Group companies	17	6,112	5,922
Receivables from Group companies		10	10
Participations in associated companies	20	175	169
Receivables from associated companies		184	191
Other long-term holdings of securities		5	5
Deferred tax assets	24	83	131
Other long-term receivables		56	60
Total financial fixed assets	22, 39	6,624	6,487
Total fixed assets		6,790	6,631
Current assets			
<i>Properties classed as current-assets</i>			
Housing projects		505	315
Total properties classed as current assets	25	505	315
<i>Inventories, etc.</i>			
Materials and inventories	26	52	35
Total inventories, etc.		52	35
<i>Current receivables</i>			
Accounts receivable		2,666	3,267
Receivables from Group companies		2,563	2,196
Receivables from associated companies		9	6
Other current receivables		282	239
Tax receivables		27	
Prepaid expenses and accrued income		274	485
Total current receivables		5,822	6,194
Short-term investments	38	7,100	5,725
Cash and bank balances	38	705	1,259
Total current assets	39	14,184	13,529
TOTAL ASSETS	36	20,974	20,160

SEK M	Note	2013	2012
	1		
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	28	867	867
Statutory reserve		174	174
Total restricted shareholders' equity		1,041	1,041
<i>Unrestricted shareholders' equity</i>			
Earnings brought forward		4,235	4,114
Net profit for the year		2,155	1,221
Total unrestricted shareholders' equity		6,391	5,335
Total shareholders' equity		7,432	6,376
Untaxed reserves	14	392	739
<i>Provisions</i>			
Provisions for pensions and similar obligations	31	2	2
Other provisions		686	874
Total provisions	30	688	876
<i>Long-term liabilities</i>			
Liabilities to credit institutions		1,500	1,500
Liabilities to Group companies		1,061	1,105
Other liabilities		9	96
Total long-term liabilities	29, 39	2,571	2,701
<i>Current liabilities</i>			
Advances from customers		78	159
Work in progress on another party's account	33	1,609	2,048
Accounts payable		1,756	1,991
Liabilities to Group companies		4,674	3,237
Liabilities to associated companies		6	6
Tax liabilities			22
Other liabilities		448	532
Accrued expenses and deferred income	34	1,321	1,473
Total current liabilities	29, 39	9,891	9,467
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36	20,974	20,160
Pledged assets	37		12
Contingent liabilities	37	23,017	19,032

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.

Changes in shareholders' equity *with comments*

MSEK	Shareholders' equity attributable to Parent Company's shareholders					Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total		
Opening balance, January 1, 2012	867	1,844	-135	5,710	8,286	11	8,297
Adjustment for amended accounting policies				-1,186	-1,186		-1,186
Adjustment of opening balance, January 1, 2012	867	1,844	-135	4,524	7,100	11	7,111
Total comprehensive income during the year			-68	1,741	1,672	5	1,677
Transfer of depreciation of previously revalued assets			-2	2			
Repurchase of treasury shares				-56	-56		-56
Performance-based incentive program				2	2		2
Dividend				-1,084	-1,084	-1	-1,085
Shareholders' equity on December 31, 2012	867	1,844	-207	5,130	7,634	15	7,649
Total comprehensive income during the year				2,132	2,132	3	2,135
Acquisition of non-controlling interests				-7	-7		-7
Transfer of depreciation of previously revalued assets			-1	1			
Repurchase of treasury shares				-28	-28		-28
Performance-based incentive program				6	6		6
Dividend				-1,080	-1,080	-1	-1,081
Shareholders' equity on December 31, 2013	867	1,844	-206	6,152	8,658	17	8,675

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 attributable to comprehensive income, dividends to shareholders and the repurchase of treasury shares, as well as effects of the performance-based incentive programs.

SHARE CAPITAL

On December 31, 2013, the registered share capital amounted to 27,708,122 Series A shares and 80,727,700 Series B shares. 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 intended 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 and joint ventures.

PARENT COMPANY

SEK M	Restricted shareholders' equity		Unrestricted shareholders' equity		Total shareholders' equity
	Share capital	Statutory reserve	Earnings brought forward	Profit for the year	
Opening balance, January 1, 2012	867	174	4,901	350	6,293
Appropriations of profits			350	-350	
Total comprehensive income during the year				1,221	1,221
Buyback of company shares			-56		-56
Dividend			-1,084		-1,084
Performance-based incentive program			2		2
Shareholders' equity on December 31, 2012	867	174	4,114	1,221	6,376
Appropriations of profits			1,221	-1,221	
Total comprehensive income during the year				2,155	2,155
Buyback of company shares			-28		-28
Dividend			-1,080		-1,080
Performance-based incentive program			8		8
Shareholders' equity on December 31, 2013	867	174	4,235	2,155	7,432

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	2013	2012
Translation reserve		
Translation reserve, January 1	-161	-111
Translation differences during the year in translation of foreign operations		-78
Gain/loss on hedging of exchange-rate risk in foreign operations	-18	37
Tax attributable to hedging of exchange-rate risk in foreign operations	4	-10
Translation reserve, December 31	-175	-161
Fair value reserve		
Fair value reserve, January 1	5	5
Fair value reserve, December 31	5	5
Hedging reserve		
Hedging reserve, January 1	-52	-35
Fair value changes for the year in cash flow hedges	6	-23
Fair-value changes in cash flow hedges transferred to net profit for the year	-4	3
Tax attributable to cash flow hedges	12	3
Hedging reserve, December 31	-38	-52
Revaluation reserve		
Revaluation reserve, January 1	3	5
Transfer to earnings brought forward	-1	-2
Translation reserve, December 31	2	3
Total reserves		
Reserves, January 1	-206	-135
Change in reserves during the year		
- Translation reserve	-14	-51
- Hedging reserve	14	-17
- Revaluation reserve	-1	-2
Reserves, December 31	-206	-206

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 2013:

- A return on equity after tax of 20 percent. In 2013, the return on equity was 26 percent.
- A debt/equity ratio of less than 1.5. At December 31, 2013, the debt/equity ratio was 0.7.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical reserves for own account. In 2012 and 2013, these requirements were fulfilled. Otherwise, no other Group companies were subject to external capital requirements.

For further information on NCC Group's financial objectives and dividend policy, see pp. 6–7.

Cash flow statements

with comments

SEK M	Note	Group		Parent Company	
		2013	2012	2013	2012
OPERATING ACTIVITIES					
Profit after financial items		2,400	2,277	1,723	1,915
Adjustments for items not included in cash flow:					
– Depreciation	6	621	557	66	48
– Impairment losses and reversals of impairment losses	8	17	44	81	70
– Exchange-rate differences		148	130		
– Result from sales of fixed assets		–38	–43	–2	–1
– Result from associated companies					2
– Changes in provisions	30	–429	–175	–188	–246
– Restructuring costs			3		
– Group contributions				–325	–359
– Anticipated dividends					–83
– Other		40	32	9	
Total items not included in cash flow		359	548	–358	–568
Tax paid		–438	–367	–241	–163
Cash flow from operating activities before changes in working capital		2,321	2,458	1,124	1,184
Cash flow from changes in working capital					
Sales of property projects		4,170	1,764		
Investments in property projects		–3,890	–2,692		
Sales of housing projects		7,067	6,951	2,027	1,790
Investments in housing projects		–7,912	–8,997	–2,022	–1,961
Other changes in working capital		775	489	–417	5
Cash flow from changes in working capital		211	–2,484	–412	–165
CASH FLOW FROM OPERATING ACTIVITIES		2,532	–26	713	1,019
INVESTING ACTIVITIES					
Acquisition of subsidiaries and non-controlling interests	38	–8	–98	–258	–146
Sale of subsidiaries	38		4	–9	
Acquisition of buildings and land	16	–58	–130	–3	–1
Sale of buildings and land		9	30		
Acquisition of other financial fixed assets		–28	–8		–15
Sale of other financial fixed assets				12	
Acquisition of other fixed assets		–863	–800	–85	–58
Sale of other fixed assets		78	95	3	5
Cash flow from investing activities		–870	–906	–341	–215
Cash flow before financing		1,661	–932	372	804
FINANCING ACTIVITIES					
Dividend paid		–1,080	–1,084	–1,080	–1,084
Repurchase of treasury shares		–28	–56	–28	–56
Group contributions paid				359	272
Loans raised		1,022	3,788	1,415	57
Amortization of loans		–723		–91	–153
Increase (–)/Decrease (+) in long-term interest-bearing receivables		33	5	–6	2
Increase (–)/Decrease (+) in current interest-bearing receivables		34	122	–120	–114
Increase (+)/Decrease (–) in non-controlling interests, etc.		1	–1		
Cash flow from financing activities		–741	2,774	449	–1,076
Cash flow for the year		920	1,842	821	–271
Cash and cash equivalents, January 1	38	2,634	796	6,984	7,256
Exchange-rate difference in cash and cash equivalents		–6	–4		
Cash and cash equivalents, December 31	38	3,548	2,634	7,805	6,984

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities during the year was positive, SEK 2,532 M (neg: 26), thanks to strong sales of housing and property projects. Capital tied-up in working capital was lower than in the preceding year, due to higher interest-free financing. Investments in housing projects during the year were lower than in the preceding year, in Sweden because of few starts at the beginning of the year and in St. Petersburg because of fewer land purchases.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to a negative SEK 870 M (neg: 906). Investments in machinery and equipment primarily occurred in NCC Roads and NCC Construction Norway.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities was a negative SEK 741 M (pos: 2,774), because loans raised were lower in monetary terms during the year, and due to repayment of loans in 2013. Dividends had a negative impact of SEK 1,080 M (neg: 1,084) on cash flow.

Total cash and cash equivalents including short-term investments with a maturity exceeding three months amounted to SEK 3,691 M (2,802).

NET INDEBTEDNESS

Net indebtedness (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31 amounted to SEK 5,656 M (6,467). The average capital maturity period for interest-bearing liabilities, excluding loans in Finnish housing companies and Swedish tenant-owner associations, as well as pension commitments according to IAS 19, was 36 (40) months at year-end. NCC's unutilized committed lines of credit at year-end amounted to SEK 3.9 billion (3.8), with an average remaining maturity period of 33 (43) months.

NET INDEBTEDNESS TREND

GROUP, SEK BN	2013	2012
	Jan-dec	Jan-dec
Net indebtedness, January 1	-6,467	-4,274
Cash flow before financing	1,661	-932
Acquisition/sale of company shares	-28	-56
Change in pension debt	268	-93
Dividend	-1,080	-1,084
Other changes in net indebtedness	-10	-29
Net indebtedness, December 31 ¹⁾	-5,656	-6,467

¹⁾ Of which, net indebtedness in ongoing projects in Swedish tenant owner associations and Finnish housing companies accounted for SEK 1,714 M (2,181).

OTHER CHANGES IN WORKING CAPITAL

SEK M	Group		Parent Company	
	2013	2012	2013	2012
Increase (-)/Decrease (+) in inventories	-19	-34	-179	-12
Increase (-)/Decrease (+) in receivables	189	-720	452	192
Increase (+)/Decrease (-) in liabilities	606	1,243	-251	409
Increase (+)/Decrease (-) in net in work in progress			-439	-583
Other changes in working capital	775	489	-417	5

PARENT COMPANY

Cash flow for the year in the Parent Company was higher than in the preceding year, which was largely due to an increase in loans raised. Changes in working capital were primarily influenced by lower debt and an increase in inventories.

TREND IN NET INDEBTEDNESS, PER QUARTER

Net indebtedness is affected by seasonal variations. More capital is normally tied up during the second and third quarters due to a high degree of activity in asphalt and stone materials operations, as well as in parts of NCC's Construction units. Dividends are paid to NCC's shareholders during the second quarter. Net indebtedness declined in 2013 thanks to many profit-recognized housing and property projects.



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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 International Financial Reporting Interpretations Committee (IFRIC). The Group also applies the Swedish Annual Accounts Act (1995:1554), the recommendation RFR 1 (January 2013), 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 7, 2014. 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 2, 2014 for adoption.

NEW IFRS AND AMENDMENTS TO IFRS TO BE APPLIED FROM 2013

The following amendments to IFRS became effective as of the 2013 fiscal year:

- IFRS 13 Fair Value Measurement: a new uniform standard for measuring fair value and amended disclosure requirements.
- Supplement to IAS 19, Employee Benefits, entails abolition of the opportunity to accrue actuarial gains and losses by applying the corridor method. All changes in defined-benefit pension plans are instead to be recognized directly in profit or loss and in other comprehensive income as they arise. Accrued costs, such as benefits vested during the year, are to be recognized in operating profit and the interest-rate component, together with the anticipated return on plan assets, is to be recognized in net financial items. Changes in assets and obligations stemming from experience-based adjustments and/or changes in actuarial assumptions are to be presented in other comprehensive income. In addition, the measurement of the anticipated return on plan assets has been changed in that the discount interest rate on the pension obligation is also to be used in this calculation. Further disclosure requirements have also been added, as shown in Note 31, Pensions.
- Amendment to IAS 1 Presentation of Financial Statements entails that items in other comprehensive income have been separated into either items that have been or will be recycled in profit or loss or items that have not been and will not be recycled in profit or loss.
- Amendment of IFRS 7 Financial Instruments: The amendment entails new disclosure requirements for the offsetting of financial assets and liabilities. These disclosures are presented in Note 39 Financial instruments and financial risk management.
- Amended IAS 36 Impairment Losses (May 2013). NCC applies this amendment prospectively, which entails that disclosures of recoverable amounts for goodwill need only be provided in connection with impairment of goodwill.

Amendments of IAS 12 Income Taxes and IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, will not have any 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 2014 fiscal year and have not been applied in the preparation of these financial statements.

- IFRS 11 Joint Arrangements. A new standard for recognition of joint ventures and joint operations. The new accounting policy entails that, in the future, joint ventures are to be recognized in accordance with the equity method rather than with the proportional method, which is currently applied. However, the proportional method will continue to be applied for joint operations. Since the new standard is expected to have a marginal impact on NCC's financial statements, NCC will not be restating comparative figures for 2013 according to IFRS 11. Also refer to Note 19 Participations in joint ventures consolidated in accordance with the proportional method.

Additional new IFRSs and amended IFRSs that could be applied as of 2014 or later:

- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities
- Amended IAS 27 Separate Financial Statements
- Amended IAS 28 Investments in Associates and Joint Ventures
- Amended IAS 32 Financial Instruments: Classification
- Amended IAS 39 Financial Instruments (not yet approved by the EU)
- IFRIC 21 Levies (not yet approved by the EU)

These amendments 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 (January 2013) Accounting for Legal Entities as well as statements issued by the Swedish Financial Reporting Board. As of 2013, the Parent Company recognizes Group contributions received and granted as appropriations, which is in accord with the alternative rule in RFR 2. Comparative figures have been recalculated. 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 for the parent company presented below differ from those used in the consolidated financial statements:

- Subsidiaries
- Associated companies
- Joint ventures
- Construction contracts and similar assignments
- Leasing
- Income taxes
- 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 ventures and associated companies.

Purchase method

As of January 1, 2010, the acquisition of business operations is handled 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, directly or indirectly, holds shares carrying more than 50 percent of the voting rights, or otherwise has a controlling influence, are consolidated in their entirety. Shares in subsidiaries are recognized in the Parent Company at acquisition value. 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 ventures

Joint ventures 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. NCC consolidates joint ventures in accordance with the proportional method. For further information, refer to Note 19, Participations in joint ventures that are consolidated in accordance with the proportional method.

In the Parent Company, joint ventures 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 ventures 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 ventures

Foreign subsidiaries, associated companies and joint ventures 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.

REVENUE

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 “invoiced revenues not 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, i.e. 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.

Earnings	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 construction 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 dis-counted.

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 rewards 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 construction tools.
- 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. As a result of 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.

Proprietary housing projects

Profit from proprietary housing projects is recognized at the time the housing unit is transferred to the end customer.

Profit from sales of housing units to investors

Sales of housing units to investors are recognized at the time when material risks and rewards are transferred to the acquirer, which normally coincides with the transfer of the right of ownership.

Housing projects sold prior to completion of construction may, if certain conditions have been met, be recognized as profit in two separate transactions; one for the development of land and housing, within NCC Housing, on condition that

the risks and rewards have been transferred, and the second one for the construction contract, within NCC’s construction units, in pace with completion.

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 Construction 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	20–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	
Owner-occupied properties	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/Amortization, Note 15, Intangible assets and Note 16, Tangible fixed assets.

IMPAIRMENT

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 rewards 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.

Operational 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 current year. 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 tax comprises current 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 liabilities and assets are calculated on the basis of 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.

INTANGIBLE ASSETS

Intangible assets are recognized at acquisition value 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 p. 64. 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 value and, where applicable, taking into account write-ups or impairment losses.

CURRENT ASSETS

Current-asset properties

Group property holdings recognized as property and housing 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 and net realizable value. Property projects are defined as properties held for development and sale within NCC Property Development. Housing projects pertain to unsold residential properties, unsold portion of proprietary residential properties with ownership rights, undeveloped land and properties held for future development in NCC Housing.

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 of 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 as a result of 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.

Housing projects

Housing projects are divided between:

- Properties held for future development, housing
- Capitalized project development costs
- Ongoing proprietary housing projects
- Completed housing

For a distribution of values, refer to Note 25, Properties classed as current assets. The reclassification from properties held for future development to ongoing projects occurs when a decision to initiate construction has been taken.

Properties held for future development, housing

Properties held for future development are NCC's holdings of land and development rights for future housing development. Properties with leased buildings are classified as properties held for future development if the intention is to demolish or refurbish the property.

Properties held for future development are valued taking into consideration whether the properties will be developed or sold on. The valuation of land and development rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price and cost trend when the market and other circumstances so require. In those cases when a positive contribution margin from the development cannot be obtained taking into consideration normal contract profit, an impairment loss is recognized. In cases where properties are to be sold on, the holdings must be measured at the established market value.

Capitalized project development costs

Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

Ongoing proprietary housing projects

The unsold portion of housing projects for which the purchasers, following acquisition, will directly own their portion of the project, meaning they will have ownership rights, is recognized as a housing project.

Completed housing units

Project costs for completed unsold residential properties are reclassified from ongoing housing projects to unsold residential properties at the date of final inspection. Completed unsold housing units are measured at the lowest of acquisition value and net realizable value.

Properties classed as current assets transferred from subsidiaries

Due to the commission relationship between NCC AB and NCC Construction Sweden AB or NCC Boende AB, certain properties included in housing projects are recognized in NCC AB's accounts, even if the ownership right remains with NCC Construction Sweden 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, 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 measured at fair value in 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.

Loan receivables 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. Provisions are made for all invoices that are more than 150 days overdue if payment is not secured.

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 cate-

gory. Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint ventures 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 measured 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.

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 Housing and 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.

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 would meet the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value in the balance sheet, while 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

Financial instruments in the Parent Company are recognized at acquisition value 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

Group contributions 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. Shareholders' 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.

REMUNERATION TO EMPLOYEES

Share-based remuneration

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

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 adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

Synthetic options give rise to an undertaking in relation 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 options 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 share awards and synthetic options that are estimated to be settled at the close of the vesting period.

When settlement of the share awards and synthetic options 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 options, respectively, on the reporting date.

To satisfy NCC AB's undertakings in accordance with the option programs, NCC AB has repurchased 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 programs, refer to Note 5, p. 71

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	●	●
Germany		●
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. All units are computed separately and, combined, represent the total obligation on the balance-sheet date. The principle is intended to provide linear expensing of pension payments during the term of employment. The calculation is made annually by independent actuaries. 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 for the Swedish pension plans. 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.

Post-employment remuneration

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 due to guarantee commitments are recognized at the amount expected to be 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.

PLEGGED 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, in accordance with 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 of 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 of construction projects

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 45.4 billion (29.2); 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 2013, impairment losses on properties classed as current assets amounted to SEK 25 M (42), and the carrying amount at year-end was SEK 17.9 billion (17.1).

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 very slight. A change in the assumptions made could give rise to an additional impairment requirement.

Valuation of goodwill

Goodwill is measured at the lower of acquisition value and the recoverable amount. Goodwill in the Group is valued at SEK 1.8 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 the 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, amount to SEK 7.7 billion (8.4); refer to Note 39, Financial instruments and financial risk management.

Receivables are measured at fair value, which 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, for receivables that are more than 60 days past due special circumstances are generally required for a provision not to be posted in full or in part.

Guarantee commitments

At year-end, the guarantee provision amounted to SEK 1.5 billion (1.7); refer to Note 30, Other provisions. Provisions for future costs due to guarantee commitments are recognized at 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 amounts to SEK 0.1 billion (0.4)

Recognized amounts are affected by changes in the actuarial assumptions that form the foundation for calculations of 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 made on the basis of the 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	
	2013	2012	2013	2012
Construction and civil engineering	32,872	34,467	20,727	22,490
Industrial operations	11,177	11,360		
Housing development projects	9,026	8,609	2,618	3,176
Property development projects	4,649	2,744		
Other	99	46	12	96
Total	57,823	57,227	23,357	25,763
Sales distributed by business segment¹⁾				
NCC Construction Sweden			20,739	22,586
NCC Housing			2,618	3,176
Total			23,357	25,763

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

NOTE 3 REPORTING BY OPERATING SEGMENTS

NCC's business operations are divided into seven 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 Group Management. The following segments were identified based on this reporting procedure:

NCC Construction Sweden, Denmark, Finland and Norway, which construct housing, offices, other buildings, industrial facilities, roads, and other types of infrastructure.

NCC Roads' core business is the production of stone materials and asphalt, as well as asphalt paving and road services in the Nordic region and St. Petersburg.

NCC Housing develops and sells housing in selected markets in the Nordic region, Germany, Estonia, Latvia and St. Petersburg.

NCC Property Development develops and sells commercial properties in defined growth markets in the Nordic region, Estonia and Latvia.

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, 2013	NCC Construction				NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
	Sweden	Denmark	Finland	Norway						
External net sales	19,129	2,857	4,134	6,752	11,177	9,026	4,746	57,821	2	57,823
Internal net sales	2,401	688	2,546	656	822	4	65	7,182	-7,182	
Total net sales	21,530	3,546	6,680	7,408	11,999	9,030	4,811	65,003	-7,180	57,823
Depreciation/amortization	-179	-19	-15	-101	-365	-15	-3	-698	-5	-703
Impairment losses and reversal of impairment losses					7	-23	-2	-17		-17 ¹⁾
Share in associated company profits					6			6	-5	1
Operating profit	637	208	127	3	406	605	713	2,700	-21	2,679
Financial items										-279
Profit after financial items										2,400
Capital employed	1,250	309	271	803	3,557	9,856	3,991	20,035	-1,691	18,345

GROUP, 2012	NCC Construction				NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
	Sweden	Denmark	Finland	Norway						
External net sales	22,080	2,849	4,029	5,510	11,360	8,609	2,783	57,220	6	57,227
Internal net sales	2,963	547	2,680	560	851	2	65	7,670	-7,670	
Total net sales	25,043	3,396	6,709	6,070	12,211	8,612	2,847	64,889	-7,662	57,227
Depreciation/amortization	-153	-18	-13	-71	-356	-14	-3	-628	-3	-631
Impairment losses and reversal of impairment losses		-1			-1	-1	-41	-44		-44 ²⁾
Share in associated company profits					5			5		5
Operating profit	801	189	101	74	417	835	295	2,710	-192	2,519
Financial items										-241
Profit after financial items										2,277
Capital employed	1,122	288	267	984	3,049	9,976	4,989	20,675	-3,390	17,285

¹⁾ 2013 includes impairment losses on housing projects totaling SEK 23 M.

²⁾ 2012 includes impairment losses on property projects totaling SEK 41 M.

NOTE 3 REPORTING BY OPERATING SEGMENTS, CONT'D

OTHER AND ELIMINATIONS

	2013		2012	
	External net sales	Operating profit	External net sales	Operating profit
NCC's head office, results from minor subsidiaries and associated companies, as well as the remaining portions of NCC International	2	-36	6	-66 ¹⁾
Eliminations of inter-company gains		66		-16
Other Group adjustments (essentially comprising the difference in accounting policies pertaining to Swedish pensions between the segments and the Group)		-51		-110
	2	-21	6	-192

¹⁾ 2012 includes a project impairment loss of SEK 37 M from the discontinued business area NCC International Projects.

GEOGRAPHICAL AREAS¹⁾

	Orders received		Order backlog		Net sales		Operating profit		Number of employees		Capital employed		Fixed assets ²⁾	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sweden	27,560	28,659	22,366	23,236	30,547	31,338	1,648	1,511	9,988	10,060	7,382	8,287	2,063	1,917
Denmark	7,683	5,571	5,995	3,586	5,671	6,721	239	297	2,114	2,239	3,847	3,478	1,331	1,261
Finland	7,381	7,461	6,514	6,883	8,181	8,261	267	343	2,786	2,810	3,039	2,708	325	320
Norway	9,691	10,425	7,641	8,397	10,172	8,590	198	143	2,418	2,090	3,453	3,557	1,432	1,482
Germany	3,255	2,664	3,256	2,402	2,508	2,140	229	159	686	650	877	985	72	68
St. Petersburg	1,290	912	1,800	1,253	633	500	108	80	356	314	779	903	5	6
Estonia/Latvia	118	68	89	77	111	73	-11	-20	12	12	527	533		

¹⁾ See also p. 12, NCC's geographical markets.

²⁾ 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.

INVESTMENTS AND SALES

	2013	2012
NCC Housing		
Investments in civil engineering projects	28	28
Investments in housing projects	7,912	8,997
Sales of housing projects	7,067	6,951
Housing projects at year-end	12,625	11,738
NCC Property Development		
Property investments	3,890	2,692
Property sales	4,170	1,764
Property projects at year-end	5,251	5,321

NOTE 4 NUMBER OF EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2013		2012	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	7,173	6,411	7,220	6,474
Subsidiaries				
Sweden	2,793	2,578	2,840	2,640
Norway	2,440	2,251	2,093	1,909
Finland	2,714	2,244	2,740	2,254
Denmark	2,114	1,843	2,239	1,958
Germany	686	533	650	506
Russia	356	243	312	207
Estonia and Latvia	84	67	82	65
Total in subsidiaries	11,188	9,759	10,955	9,538
Group total	18,360	16,170	18,175	16,012

	2013	2012
Percentage of women, %		
Distribution of company management by gender		
<i>Group total, including subsidiaries</i>		
- Boards of Directors	17.5	18.7
- Other senior executives	23.4	21.9
<i>Parent Company</i>		
- Boards of Directors	22.2	20.0
- Other senior executives	28.6	23.1

NOTE 5 PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVESWAGES, SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES¹⁾ AND OTHER EMPLOYEES

	2013			2012		
	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	42	3,162	3,199	30	3,214	3,244
Total in Parent Company	42	3,162	3,199	30	3,214	3,244
	(5.5)			(4.5)		
Social security expenses			1,366			1,419
– of which, pension costs	9	262	271	7	303	310
Pension commitment	37			49		
Group total	265	8,680	8,945	253	8,507	8,759
	(33.7)			(38.0)		
Social security expenses			2,605			2,524
– of which, pension costs			702			754
Pension commitment	103			116		

¹⁾ The senior executives category comprises 14 people (13) in the Parent Company and a total of 174 (169) in the Group.

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

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in Group Management is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pensions. The term "other senior executives" pertains to the senior executives who, together with the CEO, constitute Group Management, as well as those senior executives who are not members of Group Management but who report directly to the CEO. At the start of 2013, there were 12 other senior executives and there were 13 at the end of 2013. Of these, eight were employed by the Parent Company and five by subsidiaries.

VARIABLE REMUNERATION

The maximum variable remuneration payable to CEO Peter Wågström in 2013 amounted to 40 percent of his basic salary. The variable remuneration was based on financial targets established by the Board. The provision recognized for 2013 corresponded to 32 percent of his fixed salary, meaning SEK 1,762,497. In the preceding year, SEK 1,830,390 was expensed. Variable remuneration for other senior executives in 2013 corresponded to a maximum of 30 to 40 percent of fixed salary based primarily on the outcome of established, primarily financial, targets. The above maximal percentages for the CEO and other senior executives has been reduced by ten percentage points due to participation in LTI 2013. The provision posted for variable remuneration payments to other senior executives during 2013 corresponded to 12–37 percent (13–38) of basic salary.

PENSION CONDITIONS FOR THE PRESIDENT

CEO Peter Wågström has a defined-contribution pension plan with the premium amounting to 30 percent of his fixed salary. 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 plus, in accordance with the current policy, of a supplementary defined-contribution pension obligation of 30 percent of pensionable salary exceeding 30 income base amounts. In addition, in accordance with the former policy for which no new subscriptions are permissible, four senior executives are encompassed by a supplementary pension plan with retirement ages of 60 or 62. The supplementary pension plan is paid until the age of 65, and has a target pension of 70 percent of pensionable salary. Pensionable salary is defined as the senior executive's average fixed salary over a vesting period of at least ten years. The earned benefit is vested and secured in a pension foundation. The company has undertaken to pay the ITP plan in full on condition that the senior executive remains in service until the agreed age of retirement.

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 will amount to 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.

REMUNERATION AND OTHER BENEFITS IN 2013

SEK 000s	Total salary, remuneration and benefits ³⁾	of which, benefits	of which, variable remuneration ⁴⁾	of which, share-based remuneration	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	805					
Member of the Board Antonia Ax:son Johnson	443					
Member of the Board Ulf Holmlund ¹⁾	114					
Member of the Board Olof Johansson	443					
Member of the Board Sven-Olof Johansson	443					
Member of the Board Ulla Litzén	443					
Member of the Board Christoph Vitzthum	443					
President and CEO Peter Wågström	8,691	55	1,762	947	1,683	568
Other senior executives (eight people) ²⁾	30,367	336	3,746	2,614	7,794	15,192
Total Parent Company	42,192	391	5,508	3,561	9,477	15,760
Other senior executives employed by subsidiaries (five people)	17,664	618	2,754	1,662	3,344	10,436
Total senior executives	59,856	1,009	8,262	5,223	12,821	26,196

¹⁾ Ulf Holmlund stepped down at the AGM on April 9, 2013.

²⁾ The number of senior executives employed in the Parent Company in 2013 was nine until October, and thereafter eight.

³⁾ Remuneration and benefits pertain to vacation compensation, reduced working hours, company vehicles and, where appropriate, severance pay. Director fees were raised following a resolution at the 2013 AGM. The amounts in the tables are subject to accrual accounting.

⁴⁾ Variable remuneration pertains to the amounts expensed for each fiscal year.

NOTE 5 PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES, CONT'D

REMUNERATION AND OTHER BENEFITS IN 2012

SEK 000s	Total salary, remuneration and benefits ³⁾	of which, benefits	of which, variable remuneration ⁴⁾	of which, share-based remuneration	Other remuneration	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	724						
Member of the Board Antonia Ax:son Johnson	425						
Member of the Board Ulf Holmlund	425						
Member of the Board Olof Johansson ¹⁾	314						
Member of the Board Sven-Olof Johansson ¹⁾	314						
Member of the Board Ulla Litzén	425						
Member of the Board Marcus Storch ¹⁾	111						
Member of the Board Christoph Vitzthum	425						
President and CEO Peter Wågström	7,041	46	1,830	185		1,572	546
Other senior executives (nine people) ²⁾	19,929	354	2,675	435		5,893	7,464
Total Parent Company	30,133	400	4,505	620	0	7,465	8,010
Other senior executives employed by subsidiaries (five people)	20,033	511	4,287	468	1,532	3,782	15,373
Total senior executives	50,166	911	8,792	1,088	1,532	11,247	23,383

¹⁾ Olof Johansson and Sven-Olof Johansson were elected and Marcus Storch stepped down at the AGM on April 4, 2012.

²⁾ The number of senior executives employed in the Parent Company in 2012 was nine until November, and thereafter eight.

³⁾ Remuneration and benefits pertain to vacation compensation, reduced working hours, company vehicles and, where appropriate, severance pay. Director fees were raised following a resolution at the 2012 AGM. The amounts in the tables are subject to accrual accounting.

⁴⁾ Variable remuneration pertains to the amounts expensed for each fiscal year.

LONG-TERM INCENTIVE PROGRAM

The AGM in April 2013 resolved, in accordance with the Board's motion, to introduce a long-term performance-based incentive plan for senior executives and key personnel within the NCC Group ("LTI 2013"). The purpose of LTI 2013 is to ensure a focus on NCC's long-term return on equity and to provide prerequisites for retaining and recruiting key personnel.

LTI 2013 is a three-year performance-based plan under which the participants will be allotted, free of charge, performance-based share awards that provide entitlement to Series B shares and to performance-based synthetic shares that provide entitlement to cash remuneration. In view of the introduction of LTI 2013, 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 2013 will run parallel with and is in all respects identical to the LTI program that was adopted by the 2012 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/dispensed depends on the extent to which certain predetermined targets are achieved during the performance period (January 1, 2013 through December 31, 2015). The targets that have been set for LTI 2013 comprise the average return on equity in relation to eight benchmark companies during the vesting period, as well as a reduction in the number of worksite accidents at the end of 2015. For achievement of the first target, 100 percent will be allotted/dispensed if the return exceeds the second best benchmark company, while 25 percent will be allotted/dispensed if the return matches the average for the benchmark category. In between these figures, 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 2012, NCC's benchmark figure was 10.6. Allotment/dispbursement of 100 percent will occur if the ratio for 2015 is less than 7 and 25 percent will be allotted/dispensed if the ratio is less than 10. In between these figures, allotment/payment will occur linearly. Another prerequisite for any payment from LTI 2013 is that the NCC Group reports a pretax profit.

Allotment

The participants are divided into three categories: President and CEO; Group Management; and business area management and other key personnel. The allotment value is 40 percent of annual salary for the President and CEO, 30 percent of annual salary for other members of Group Management 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 ten trading days immediately following the 2013 AGM, a period when the share is traded ex-rights to dividends (SEK 144.97).

Scope and costs of the program

Assuming a share price of SEK 165 and the maximum outcome in accordance with LTI 2013 in terms of both shares and cash amount, it is estimated that the cost of LTI 2013, including costs for social security fees, will amount to SEK 62.5 M, corresponding to approximately 0.35 percent of the total number of shares in the company.

The value that a participant may receive at maximum allotment of Series B shares and maximum 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 last price paid during a period of ten trading days immediately following the date of the 2013 AGM, a period when the share is traded ex-rights to dividends.

Buyback of company shares

In order to cover commitments in accordance with LTI 2013, 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 OMX 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.

Transfer of treasury shares

In order to secure delivery of Series B shares in accordance with LTI 2013, the Board proposes that the AGM resolve to permit the transfer of no more than 303,620 Series B shares to the participants of LTI 2013.

The prerequisites and conditions for allotment are listed below, according to which all share awards will be regulated through physical delivery of the shares.

NO. OF SYNTHETIC SHARES

	Group		Parent Company	
	Share awards	Synthetic options	Share awards	Synthetic options
Outstanding at the beginning of the period	127,301	127,301	50,911	50,911
Allocated during the period	125,527	125,527	55,379	55,379
Transferred from Group companies	–	–	14,187	14,187
Forfeited during the period	–11,066	–11,066	–5,396	–5,396
Outstanding at the end of the period	241,762	241,762	115,081	115,081
Puttable at the end of the period	0	0	0	0

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

Share awards and synthetic shares outstanding have a remaining contract term of one and two years, respectively.

NOTE 5 PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES, CONT'D.

SHARE AWARDS LTI 2012

	2013		2012	
	Group	Parent Company	Group	Parent Company
Fair value on valuation date, SEK 000s	5,064	2,406	1,833	778
Share price, SEK	123.30	123.30	123.30	123.30
Redemption price, SEK	0	0	0	0
Options duration, year	2	2	3	3
Risk-free interest rate, %	3.95	3.95	3.95	3.95

SHARE AWARDS LTI 2013

	2013	
	Group	Parent Company
Fair value on valuation date, KSEK	2,860	1,364
Share price, SEK	144.97	144.97
Redemption price, SEK	0	0
Options duration, year	3	3
Risk-free interest rate, %	3.95	3.95

Dividend has been calculated as a five-year average of NCC AB's dividends. All fair value and assumptions are identical for all participants in the program.

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS 2013

	2013		2012	
	Group	Parent Company	Group	Parent Company
Share awards	6	3	2	1
Synthetic options	11	5	2	1
Social security expenses	5	3	1	
Total personnel expenses for share-based remunerations	22	11	5	2
Total carrying amount pertaining to liability for synthetic options	13	6	2	1
Total real value of the liability pertaining to vested benefits	13	6	2	1

NOTE 6 DEPRECIATION/AMORTIZATION

	Group		Parent Company	
	2013	2012	2013	2012
Intangible assets	-36	-24	-7	
Owner-occupied properties	-26	-28	-1	-1
Machinery and equipment ¹⁾	-641	-579	-58	-47
Total depreciation/amortization	-703	-631	-66	-48

¹⁾ of which, depreciation of leased equipment in the Group amounts to 83 (74).

NOTE 7 FEES AND REMUNERATION TO AUDIT FIRMS

	Group		Parent Company	
	2013	2012	2013	2012
Audit firms				
<i>PwC</i>				
Auditing assignments	18	16	7	5
Audit in addition to the audit assignment		1		1
Other assignments	1	2		1
<i>Other auditors</i>				
Auditing assignments	2	1		
Total fees and remuneration to auditors and audit firms	21	20	7	7

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	
	2013	2012	2013	2012
Production costs				
Housing projects	-23	-1		
Properties held for future development in NCC Property Development	-2	-41		
Result from participations in subsidiaries				
Shares in subsidiaries			-81	-70
Impairment losses and reversal of impairment losses, fixed assets				
Owner-occupied properties	7	-1		
Machinery and equipment		-1		
Total	-17	-44	-81	-70

NOTE 9 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent Company	
	2013	2012	2013	2012
Dividends			1,389	596
Capital gain/loss on sale		6		-3
Impairment losses			-81	-70
Total	0	6	1,308	524

NOTE 10 OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

GROUP	2013	2012
Production-related goods and services, plus raw materials and supplies	42,915	42,840
Change in inventories	-19	-98
Personnel costs	11,541	11,285
Depreciation/amortization	703	631
Impairment losses	25	44
Reversal of impairment losses	-7	
Total cost of production, and selling and administration costs	55,157	54,702

NOTE 11 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	2013	2012
Interest expense, Group companies	-121	-112
Interest expense to credit institutions	-65	-81
Financial portion of pension cost	-53	-34
Interest expense, others	-5	-6
Exchange-rate differences	-11	24
Other financial items	-5	-14
Total	-260	-223

NOTE 12 NET FINANCIAL ITEMS

GROUP	2013	2012
Interest income on financial assets held for trading	52	44
Interest income on non-impaired investments held to maturity	6	8
Interest income on non-impaired loans and accounts receivable	6	7
Interest income on bank balances	8	2
Net exchange-rate changes		11
Other financial income	92	67
Financial income	165	141
Interest expense on financial liabilities recognized at accrued acquisition value	-376	-316
Interest expense on financial liabilities held for trading	-8	
Net loss on financial assets/liabilities held for trading	-4	-5
Net exchange-rate changes	-3	
Other financial expenses	-53	-61
Financial expense	-444	-382
Net financial items	-279	-241
Of which, changes in value calculated using valuation techniques	-4	5

NOTE 15 INTANGIBLE ASSETS

2013	Group				Parent Company
	Acquired intangible assets				Development expenses
	Goodwill	Usufructs	Other	Total other	
Recognized acquisition value on January 1	2,080	200	183	383	39
Investments		14	85	99	47
Translation differences during the year	-24		2	2	
Recognized acquisition value on December 31	2,056	214	270	484	86
Accumulated amortization on January 1	1	-102	-75	-177	-4
Translation differences during the year	-1		-2	-2	
Amortization according to plan during the year		-13	-23	-36	-7
Accumulated amortization on December 31	0	-115	-100	-215	-11
Accumulated impairment losses on January 1	-254	-2	0	-2	0
Translation differences during the year	-1				
Accumulated impairment losses on December 31	-255	-2	0	-2	0
Residual value on January 1	1,827	96	108	204	35
Residual value on December 31	1,802	97	170	267	75

NOTE 13 EFFECTS ON PROFIT AND LOSS OF EXCHANGE-RATE CHANGES

GROUP	2013 exchange rates 2012 ¹⁾	2013	Exchange-rate effect
Net sales	58,491	57,823	-668
Operating profit	2,702	2,679	-23
Profit after financial items	2,413	2,400	-13
Net profit for the year	1,999	1,989	-10

¹⁾ Figures for 2013 translated at 2012 exchange rates.

Country	SEK	Currency	Average exchange rate Jan-Dec		Year-end rate	
			2013	2012	2013	2012
Denmark	100	DKK	116.00	117.03	119.37	115.41
EU	1	EUR	8.65	8.71	8.90	8.61
Norway	100	NOK	110.94	116.46	105.85	116.70
Russia	1	RUR	0.22	0.22	0.21	0.21

NOTE 14 APPROPRIATIONS AND UNTAXED RESERVES

PARENT COMPANY	Appropriations		Untaxed reserves	
	2013	2012	2013	2012
Accumulated depreciation in excess of plan				
- machinery and equipment	13			13
Tax allocation reserve	231	-231		231
Reserve in work in progress	103	-174	392	495
Group contributions received	325	359		
Total	672	-46	392	739

NOTE 15 INTANGIBLE ASSETS, CONT'D

	Group				Parent Company
	Acquired intangible assets				Development expenses
	Goodwill	Usufructs	Other	Total other	
2012					
Recognized acquisition value on January 1	1,864	195	146	340	21
Investments	230	12	73	85	18
Divestment and scrappage		-3	-10	-13	
Reclassifications	15		-22	-22	
Translation differences during the year	-30	-3	-3	-6	
Recognized acquisition value on December 31	2,080	200	183	383	39
Accumulated amortization on January 1	0	-95	-73	-168	-4
Divestment and scrappage		3	9	12	
Translation differences during the year	1	1	2	3	
Amortization according to plan during the year		-11	-13	-24	
Accumulated amortization on December 31	1	-102	-75	-177	-4
Accumulated impairment losses on January 1	-257	-2	-2	-3	0
Divestment and scrappage			2	2	
Translation differences during the year	3				
Accumulated impairment losses on December 31	-254	-2	0	-2	0
Residual value on January 1	1,607	96	71	167	18
Residual value on December 31	1,827	96	108	204	35

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS
Goodwill totaling SEK 1,802 M is recognized in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2013	2012
NCC Construction	827	849
- of which Sweden	400	400
NCC Roads	953	956
- of which Denmark	626	605
- of which Norway	235	259
NCC Housing	22	22
NCC Group	1,802	1,827

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 has been 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 percent (2.0) 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 2013, with a growth rate equal to the sustainable long-term growth rate.

Discount interest rate after local tax: This has been established based on the following variables: risk-free interest rate, market premium, beta ratio, capital structure and local tax rates. Although the after-tax discount interest rates vary among the different cash-generating units, in NCC's scenario it amounts to 6.9 percent after tax on the whole. In the preceding year, 7.2 percent after tax was used.

NCC's impairment testing reveals no additional impairment requirement. The difference between the value in use and the carrying amount is lowest for NCC Road's foreign operations. It is assumed that the profitability of these operations will return to the historically achieved levels during the forecast period. The after-tax discount interest rate varies between 6.7-7.3 percent (7.2-7.7) for NCC Roads.

The difference between the estimated value in use and the carrying amount for NCC Roads' Danish and Norwegian operations totals SEK 266 M (159). The following table illustrates the sensitivity of the value in use to changes in certain important variables:

IMPACT ON VALUE IN USE	Discount interest rates, basic scenario (6.7-7.3%)
	0.5-percentage point reduction in operating margin during the forecast period
1 percent reduction in sales growth/year during the forecast period	-113
0.5 percent increase in discount interest rate	-202

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	
	2013	2012
Production costs	-28	-24
Selling and administrative expenses	-7	
Total	-36	-24

IMPAIRMENT LOSSES ARE INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	Group	
	2013	2012
Total on line <i>Impairment of fixed assets</i>		-2

NOTE 16 TANGIBLE FIXED ASSETS

	Group				Parent Company		
	Owner-occupied properties	Construction in progress	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
2013							
Recognized acquisition value on January 1	1,245	5	7,197	8,447	22	519	541
Investments	46	12	898	956		41	41
Divestment and scrappage	-11		-387	-398		-4	-4
Decrease through company divestments			-7	-7			
Reclassifications	10	-1	-4	5			
Translation differences during the year			-108	-108			
Recognized acquisition value on December 31	1,290	16	7,590	8,896	22	556	578
Accumulated impairment losses and depreciation on January 1	-589		-4,803	-5,391	-8	-424	-432
Divestment and scrappage	8		313	321		3	3
Decrease through company divestments			6	6			
Reclassifications			-6	-6			
Translation differences during the year	-2		41	38			
Reversed impairment loss	7			7			
Depreciation during the year	-26		-641	-666	-1	-58	-59
Accumulated impairment losses and depreciation on December 31¹⁾	-602		-5,089	-5,691	-9	-478	-488
Accumulated write-ups on January 1			1	1			
Accumulated write-ups on December 31			1	1			
Residual value on January 1	657	5	2,395	3,057	15	94	108
Residual value on December 31	688	16	2,502	3,206	13	78	91
Carrying amount of financial leasing			279	279			
¹⁾ Accumulated impairment losses at year-end	-30		-55	-85			

	Group				Parent Company		
	Owner-occupied properties	Construction in progress	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
2012							
Recognized acquisition value on January 1	1,230	1	6,748	7,979	82	489	571
Investments	119	5	816	940		41	41
Increase through acquisitions			29	29			
Divestment and scrappage	-82		-356	-439	-60	-12	-72
Decrease through company divestments	-2	-1	-15	-18			
Reclassifications			27	27			
Translation differences during the year	-20		-52	-71			
Recognized acquisition value on December 31	1,245	5	7,197	8,447	22	519	541
Accumulated impairment losses and depreciation on January 1	-635		-4,540	-5,175	-68	-387	-455
Divestment and scrappage	66		276	342	60	10	70
Reclassifications	-1			-1			
Translation differences during the year	10		42	52			
Impairment losses during the year ¹⁾	-1		-1	-2			
Depreciation during the year	-28		-579	-607	-1	-47	-48
Accumulated impairment losses and depreciation on December 31²⁾	-589		-4,803	-5,391	-8	-424	-432
Accumulated write-ups on January 1			1	1			
Accumulated write-ups on December 31			1	1			
Residual value on January 1	595	1	2,209	2,805	14	102	117
Residual value on December 31	657	5	2,395	3,057	15	94	108
Carrying amount of financial leasing			260	260			

¹⁾ Impairment losses on owner-occupied properties are included on the line "Impairment losses" in the income statement. Impairment losses on machinery and equipment are included on the line "Production costs."

²⁾ Accumulated impairment losses at year-end.

NOTE 17 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY			Carrying amount		PARENT COMPANY			Carrying amount	
Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of participa- tions ²⁾	2013	2012	Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of participa- tions ²⁾	2013	2012
Real estate companies:									
NCC Property Development BV, 33.213.877, Netherlands	93		4	4	NCC Boende Holding 5 AB, 556824-7919, Solna	100	1	82	82
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	960	960	NCC Boende Holding 6 AB, 556824-7927, Solna	100	1		
Total participations in real estate companies									
			965	964	NCC Boende Holding 7 AB, 556824-8230, Solna	100	1		
Other companies:									
Alsike Utvecklings AB, 556245-9452, Solna	100	16	2	2	NCC Boende Holding 8 AB, 556824-8248, Solna	100	1	65	65
Anja Bygg AB, 556317-8515, Halmstad	100	9	29	35	NCC Boende Holding 9 AB, 556845-8797, Solna	100	1		
Bergnässets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1		2	NCC Boende Holding 10 AB, 556845-8821, Solna	100	1		
Däldehög AB, 556268-5700, Gothenburg	100	9	1	41	NCC Boende Holding 11 AB, 556845-8692, Solna	100	1	60	
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1	NCC Boende Holding 12 AB, 556887-7079, Solna	100	1	60	
Ekängens Handelsträdgård AB, 556188-6903, Linköping	100	1	4	4	NCC Bolig AS, 32 65 55 05, Denmark	100	5	456	272
Elpolerna i Malmö AB, 556720-5934, Malmö	80	1			NCC Bolig AS, 997 671 783, Norway	100	8	41	41
Frösunda Exploaterings AB, 556430-1876, Solna	100	1	1	1	NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	115	115
Frösunda Exploaterings KB, 916636-6451, Stockholm	98 ³⁾		1	1	NCC Construction Norge AS, 911 274 426, Norway	100	17,500	160	160
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	30	30	NCC Construction Sverige AB, 556613-4929, Solna	100	500	52	51
Hercules Grundläggning AB, 556129-9800, Stockholm	100	196	59	59	NCC Deutschland GmbH, HRB 8906 FF, Germany	100		410	410
Jaktbacken AB, 556908-8932, Solna	100	1			NCC Elamuarendus, 11398856, Estonia	100		6	6
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1			NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
Kallax Cargo AB, 556565-1147, Solna	100	2	1	1	NCC Hyresboende AB, 556889-1401, Solna	100	1		
Kungsplattan AB, 556713-0850, Solna	100	1	1	1	NCC Hällevik AB, 556749-6251, Solna	100	1		
Kvarnorget Bostad AB, 556729-8541, Solna	100	1	1	1	NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
LLC NCC Center, INN7841457408, Russia	100				NCC International AB, 556033-5100, Solna	100	1,000	258	258
LLC NCC Ostland, INN7802379530, Russia	100				NCC International Danmark A/S, 26 708 621, Denmark	100	300		
LLC NCC Real Estate, INN7841322136, Russia	100		85	85	NCC Kaninen Projekt AB, 556740-3638, Solna	30 ⁴⁾	300		
LLC NCC Village, INN7842398917, Russia	100		9	9	NCC Knallen Stockholm AB, 556716-8637, Stockholm				
Luzern AB, 556336-4727, Solna	100	1	3	3	NCC Komponent AB, 556627-4360, Solna	100	1		8
Marielund 1:7 AB, 556522-7369, Stockholm				1	NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
Mälarstadens Exploaterings AB, 556336-2135, Solna					NCC Purchasing Group AB, 556104-9932, Solna	100	2	1	1
NCC Aktivt Boende AB, 556889-1393, Solna	100	1			NCC Rakennus Oy, 1765514-2, Finland	100	4	392	391
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	1	NCC Roads Holding AB, 556144-6732, Solna	100	275	1,635	1,634
NCC Boende AB, 556726-4121, Solna	100		1		NCC Södra Ekkällan AB, 556679-8780, Solna	100	1	1	1
NCC Boende Holding 1 AB, 556761-3459, Solna	100	1			NCC Treasury AB, 556030-7091, Solna	100	120	16	16
NCC Boende Holding 2 AB, 556795-2089, Solna	100	1			NCC Utvikling AS, 980 390 020, Norway	100	8	3	3
NCC Boende Holding 3 AB, 556866-8692, Solna	100	1			NCC Zinkensdamm AB, 556716-8652, Stockholm				1
NCC Boende Holding 4 AB, 556824-7901, Solna	100	1			Nils P Lundh, AB, 556062-7795, Solna	100	1		
					Norrströmstunneln AB, 556733-7034, Solna	100	1		

1) The ownership share corresponds to the shareholding.

2) Number of shares in thousands.

3) Remaining 2 percent is owned by Frösunda Exploaterings AB.

4) Remaining 70 percent owned by NCC Property Development AB.

NOTE 17 PARTICIPATIONS IN GROUP COMPANIES, CONT'D

PARENT COMPANY Name of company, Corp. Reg. No., Registered office	Ownership share, % ¹⁾	No. of participa- tions ²⁾	Carrying amount	
			2013	2012
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Samset AB, 556931-8644, Stockholm	100	1		
Siab Investment AB, 556495-9079, Stockholm	100	1		
SIA NCC Housing, 40003941615, Latvia	100		24	24
Sintrabergen Holding AB, 556498-1248, Stockholm	100	3		
Ställningsmontage och Industrijänst i Södra Norrland AB, 556195-2226, Solna	100	2		1
Svelali AB, 556622-7517, Halmstad	100	1		
Svenska Industribyggen AB, 556087-2508, Stockholm	100	1		
Söderby Park Fastigheter HB, 916630-4817, Stockholm	100		10	10
Södertäljebyggnads Exploaterings KB, 916635-5900, Södertälje	100	1		
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	1
UAB NCC Housing, 302477035, Lithuania	100			
UAB Pletra Projects, 126372247, Lithuania	100			
Total participations in other companies			5,146	4,958
Total participations in Group companies			6,112	5,922

¹⁾ The ownership share corresponds to the shareholding.

²⁾ Number of shares in thousands.

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

Only directly owned subsidiaries were specified. The number of indirectly owned subsidiaries is 188 (199).

NOTE 18 PARTICIPATIONS IN ASSOCIATED COMPANIES CONSOLIDATED IN ACCORDANCE WITH THE EQUITY METHOD

GROUP	2013	2012
Carrying amount on January 1	9	8
Acquisition of associated companies		1
Share in associated company profits ¹⁾	-1	
Carrying amount on December 31	9	9

¹⁾ Participations in associated companies' profit after tax and non-controlling interests in associated companies.

GROUP Name of company, Corp. Reg. No., Registered office	Owner- ship share, % ¹⁾	No. of participa- tions ²⁾	Carrying amount	
			2013	2012
Aggder Bygg-Gjennvinning AS, 880 704 532, Norway	50		1	1
Asfalt & Maskin, 960 585 593, Norway	50		2	2
Glysisvallen AB, 556315-5125, Hudiksvall	50	1	1	
PULS-ISAB Relining i Skandinavien AB, 556813-5890, Mölndal	25		3	3
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 12 (12)			1	1
Total			9	9

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

²⁾ Number of shares in thousands.

NOTE 19 PARTICIPATIONS IN JOINT VENTURES CONSOLIDATED IN ACCORDANCE WITH THE PROPORTIONAL METHOD

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	2013	2012
Revenue	254	220
Expenses	-226	-219
Profit	28	1
Fixed assets	62	43
Current assets	634	698
Total assets	696	741
Long-term liabilities	270	283
Current liabilities	231	324
Total liabilities	501	607
Net assets	195	134

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
Bolig Interessentskabet Tuborg Nord	50
Entreprise 23 konsortiet	50
Entreprise 26 konsortiet	50
Fastighets AB Strömstaden	32
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
Granitsoppen AB	50
Granitsoppen, KB	50
GR2012 Konsortiet I/S	50
Hercules-Trevi Foundations AB	50
Holding Big Apple Housing Oy	50
Kalati SIA	50
Korsnäs, konsortie	50
Koy Albergan	28
Koy Polaristonnti 2	50
Koy Polaristonnti 3	50
Langebros 2	50
M11-Entreprenør	50
Matinkylä Holding Metrokeskus Oy	50
Norvikudde, konsortie	50
NVB Beckomberga KB	25
NVB Sköndalsbyggarna AB	33
NVB Sköndalsbyggarna II AB	33
NVB Sköndalsbyggarna KB	33
NVB Sköndalsbyggarna II KB	33
Elinegård Utvecklings AB	50
NFO konsortiet I/S	50
NCC-LHR Gentofte Konsortiet	50
NCC-MJEkonsortie I/S	50
Oraser AB	50
Polaris Business Park Oy	50
PULS Planerad Underhållsservice AB	50
SHH Hyresproduktion AB	50
Skattkärrs Byggnads AB	50
Stora Ursvik KB	50
Tipton Brown AB	33
Vänerbyggen Skattkärrs Byggnads AB & Co KB	50
Öhusen, KB	50
Örestad Down Town P/S	60

NOTE 20 PARTICIPATIONS IN ASSOCIATED COMPANIES

PARTICIPATIONS IN ASSOCIATED COMPANIES INCLUDED IN FINANCIAL FIXED ASSETS

PARENT COMPANY	Ownership share, % ¹⁾	No. of participations ²⁾	Carrying amount	
			2013	2012
Name of company, Corp. Reg. No., Registered office				
Fastighets AB Strömstaden, 556051-7202, Norrköping	32	2	2	2
Oraser AB, 556293-2722, Stockholm	50	1	6	6
PULS Planerad Underhålls Service AB, 556379-1259, Malmö	50	15	8	8
Stora Ursvik KB, 969679-3172, Stockholm	50	48	144	138
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15
Other 9(10)			1	1
Total			175	169

¹⁾ The ownership share corresponds to the proportion of votes for the total number of shares.²⁾ Number of shares in thousands.**NOTE 21** FINANCIAL INVESTMENTS

GROUP	2013	2012
Financial investments classified as fixed assets		
<i>Available-for-sale financial assets</i>		
Unlisted securities	23	22
<i>Investments held to maturity</i>		
Interest-bearing securities	109	136
Total	131	158
Short-term investments classified as current assets		
<i>Financial assets at fair value through profit or loss</i>		
Interest-bearing securities	21	83
<i>Investments held to maturity</i>		
Interest-bearing securities	122	84
Total	143	168

Investments held to maturity had an established interest rate ranging from 1.6 (1.7) percent to 4.0 (5.8) percent, and had due dates ranging from 1 year (3 months) to 3 years (3).

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

NOTE 22 FINANCIAL FIXED ASSETS

PARENT COMPANY, 2013	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables, associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Recognized acquisition value on January 1	14,762	10	467	192	11	193	15,634
Assets added	273		6				279
Assets removed	-269			-7		-52	-328
Recognized acquisition value on December 31	14,766	10	473	185	11	141	15,586
Accumulated write-ups on January 1	268						268
Accumulated write-ups on December 31	268						268
Accumulated impairment losses on January 1	-9,108		-297	-1	-6	-2	-9,414
Assets removed	268						268
Impairment losses for the year	-81						-81
Accumulated impairment losses on December 31	-8,922		-297	-1	-6	-2	-9,228
Residual value on December 31	6,112	10	175	184	5	139	6,624

PARENT COMPANY, 2012	Participations in Group companies	Receivables, Group companies	Participations in associated companies and joint ventures	Receivables, associated companies and joint ventures	Other long-term securities	Other long-term receivables	Total
Recognized acquisition value on January 1	14,926	145	450	190	11	314	16,036
Assets added	146		17	2			165
Assets removed	-310	-135				-121	-566
Recognized acquisition value on December 31	14,762	10	467	192	11	193	15,634
Accumulated write-ups on January 1	268						268
Accumulated write-ups on December 31	268						268
Accumulated impairment losses on January 1	-9,345		-297	-1	-6	-2	-9,651
Assets removed	308						308
Impairment losses for the year	-70						-70
Accumulated impairment losses on December 31	-9,108		-297	-1	-6	-2	-9,414
Residual value on December 31	5,922	10	169	191	5	191	6,487

NOTE 23 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2013	2012
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	92	113
Receivables from sold property and housing projects	17	
Derivative instruments held for hedging purposes	23	
Other long-term receivables	114	116
Long-term receivables classified as fixed assets	247	230
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	41	24
Receivables from divested property and housing projects	139	442
Advance payments to suppliers	6	7
Derivative instruments held for hedging purposes	87	37
Other current receivables	659	713
Other receivables classified as current assets	932	1,223

NOTE 24 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Parent Company	
	2013	2012	2013	2012
Tax on net profit for the year				
Current tax cost	-364	-397	-192	-174
Deferred tax cost/revenue	-47	29	-48	-115
Total recognized tax on net profit for the year	-411	-367	-240	-289

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

Effective tax	Group				Parent Company			
	2013		2012		2013		2012	
	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		2,400		2,277		2,395		1,510
Tax according to company's current tax rate	-22%	-528	-26%	-599	-22%	-527	-26%	-397
Effect of other tax rates for non-Swedish companies	-1%	-33		-2				
Changed tax rates in Denmark, Finland and Norway for 2014 and in Sweden for 2013	-1%	-15	5%	120			-2%	-25
Other non-tax-deductible costs	-2%	-36	-1%	-25	-1%	-23	-2%	-25
Non-taxable revenues	7%	148	5%	119	12%	288	20%	156
Tax effect resulting from utilization of non-capitalized tax loss carryforwards		-1	1%	21				
Tax effect resulting from non-capitalized tax loss carryforwards	2%	36						
Tax attributable to prior years	1%	20		-1	1%	22		2
Other				-1				
Recognized tax	-17%	-411	-16%	-367	-10%	-240	-19%	-289

Current tax has been calculated based on the nominal tax prevailing in the country concerned. Insofar as the tax rate for future years has been changed, the new rate is used for calculating deferred tax.

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	Group	
	2013	2012
Current tax in hedging instruments	4	-10
Effect of deferred tax from the changed tax rate in Sweden in 2013		-3
Deferred tax on cash flow hedging	-4	6
Deferred tax attributable to the revaluation of defined-benefit pension plans	-41	-27
Total	-41	-35

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

	Group		Parent Company	
	2013	2012	2013	2012
Opening carrying amount	-51	-54	131	246
Acquisition of subsidiaries		-1		
Recognized tax on net profit for the year	-32	29	-48	-90
Changed tax rates in Denmark, Finland and Norway for 2014 and in Sweden for 2013	-15			-25
Tax items recognized in other comprehensive income	-45	-24		
Translation differences	-7			
Other	-14			
Closing carrying amount	-165	-51	83	131

NOTE 24 TAX ON NET PROFIT FOR THE YEAR, DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES, CONT'D.

GROUP	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Tangible fixed assets			-14	-6	-14	-6
Financial fixed assets	33	40			33	40
Non-completed projects			-511	-512	-511	-512
Properties held for future development			-53	-37	-53	-37
Untaxed reserves			-174	-255	-174	-255
Provisions	126	257			126	257
Personnel benefits/pension provisions	34	10			34	10
Tax loss carryforwards	304	246			304	246
Other	104	205	-12		92	205
Deferred tax asset/deferred tax liability	600	758	-764	-810	-165	-51
Offsetting	-351	-373	351	373		
Net deferred tax asset/tax liability	249	385	-414	-436	-165	-51

PARENT COMPANY	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Provisions	77	126			77	126
Personnel benefits/pension provisions	6	5			6	5
Net deferred tax asset/tax liability	83	131			83	131

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 is this the case for the participations owned by NCC companies in other countries.

Within the Group, there are also non-capitalized tax loss carryforwards corresponding to SEK 0.2 billion (0.3). These mainly derive from operations conducted outside Sweden, primarily in Germany. During the year, it was adjudged possible to capitalize a portion of previously non-capitalized loss carryforwards.

NOTE 25 PROPERTIES CLASSIFIED AS CURRENT ASSETS

GROUP, 2013	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ²⁾	Properties held for future development, housing			Total housing projects ³⁾	Total
					Housing projects in production	Completed housing projects			
Recognized acquisition value on January 1	2,231	2,675	495	5,401	7,119	4,183	990	12,292	17,694
Investments	328	3,111	195	3,634	1,288	6,531	83	7,902	11,536
Increase through acquisitions					270			270	270
Divestment and scrappage	-159	-3,166	-504	-3,829	-441	-5,444	-1,045	-6,930	-10,759
Decrease through company divestments					-232			-232	-232
Reclassifications	-139	-640	865	86	-1,411	63	1,256	-92	-7
Translation differences during the year	14	15	14	43	-37	-18	1	-54	-11
Recognized acquisition value on December 31	2,276	1,996	1,065	5,337	6,556	5,315	1,286	13,157	18,494
Accumulated impairment losses on January 1	-48		-33	-81	-401	-3	-150	-554	-635
Divestment and scrappage					43		5	48	48
Reclassifications					16	-9		7	7
Translation differences during the year	-1		-1	-2	-7		-3	-10	-12
Impairment losses during the year ¹⁾	-2			-2	-21		-2	-23	-25
Accumulated impairment losses on December 31	-51		-34	-85	-370	-12	-150	-532	-617
Residual value on January 1	2,183	2,675	462	5,321	6,718	4,180	840	11,738	17,059
Residual value on December 31	2,224	1,996	1,031	5,251	6,186	5,303	1,136	12,625	17,876

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 mainly to properties classified as current assets recognized in NCC Housing.

NOTE 25 PROPERTIES CLASSIFIED AS CURRENT ASSETS, CONT'D.

GROUP, 2012					Properties held for future development, housing				Total
	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ²⁾	Properties held for future development, housing	Housing projects in production	Completed housing projects	Total housing projects ³⁾	
Recognized acquisition value on January 1	2,365	1,622	529	4,516	6,164	3,752	523	10,439	14,955
Investments	498	2,287	12	2,797	2,402	6,252	288	8,942	11,739
Increase through acquisitions					45			45	45
Divestment and scrappage	-125	-768	-842	-1,735	-400	-5,761	-698	-6,859	-8,593
Decrease through company divestments					-200			-200	-200
Reclassifications	-473	-430	814	-89	-804	-2	895	89	89
Translation differences during the year	-35	-35	-18	-88	-89	-58	-17	-164	-252
Recognized acquisition value on December 31	2,231	2,675	495	5,401	7,119	4,183	990	12,292	17,694
Accumulated impairment losses on January 1	-41			-41	-430	-3	-146	-579	-620
Divestment and scrappage					1		1	2	2
Reclassifications					18			18	18
Translation differences during the year	1			1	10		3	13	15
Impairment losses during the year ¹⁾	-8		-33	-41			-9	-9	-50
Accumulated impairment losses on December 31	-48		-33	-81	-401	-3	-150	-554	-635
Residual value on January 1	2,325	1,622	529	4,475	5,734	3,748	377	9,860	14,335
Residual value on December 31	2,183	2,675	462	5,321	6,718	4,180	840	11,738	17,059

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 mainly to properties classified as current assets recognized in NCC Housing.

	2013				2012		
	Properties held for future development	Completed housing projects	Participations in tenant-owner associations	Total housing projects	Properties held for future development	Completed housing projects	Total housing projects
PARENT COMPANY							
Recognized acquisition value on January 1	119	214		333	125	66	191
Investments	11	281	161	453	5	232	237
Divestment and scrappage	-29	-237		-266	-11	-83	-94
Recognized acquisition value on December 31	101	258	161	520	119	214	333
Accumulated impairment losses on January 1	-9	-9		-18	-10	-1	-11
Divestment and scrappage		3		3		1	1
Impairment losses during the year ¹⁾						-9	-9
Accumulated impairment losses on December 31	-9	-6		-15	-9	-9	-18
Residual value on January 1	110	205		315	115	65	180
Residual value on December 31	92	252	161	505	110	205	315

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

NOTE 26 MATERIALS AND INVENTORIES

	Group		Parent Company	
	2013	2012	2013	2012
Stone materials	376	402		
Building materials	152	116	52	35
Other	146	136		
Total	673	655	52	35

NOTE 27 CONSTRUCTION CONTRACTS

WORKED-UP, NON-INVOICED REVENUES

GROUP	2013	2012
Worked-up revenues from ongoing contracts	16,040	10,134
Invoicing for ongoing contracts	-15,123	-9,352
Total	918	782

INVOICED REVENUES, NOT WORKED UP

GROUP	2013	2012
Invoicing for ongoing contracts	33,658	23,292
Worked-up revenues from ongoing contracts	-29,394	-19,051
Total	4,264	4,241

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 45,434 M (29,185).

Advanced payments received amounted to SEK 2,932 M (1,749).

Amounts withheld by the customer amounted to SEK 749 M (818).

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
Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004 Reduction of share capital ¹⁾		-1,844
2013 End of year	108,435,822	867

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

NOTE 28 SHARE CAPITAL, CONT'D.

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
2013 End of year	592,500

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8 each. During the year, 2,425,764 Series A shares (999,939) were converted to Series B shares.

The shares are distributed as follows by class:

	Series A	Series B	Total
Number	27,708,122	80,727,700	108,435,822

Series A shares carry ten voting rights each and Series B shares carry one voting right.

A specification of changes in shareholders' equity is presented on p. 56. The Board of Directors proposes an ordinary dividend of SEK 12.00 per share, making a total of SEK 1,294,864 to be distributed in two payments of SEK 6.00 each.

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 during 2000–2012	-32,977,796	32,977,796	
Share repurchased during 2000–2012		-6,450,892	-6,450,892
Sale of treasury shares during 2005–2011		6,035,392	6,035,392
No. of shares on Dec. 31, 2012	30,133,886	77,886,436	108,020,322
Conversion of Series A to Series B shares during 2013	-2,425,764	2,425,764	
Repurchase of shares in 2013		-177,000	-177,000
No. of shares on Dec. 31, 2013	27,708,122	80,135,200	107,843,322
Number of voting rights	277,081,220	80,135,200	357,216,420
Percentage of voting rights	78	22	100
Percentage of share capital	26	74	100
Closing price Dec. 31, 2013	209.50	209.90	
Market capitalization, SEK M	5,805	16,820	22,625

NOTE 29 INTEREST-BEARING LIABILITIES

GROUP	2013	2012
Long-term liabilities		
Liabilities to credit institutions and investors ¹⁾	5,690	5,393
Financial lease liabilities	179	256
Liabilities to Swedish tenant-owner associations and Finnish housing companies	745	994
Liabilities to associated companies	85	80
Other long-term loans	330	379
Total	7,029	7,102
Current liabilities		
Current portion of liabilities to credit institutions and investors	1,095	691
Leasing pertaining to Swedish tenant-owner associations and Finnish housing companies	1,291	1,425
Liabilities to associated companies	30	23
Other current liabilities	99	2
Total	2,515	2,141
Total interest-bearing liabilities	9,544	9,242

¹⁾ Including reloaning of SEK 1,500 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 are 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	2013	2012
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,500	1,500
Total	1,500	1,500
Current liabilities		
Group companies	4,161	3,027
Other current liabilities	1	2
Total	4,162	3,030
Total interest-bearing liabilities	5,662	4,530

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

NOTE 30 OTHER PROVISIONS

GROUP, 2013	Guarantees	Other	Total
On January 1	1,722	713	2,435
Provisions during the year	367	158	525
Reclassification	1	-1	
Amount utilized during the year	-511	-308	-819
Reversed, unutilized provisions	-56	-28	-84
Reclassifications		-1	-1
Translation differences	13	3	14
On December 31	1,535	535	2,071

NOTE 30 OTHER PROVISIONS, CONT'D.

GROUP, 2012	Guarantees	Other	Total
On January 1	1,916	706	2,622
Provisions during the year	351	203	554
Amount utilized during the year	-494	-149	-643
Reversed, unutilized provisions	-34	-40	-74
Reclassifications		-1	-1
Translation differences	-17	-7	-24
On December 31	1,722	713	2,435

PARENT COMPANY, 2013	Guarantees	Other	Total
On January 1	846	28	874
Provisions during the year	29	28	56
Amount utilized during the year	-244		-244
On December 31	631	56	686

PARENT COMPANY, 2012	Guarantees	Other	Total
On January 1	1,060	59	1,119
Provisions during the year	-149	5	-144
Amount utilized during the year	-65	-36	-101
On December 31	846	28	874

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	Group		Parent Company	
	2013	2012	2013	2012
Restoration reserve	144	163		
Development risk		2		
Other	391	548	56	28
Other provisions	535	713	56	28
Guarantee commitments	1,536	1,722	631	846
Total	2,071	2,435	686	874

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 Roads. The provisions are intended to cover future costs for restoring pits and quarries used to mine stone materials 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.

DEVELOPMENT RISK

Pertains to the risk faced by the developer in connection with sold property projects.

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 that arise in operations and is utilized gradually as the project is worked up. The Norwegian Competition Authority has investigated the suspected transgressions of competition legislation. The suspicions pertain to price collusion in the asphalt industry between Kolo Veidekke and NCC Roads AS in two areas during the years 2005–2008. NCC's internal investigation confirmed the suspicions in respect of breaches of competition legislation in the Trondheim area during the period in question. In March 2013, the Norwegian Competition Authority announced its verdict on the matter, whereby the fine in question was set at approximately NOK 140 M (approx. SEK 150 M). NCC, which considers the fee excessive in view of prevailing legal practice and the circumstances of the matter, requested leave to appeal the Competition Authority's decision in Oslo District Court. The District Court issued its verdict on February 19, 2014, according to which the competition-impeding fee was reduced from NOK 140 M to NOK 40 M (SEK 43 M). This verdict can be appealed.

NOTE 31 PENSIONS

The NCC Group has defined-benefit pension plans in Sweden and Norway. In Sweden, NCC's pension commitment comprises 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, of which a few 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. For information on the pension terms for senior executives, see Note 5.

The risks associated with the Swedish pension plans are:

- Interest-rate risks; the debt will decrease if the interest level increases and thus discount rates rise.
- Salary increase risk; the debt will increase with higher salary increases.
- Volatility of assets; the portfolio contains mostly share 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 with no new earnings. Since the plans are small, with no new earnings capacity, the risks in these plans are significantly smaller than described above. In 2013, defined-benefit plans were redeemed in Norway and were replaced by defined-contribution plans. This had a positive impact of SEK 75 M on profit for 2013.

PENSION COST

GROUP	2013	2012
Defined-benefit plans:		
Current service cost	208	211
Interest expense	147	168
Estimated return on plan assets	-140	-179
Losses (+) or gains (-) on reductions and payments	-75	1
Total cost of defined-benefit plans	140	201
Total cost of defined-contribution plans	562	553
Payroll taxes and yield tax	81	83
Total cost of post-employment remuneration	783	837

Current service cost is recognized in the operating profit and the interest-rate component, together with the anticipated return on plan assets, is recognized 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 3, Classification of ITP plans financed through insurance in Alecta, this constitutes a defined-benefit plan that covers several employers. For the 2013 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 reported as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.18 percent.

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 can 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 2013, Alecta's surplus in the form of its collective solvency rate amounted to 148 percent (129).

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2013	2012
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	4,314	5,097
Fair value of plan assets	4,380	4,901
Net value of obligations funded in full or in part	-66	195
Special payroll tax/employer contributions	189	187
Net amount in balance sheet (obligation +, asset -)	123	383
Net amount is recognized in the following balance-sheet items		
Provisions for pensions and similar obligations	123	383
Net amount in balance sheet (obligation +, asset -)	123	383
Net amount is distributed among plans in the following countries:		
Sweden	111	280
Norway	13	103
Net amount in balance sheet (obligation +, asset -)	123	383

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS

GROUP	2013	2012
Obligation for defined benefit plans on January 1	5,097	4,748
Benefits paid	-142	-147
Current service cost plus interest expense	279	381
Curtailments		-3
Settlements	-932	
Actuarial gains and losses on changed demographic obligations	61	95
Actuarial gains and losses on changed financial obligations	1	7
Exchange-rate differences	-50	15
Obligation for defined benefit plans on December 31	4,314	5,097

Weighted average maturity for the plans is 27.2 years.

CHANGE IN PLAN ASSETS

GROUP	2013	2012
Fair value of plan assets on January 1	4,901	4,610
Contribution by employer	21	141
Benefits paid	-8	-26
Compensation	-33	
Estimated return	140	184
Settlements	-857	
Actuarial gains and losses	267	-21
Exchange-rate differences	-50	14
Fair value of plan assets on December 31	4,380	4,901

The plan assets comprise:

Swedish stock market, listed	630	465
International stock market, listed	932	1,061
Hedge funds, listed	514	347
Properties		152
Interest-bearing securities, listed	804	1,356
Interest-bearing securities, unlisted	1,500	1,500
Other		20
Fair value of plan assets on December 31	4,380	4,901

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

NOTE 31 PENSIONS, CONT'D.

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2013	2012
Discount interest rates, %	4.0	3.2
Future salary increases, %	3.0	3.0
Anticipated inflation, %	1.5	1.6
Useful life assumption at 65 years, years	23.4	20.3

SENSITIVITY ANALYSIS, PERCENTAGE IMPACT ON THE SIZE OF THE ASSUMPTION AT DECEMBER 31, 2013

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5-percentage point change	-7.5	+8.5
Future salary increases, 0.5-percentage point change	+3.4	-3.0
Anticipated inflation, 0.5-percentage point change	+6.4	-5.8
Useful life assumption at 65 years, 1-year change	+2.9	-2.8

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's estimates that approximately SEK 19 M will be paid in 2014 to funded and unfunded defined-benefit plans.

PENSION COSTS

PARENT COMPANY	2013	2012
<i>Proprietary pension payments</i>		
Proprietary costs, excluding interest expense	204	205
Interest expense	52	33
Cost of proprietary pension payments	256	239
<i>Pension payments through insurance</i>		
Insurance premiums	153	147
Subtotal	409	386
Special payroll tax on pension costs	61	66
Pension costs during the year	470	452

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2013	2012
Capital value of pension obligations pertaining to proprietary pension payments on January 1	2,908	2,786
Cost, excluding interest expense, charged against profit	204	205
Interest expense	53	33
Pension payments	-140	-116
Capital value of pension obligations pertaining to proprietary pension on December 31	3,025	2,908

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2013	2012
Fair value of especially detached assets on January 1	3,464	3,273
Return on especially detached assets	373	174
Payment to/from pension foundations	-30	17
Fair value of especially detached assets on January 1	3,807	3,464
Fair value of especially detached assets		
Shares	1,252	1,616
Funds	411	276
Interest-bearing receivables	2,144	1,572
Fair value of especially detached assets on January 1	3,807	3,464

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

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

NET PENSION OBLIGATION

PARENT COMPANY	2013	2012
Capital value of pension obligations pertaining to proprietary pension on December 31	3,025	2,908
Fair value of especially detached assets on December 31	3,807	3,464
Surplus on especially detached assets	784	558
Net recognized pension obligation	2	2

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

PARENT COMPANY	2013	2012
Discount interest rate on December 31	3.84	3.84

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

NOTE 32 OTHER LIABILITIES

GROUP	2013	2012
Other long-term liabilities		
Liabilities to associated companies	5	15
Derivative instruments held for hedging purposes	51	63
Liabilities, property acquisitions	185	363
Other long-term liabilities	59	401
Total	299	841
Other current liabilities		
Advances from customers	2,932	1,749
Liabilities to associated companies	2	
Derivative instruments held for hedging purposes	35	41
Liabilities, property acquisitions	930	789
Other current liabilities	1,460	1,367
Total	5,360	3,945

NOTE 33 WORK IN PROGRESS ON ANOTHER PARTY'S ACCOUNT AND NET SALES

PARENT COMPANY	2013	2012
Invoicing excluding withheld amount	19,143	21,662
Withheld amount	237	256
Total invoicing	19,380	21,918
Costs incurred excluding reserve for losses	-17,867	-19,943
Reserve for losses	96	73
Total costs incurred	-17,771	-19,870
Total work in progress on another party's account	1,609	2,048
Profit-recognized invoicing		
Invoicing during the year	20,819	24,429
Invoiced but not recognized as profit on January 1	21,918	23,251
Less: Invoiced but not recognized as profit on December 31	-19,380	-21,918
Total revenues	23,357	25,763

NOTE 34 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Payroll-related costs	2,110	2,014	930	940
Financial expenses	36	44		
Prepaid rental revenues	10	5	1	1
Prepaid revenues from rental guarantees	219	59		
Project-related costs	1,195	1,424	365	510
Administrative costs	64	21	5	1
Operating and sales costs	176	131		
Other expenses	77	50	19	21
Total	3,888	3,748	1,321	1,473

NOTE 35 LEASING

In Finland, Norway and Denmark, framework agreements have been concluded for the operational leasing of cars and light goods vehicles, including relating 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.

In Sweden, NCC signed framework agreements for the financial leasing of cars and light goods vehicles. The agreements are based on variable interest rates. NCC recommends purchasers and leasing agreements for individual vehicles can be extended.

Within NCC Roads and Construction Norway, there are framework agreements for the operational leasing of production equipment. The agreements are based on variable interest rates and pertain to Sweden, Norway, Denmark and Finland.

In 2006, a sale-leaseback agreement was signed with the German finance group HSH Nordbank and its associated company AGV pertaining to properties in the Sonnengarten area of Berlin. At the same time, an 18-year lease was signed, which is recognized as an operational lease.

GROUP	2013	2012
Financial lessee		
<i>Leasing contracts that expire:</i>		
Within one year	38	42
Later than one year but earlier than five years	241	218
<i>Future minimum leasing fees</i>		
Within one year	99	75
Later than one year but earlier than five years	181	190
<i>Present value of future leasing fees</i>		
Within one year	96	72
Later than one year but earlier than five years	178	187
<i>Reconciliation of future leasing fees and their present value</i>		
Future minimum leasing fees	280	265
Less interest charge	-6	-7
Present value of future leasing fees	274	258
<i>Variable fees included in net profit for the year:</i>		
Interest on leased machinery and equipment	6	7
Total	6	7

OPERATING LEASES

	Group		Parent Company	
	2013	2012	2013	2012
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
<i>Distributed by maturity period:</i>				
Within one year	4	13		
Later than one year but earlier than five years	15	6		
Later than five years	3			
Operational lessee				
Future minimum leasing fees – lessee				
<i>Leasing contracts that expire:</i>				
Within one year	285	445	1	2
Later than one year but earlier than five years	580	626		1
Later than five years	427	389		
The year's cost for operational leasing amounts to	548	483	2	2

NOTE 36 TRANSACTIONS WITH RELATED COMPANIES

The main companies that are closely related to NCC are the Nordstjernan Group, companies in the Axel Johnson Group and associated companies and joint ventures.

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, Personnel expenses and remuneration of senior executives.

Transactions involving NCC's associated companies and joint ventures were of a production nature. The transactions were conducted on normal market terms.

GROUP	2013	2012
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	120	77
Purchases from associated companies and joint ventures	64	64
Dividend from associated companies	1	2
Long-term receivables from associated companies and joint ventures	92	113
Current receivables from associated companies and joint ventures	60	31
Interest-bearing liabilities to associated companies and joint ventures	115	103
Current liabilities to associated companies and joint ventures	12	21
Guarantees and guarantee obligation to associated companies and joint ventures	21	147
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	2	9
Purchases from the Nordstjernan Group	593	663
Current receivables from the Nordstjernan Group		4
Current liabilities to the Nordstjernan Group	52	103
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	5	3
Current receivables from the Axel Johnson Group		2
PARENT COMPANY	2013	2012
Transactions with Group companies		
Sales to Group companies	2,862	1,910
Purchases from Group companies	1,057	1,044
Interest income from Group companies	116	168
Interest expense to Group companies	121	112
Dividend from Group companies	1,389	955
Long-term receivables from Group companies	10	10
Current receivables from Group companies	10,339	9,069
Interest-bearing liabilities to Group companies	4,161	3,027
Current liabilities to Group companies	1,574	1,314
Guarantees and guarantee obligation for Group companies	20,818	17,651
Transactions with associated companies and joint ventures		
Sales to associated companies and joint ventures	14	23
Purchases from associated companies and joint ventures	46	52
Dividend from associated companies and joint ventures	5	11
Long-term receivables from associated companies and joint ventures	184	191
Current receivables from associated companies and joint ventures	9	6
Current liabilities to associated companies and joint ventures	6	6
Guarantees and guarantee obligation to associated companies and joint ventures	8	30
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	1	6
Purchases from the Nordstjernan Group	394	481
Current receivables from the Nordstjernan Group		4
Current liabilities to the Nordstjernan Group	40	98
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	1	1
Current receivables from the Axel Johnson Group		2

NOTE 37 PLEDGED ASSETS, GUARANTEES AND GUARANTEE OBLIGATIONS

	Group		Parent Company	
	2013	2012	2013	2012
Pledged assets				
<i>For own liabilities:</i>				
Property mortgages	1,095	1,001		
Chattel mortgages	6	6		
Assets subject to liens, etc.	279	260		
Restricted bank deposits	30	47		12
Total	1,410	1,314		12
Other pledged assets				
Other	72	31		
Total	72	31		
Total assets pledged	1,482	1,344		12
Guarantees and guarantee obligations				
<i>Own contingent liabilities:</i>				
Guarantees on behalf of Group companies			20,818	17,651
Deposits and concession fees	2,081	1,182	2,081	1,182
Other guarantees and contingent liabilities	112	90	112	90
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, partnerships and limited partnerships	68	176	6	109
Total guarantees and guarantee obligations	2,261	1,446	23,017	19,032

ASSETS SUBJECT TO LIENS

Pertains to leased equipment in the form of vehicles and light 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 and
- fulfillment 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 shall be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association's building has been established.

BUILDING LOANS

The guarantee provided by NCC AB as collateral for a building loan raised by a property-owning project company applies until these are redeemed at divestment according to the agreed sales by the each property-owning project company. For jointly owned companies, NCC's share is specified.

NOTE 38 CASH FLOW STATEMENT

CASH AND CASH EQUIVALENTS

GROUP	2013	2012
Cash and bank balances	2,775	1,398
Short-term investments	773	1,236
Total according to balance sheet and cash flow statement	3,548	2,634
PARENT COMPANY	2013	2012
Cash and bank balances	705	1,259
Short-term investments	7,100	5,725
Total according to cash flow statement	7,805	6,984

NOTE 38 CASH FLOW STATEMENT, CONT'D.

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

According to the acquisition analyses, the value of acquired assets and liabilities was as follows:

GROUP	2013	2012
Goodwill		230
Intangible fixed assets		10
Tangible fixed assets		29
Inventories		1
Accounts receivable and other current receivables		214
Cash and cash equivalents		220
Long-term liabilities		-12
Accounts payable and other current liabilities		-374
Non-controlling interests	8	
Deferred tax liability		-1
Purchase considerations	8	318
Acquired cash and cash equivalents		-220
Impact on the Group's cash and cash equivalents	8	98

SALE OF SUBSIDIARIES

GROUP	2013	2012
Buildings and land		192
Properties classified as current asset		4
Long-term liabilities		-189
Accounts payable and other current liabilities		-5
Capital gains		1
Purchase considerations	4	4
Impact on the Group's cash and cash equivalents	4	4

ACQUISITION OF FIXED ASSETS

Group

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 923 M (917), of which SEK 0 M (0) was financed through loans.

Acquisition of subsidiaries and non-controlling interests totaled SEK 8 M (318), of which SEK 0 M (220) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 0 M (3), of which SEK 0 M (0) had no effect on cash flow.

Parent Company

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 88 M (59), 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 PAID

Group

Interest received during the year amounted to SEK 71 M (60). Interest paid during the year amounted to SEK 383 M (297).

Parent Company

Interest received during the year amounted to SEK 115 M (188). Interest paid during the year amounted to SEK 242 M (232).

CASH FLOW ATTRIBUTABLE TO JOINT VENTURES CONSOLIDATED ACCORDING TO THE PROPORTIONAL METHOD

GROUP	2013	2012
Operating activities	49	28
Change in working capital	-77	14
Investing activities	-21	-9
Financing activities	13	24
Total cash flow	-36	57

NOTE 38 CASH FLOW STATEMENT, CONT'D.

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	2013	2012
Restricted bank funds	30	47
Cash and cash equivalents in joint ventures	120	160
Total cash and cash equivalents unavailable for use	150	207

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	2013	2012
Acquisition of assets through financial leasing	132	108

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, 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 NCC Corporate Finance in order to monitor the Group's overall financial risk positions, 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. 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 that was concluded with a group of banks and had a remaining term to maturity of about three years. 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 borrowing portfolio 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 tied-up capital was 32 months (35) in terms of total interest-bearing liabilities less pension obligations according to IAS 19. Financing of SEK 2,036 M (2,420) pertaining to construction conducted by Finnish housing companies and Swedish tenant-owners' associations is linked to each particular housing development project and the capital tied up, 18 months (21), in financing reflects this relationship. Excluding loans in Finnish housing companies and

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classed 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⁾

	2013						2012					
	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	1,793		59	64	1,670		1,823		65	129	1,629	
Interest-bearing liabilities	6,183	195	1,091	3,248	1,525	124	5,677	383	475	2,312	2,086	421
Interest-bearing liabilities in Finnish housing companies and Swedish housing companies ²⁾	2,109	285	1,046	600	6	172	2,509	131	1,343	828	6	201
Financial lease liabilities	289	2	103	138	46		278	1	4	168	105	
Interest-rate swaps	99	1	25	56	17		75	2	15	32	26	
Accounts payable	4,096	4,096					4,659	4,659				
Total	14,569	4,579	2,324	4,106	3,264	296	15,021	5,176	1,902	3,469	3,852	622

¹⁾ Excluding pension obligations according to IAS 19.

²⁾ The due date for interest-bearing liabilities in unsold completed projects in Finnish housing companies is defined as the due date for the long-term loan agreements. However, the loans will be redeemed in pace with sales of the housing units.

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

Swedish tenant-owners' associations, as well as pension obligations according to IAS 19, the capital is tied up for 36 months (40).

MATURITY STRUCTURE, TIED-UP CAPITAL, 2013¹⁾

Matures	Interest-bearing liabilities	
	Amount	Proportion, %
2014	2,515	26
2015	1,990	21
2016	1,751	18
2017	745	8
2018 ²⁾	2,265	24
2019	108	1
2020-	170	2
Total	9,544	100

¹⁾ Excluding pension obligations according to IAS 19.

²⁾ Of which, reloaning from the NCC Group's Pension Foundation accounted for SEK 1,500 M.

NCC has established the following investor-related market-financing programs:

MARKET FINANCING PROGRAMS

	Limit	Utilized Nom. value SEK M
Commercial paper (CP) program in Finland	300 MEUR	
Commercial paper (CP) program in Sweden	4,000 MSEK	200
Medium Term Note (MTN) in Sweden ¹⁾	5,000 MSEK	4,340
Total		4,540

¹⁾ Of which a nominal of SEK 3,050 M listed on NASDAQ OMX Stockholm.

Of NCC's total interest-bearing liability, excluding pension obligations according to IAS 19, investor-related loans accounted for 48 percent (41).

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, the Group's payment capacity consists essentially of committed lines of credit. NCC's finance policy states that the Group's payment capacity 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.

Payment capacity 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. On December 31, the volume of unutilized committed lines of credit amounted to SEK 3,869 M (3,807), with a remaining average maturity of 2.8 years (3.6). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and a liquid secondary market. At year-end, the Group's cash and cash equivalents, including short-term investments amounted to SEK 3,691 M (2,802). Payment capacity on December 31, 2013 corresponded to 13 percent (11) of sales.

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

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)

	2013					2012						
	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	-11,199	-9,857	-959	-158	-225	-8,025	-6,952	-864	-125	-84		
- inflow	11,216	9,904	944	141	227	7,981	6,965	825	113	78		
Net flow from derivatives settled gross	17	47	-15	-17	2	-44	13	-39	-12	-6		

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 the borrowing portfolio¹⁾ when exposure is reduced by the maturity for cash and cash equivalents²⁾ 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-rate 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.

The average interest-rate maturity of the corporate borrowing portfolio¹⁾ reduced by interest-rate exposure associated with cash and cash equivalents²⁾ was 14 months (13), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents²⁾ amounted to SEK 3,623 M (2,751) and the average interest-rate maturity for these assets was 1 month (1).

At the end of 2013, NCC's interest-bearing gross debt excluding pension obligations according to IAS 19 amounted to SEK 9,544 M (9,243) and the average interest-rate maturity was 11 months (10). Excluding loans in Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as the pension obligations according to IAS 19, the gross liability amounted to SEK 7,508 M (6,823) and the average interest-rate maturity was 14 months (13), including interest-rate swaps linked to the borrowing portfolio.

On December 31, 2013, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 1,800 M (1,100). Other interest-rate swaps, intended for the hedging of the interest-rate risk in a leasing contract, had a nominal value of SEK 312 M (301). At the same date, the interest-rate swaps (linked to the borrowing portfolio) had a negative fair value of SEK 26 M (neg: 20) net, comprising assets of SEK 0 M (0) and liabilities of SEK 26 M (20). The other interest-rate swaps had a negative fair value of SEK 36 M (neg: 47) net, comprising liabilities of SEK 36 M (47). The interest-rate swaps linked to the borrowing portfolio have expiration dates ranging from 0.7 (0.2) to 4.7 years (4.3). The other interest-rate swaps have expiration dates of 3.5 years (4.5).

¹⁾ Corporate borrowing portfolio: Interest-bearing liabilities excluding the Finnish tenant-owner housing companies and Swedish tenant-owners' associations, as well as excluding the pension obligations 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, 2013¹⁾

Matures	Interest-bearing liabilities, incl. interest-rate swaps	
	Amount	Proportion, %
2014	7,387	77
2015		
2016	1,000	10
2017	550	6
2018	544	6
2019		
2020-	63	1
Total	9,544	100

¹⁾ Excluding pension obligations 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. 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 net exposure in each currency is hedged at a rate of 100 percent. Forecast net 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.

Exposure to financial flows, such as loans and investments, is mainly hedged using currency derivatives. The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged.

Development operations, such as NCC Property Development and NCC Housing, are exempt from this rule and, for these operations, currency hedging is permissible. 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 President and CEO may decide on the hedging of foreign net assets in selected companies in excess of the above limits.

External and internal borrowing in the NCC Group occurs primarily 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 2013¹⁾

Counter-value in SEK M	Amount	Proportion, %
EUR	2,011	21
LVL	22	
NOK	454	5
SEK	7,057	74
Total	9,544	100

¹⁾ Excluding pension obligations according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES¹⁾ 2013

Counter-value in SEK M	
Sell DKK	-3,294
Sell EUR	-920
Sell LVL	-225
Sell NOK	-2,739
Sell RUB	-741
Net	-7,919

¹⁾ Currency swaps and cross-currency swaps.

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

TRANSACTION EXPOSURE

The table below shows the Group's net outflows of various currencies, and the hedged portion, during the year.

Counter-value in SEK M	2013			2012		
	Net outflow	Of which, hedged	Hedged portion,%	Net outflow	Of which, hedged	Hedged portion,%
EUR	902	733	81	633	474	75
Other	142	88	62	98	27	28
Total	1,044	821	79	731	501	69

The table below shows forecast currency flows during 2014–2015, the outstanding hedge position at year-end and the hedged portion.

Counter-value in SEK M	Q1,2014			Q2,2014			Q3,2014			Q4,2014			Q1,2015–			Total		
	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	114	103	90	134	93	69	117	59	50	108	32	30	98	9	9	571	296	52
Target value %			90			70			50			30			10			50

The outstanding hedge position (nominal volume) at year-end in terms of contracted net currency flows had a value of SEK 117 M (182), of which SEK 66 M (21) will fall due within three months.

TRANSLATION EXPOSURE

The table below shows the Group's hedged net investments in NCC Property Development and NCC Housing, and hedging positions per currency, plus the hedged portion both with and without taking tax effects into account.

Counter-value in SEK M	2013					2012				
	Net investment	Hedge position before tax	Hedged portion before tax%	Hedge position after tax	Hedge position after tax %	Net investment	Hedge position before tax	Hedged portion before tax%	Hedge position after tax	Hedge position after tax %
DKK	502	445	89	347	69	365	301	82	222	61
EUR	1,099	939	85	732	67	1,041	834	80	615	59
NOK	258	219	85	171	66	170	192	113	142	84
RUB	12									
LVL	44	41	91	32	71	49	47	96	35	71
Total	1,915	1,644	86	1,282	67	1,625	1,374	85	1,014	62

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 1,644 M (1,374), of which SEK 534 M (517) for loans and SEK 1,110 M (857) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate loss of SEK 18 M (gain: 37) before tax was 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.

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 the equivalent international rating. 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 191 M (105) at the end of 2013. The net receivable per counterparty is calculated in accordance with the market valuation method (FFFS 2007:1). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 3,691 M (2,802).

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.

During 2013, no cash-flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

Transaction exposure was hedged through currency forward contracts. The forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. The fair value of currency forward contracts used for hedging transaction exposure amounted to net income of SEK 7 M (expense: 2). Of this amount, assets of SEK 9 M (3) and liabilities of SEK 2 M (5) have been recognized in the balance sheet.

NCC's exposure to credit risks associated with accounts receivable is monitored continuously within the Group. On the balance-sheet date, there was no significant concentration of credit-risk exposure. The maximum exposure to credit risk is apparent from the carrying amount in the balance sheet.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2013		2012	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	6,204		6,590	
Past-due accounts receivable 1–30 days	691		801	
Past-due accounts receivable 31–60 days	190	1	95	1
Past-due accounts receivable 61–180 days	230	20	218	24
Past-due accounts receivable > 180 days	398	158	678	189
Total	7,712	180	8,381	214

Collateral for accounts receivable was received in an amount of SEK 0 M (12).

PROVISION FOR DOUBTFUL RECEIVABLES

	2013	2012
On January 1	214	236
Provision for the year	77	69
Reversal of previously posted impairment losses	-110	-77
Translation differences	-2	-12
On December 31	180	214

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the fair value of financial instruments are presented in the following table. In NCC's balance sheet, mainly short-term investments held for resale and derivatives are measured at fair value. Short-term investments are valued according to prices quoted on a well-functioning secondary market for the same instruments.

Fair-value measurement for currency-forward contracts and cross-currency swaps is based on published forward rates in an active market. The measurement of interest-rate swaps is based on forward interest rates 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 receivables and cash and cash equivalents, accounts payable and other interest-free liabilities) the fair value is deemed to agree with the carrying amount. For long-term holdings of securities 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 OMX 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 interest-bearing liabilities did not materially deviate from the carrying amount.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP, 2013	Financial assets measured at fair value through profit and loss ¹⁾	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				108	23			131	134
Long-term receivables	23		145					168	168
Accounts receivable			7,377					7,377	7,377
Prepaid expenses and accrued income	-2		1					-1	-1
Other receivables	72	14	254					340	340
Short-term investments	21			122				143	143
Cash and cash equivalents			3,548					3,548	3,548
Total assets	114	14	11,325	230	23			11,706	11,709
Long-term interest-bearing liabilities ²⁾							7,029	7,029	7,140
Other long-term liabilities		47				4	248	299	299
Provisions for pensions and similar obligations							125	125	125
Current interest-bearing liabilities							2,515	2,515	2,517
Accounts payable							4,096	4,096	4,096
Accrued expenses and deferred income		9				1	36	46	46
Other current liabilities		11				23	932	966	966
Total liabilities		67				28	14,981	15,076	15,189

GROUP, 2012	Financial assets measured at fair value through profit and loss ¹⁾	Derivatives used in hedge accounting	Accounts and loan receivables	Investments held to maturity	Available-for-sale financial assets	Financial liabilities measured at fair value through profit and loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				136	22			158	164
Long-term receivables			143					143	143
Accounts receivable			7,725					7,725	7,725
Prepaid expenses and accrued income			1					1	1
Other receivables	26	11	566					603	603
Short-term investments	84			84				168	168
Cash and cash equivalents			2,634					2,634	2,634
Total assets	110	11	11,069	220	22			11,432	11,438
Long-term interest-bearing liabilities ²⁾							7,102	7,102	7,121
Other long-term liabilities		59				4	778	841	841
Provisions for pensions and similar obligations							393	393	393
Current interest-bearing liabilities							2,141	2,141	2,141
Accounts payable							4,659	4,659	4,659
Accrued expenses and deferred income		5				1	38	44	44
Other current liabilities		5				36	789	830	830
Total liabilities		69				41	15,900	16,010	16,029

¹⁾ Held for resale.

²⁾ Reloaning of SEK 1,500 M (1,500) from NCC's Pension Foundation is included.

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

PARENT COMPANY, 2013	Derivatives used in hedge accounting	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Receivables from associated companies		184			184	184
Other long-term holdings of securities			5		5	5
Other long-term receivables		24			24	24
Accounts receivable		2,666			2,666	2,666
Current receivables from Group companies	3	2,560			2,563	2,563
Current receivables from associated companies		9			9	9
Other current receivables		67			67	67
Short-term investments		7,100			7,100	7,100
Cash and bank balances		705			705	705
Total assets	3	13,315	5		13,323	13,323
Long-term liabilities to credit institutions ¹⁾				1,500	1,500	1,500
Long-term liabilities to Group companies				1,061	1,061	1,061
Other long-term liabilities				9	9	9
Accounts payable				1,756	1,756	1,756
Current liabilities to Group companies	10			4,664	4,674	4,674
Current liabilities to associated companies				6	6	6
Other current liabilities				1	1	1
Total liabilities	10			8,997	9,007	9,007
<hr/>						
PARENT COMPANY, 2012	Derivatives used in hedge accounting	Accounts and loan receivables	Available-for-sale financial assets	Other liabilities	Total carrying amount	Total fair value
Receivables from associated companies		191			191	191
Other long-term holdings of securities			5		5	5
Other long-term receivables		28			28	28
Accounts receivable		3,267			3,267	3,267
Current receivables from Group companies	9	2,187			2,196	2,196
Current receivables from associated companies		6			6	6
Other current receivables		95			95	95
Short-term investments		5,725			5,725	5,725
Cash and bank balances		1,259			1,259	1,259
Total assets	9	12,758	5		12,772	12,772
Long-term liabilities to credit institutions ¹⁾				1,500	1,500	1,500
Long-term liabilities to Group companies				1,105	1,105	1,105
Other long-term liabilities				96	96	96
Accounts payable				1,991	1,991	1,991
Current liabilities to Group companies				3,237	3,237	3,237
Current liabilities to associated companies				6	6	6
Other current liabilities				2	2	2
Total liabilities				7,936	7,936	7,936

¹⁾ Reloaning of SEK 1,500 M (1,500) from NCC's Pension Foundation is included.

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 financial assets and liabilities were reclassified among the above categories during the year.

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONT'D.

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 were 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.

Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1.

Level 3: on the basis of input data that is not observable in the market (which is not applicable for NCC).

GROUP	2013			2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<i>Financial assets measured at fair value</i>						
Financial assets at fair value through profit or loss						
– Derivative instruments held for trading		93	93		26	26
– Securities held for trading	21		21	84		84
Derivative instruments used for hedging purposes		14	14		11	11
Available-for-sale financial assets		23	23		22	22
<i>Financial assets not recognized at fair value</i>						
Investments held to maturity	234		234	226		226
Total assets	255	130	385	310	59	369
<i>Financial liabilities measured at fair value</i>						
Financial liabilities measured at fair value through profit and loss						
– Derivative instruments held for trading		28	28		41	41
Derivative instruments used for hedging purposes		67	67		69	69
<i>Financial liabilities not recognized at fair value</i>						
Other liabilities (interest-bearing liabilities)	3,116	6,541	9,657	1,868	7,394	9,262
Total liabilities	3,116	6,636	9,752	1,868	7,504	9,372

PARENT COMPANY	2013			2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<i>Financial assets measured at fair value</i>						
Derivative instruments used for hedging purposes		3	3		9	9
Total assets	0	3	3	0	9	9
<i>Financial liabilities measured at fair value</i>						
Derivative instruments used for hedging purposes		10	10			
Total liabilities	0	10	10	0	0	0

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.

GROUP	2013		2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	107	95	37	110
Amount included in an offset agreement	–61	–61	–17	–17
Net amount after offset agreement	46	34	20	93

The Parent Company's derivatives pertain to holdings in the Group's internal bank, NCC Treasury AB, which are offsettable.

PARENT COMPANY	2013		2012	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount	3	10	9	
Amounts possible for offsetting	–3	–3		
Net amount	0	7	9	0

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 OMX Exchange Stockholm/Large Cap List).

The address to the Head Office is:

NCC AB
Vallgatan 3
SE-170 80 Solna, Sweden

The consolidated financial statements for 2013 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes shareholdings in associated companies and joint ventures.

NCC AB is consolidated as a subsidiary in Nordstjernan AB's consolidated financial statements. Nordstjernan AB accounts for 21.6 percent of the share capital and 65.0 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

On February 19, 2014, Oslo District Court announced its verdict on the competition case, entailing a reduction of the competition-infringement fee ordered by the Norwegian Competition Authority for infringement of competition law in the Trondheim area. The District Court reduced the fee from NOK 140 M (approx. SEK 150 M) to NOK 40 M (SEK 43 M).

On March 12, 2014, Jacob Blom took office as Senior Vice President Human Resources and simultaneously became a member of NCC's Group Management.

Proposed distribution of unappropriated earnings

The Board of Directors proposes that the funds available for distribution	6,390,932,328
by the Annual General Meeting be appropriated as follows:	
Ordinary dividend to shareholders of SEK 12.00 per share	1,294,119,864
To be carried forward	5,096,812,464
Total, SEK	6,390,932,328

The total amount of the proposed dividend is calculated on the basis of the number of outstanding shares on March 7, 2014.

The Board of Directors and President 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 7, 2014. 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 2, 2014 for adoption.

Solna, March 7, 2014

Tomas Billing
Chairman of the Board

Antonia Ax:son Johnson
Member of the Board

Olof Johansson
Member of the Board

Sven-Olof Johansson
Member of the Board

Ulla Litzén
Member of the Board

Christoph Vitzthum
Member of the Board

Karl-Johan Andersson
Member of the Board
Employee representative

Lars Bergqvist
Member of the Board
Employee representative

Karl G Sivertsson
Member of the Board
Employee representative

Peter Wågström
President and CEO

Our audit report was submitted on March 7, 2014

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of NCC AB, Corp. Reg. No. 556034-5174

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of NCC AB for the year 2013. The company's annual accounts and consolidated accounts are included in the printed version of this document on pp 42–94.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

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 December 31, 2013 and of its financial performance and its cash flows 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 December 31, 2013 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Report of the Board of Directors is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of NCC AB for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We recommend to the annual 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 President be discharged from liability for the financial year.

Stockholm, March 7, 2014

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2004	IFRS 2004	2005	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013
Net sales	45,437	46,534	49,506	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823
Production costs	-41,809	-42,749	-45,158	-50,729	-52,572	-52,005	-46,544	-50,263	-44,487	-47,721	-51,724	-51,731	-52,027
Gross profit	3,628	3,785	4,347	5,147	5,825	5,460	5,273	5,742	4,933	4,814	5,503	5,495	5,796
Selling and administrative expenses	-2,523	-2,577	-2,677	-2,795	-3,059	-3,197	-3,035	-3,035	-2,682	-2,774	-2,978	-2,988	-3,130
Result from property management	29	45	17	-5									
Result from sales of managed properties	51	-60	92	9									
Result from sales of owner-occupied properties	6	6	19	22	19	15	10	10	2	7	3	3	6
Impairment losses on fixed assets	-138	-149	-94	-22	-245	-76	-7	-7	-2	-38	-2	-2	7
Impairment losses/reversal of impairment losses on properties, NCC Property Development ¹⁾	-69												
Result from sales of Group companies	73	64	-5	7	415	8	5	5		3	6	6	
Competition-infringement fee					-175		-95	-95					
Result from participations in associated companies	60	33	49	29	11	9	-1	-1	4	5	5	5	1
Operating profit	1,117	1,147	1,748	2,392	2,790	2,219	2,150	2,619	2,254	2,017	2,537	2,519	2,679
Financial income	148	209	116	116	131	615	70	78	99	76	141	141	165
Financial expense	-310	-412	-284	-245	-313	-449	-526	-592	-345	-284	-415	-382	-444
Net financial items	-162	-203	-168	-129	-182	166	-456	-514	-246	-208	-274	-241	-279
Profit after financial items	955	945	1,580	2,263	2,608	2,385	1,694	2,105	2,008	1,808	2,263	2,277	2,400
Tax on profit for the period	-96	-68	-393	-555	-357	-565	-432	-449	-481	-496	-364	-367	-411
Profit for the period	859	876	1,187	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989
Attributable to:													
NCC's shareholders	856	873	1,178	1,706	2,247	1,809	1,261	1,654	1,524	1,310	1,894	1,905	1,986
Non-controlling interests	3	3	9	1	4	11	1	1	4	2	5	5	3
Profit for the period	859	876	1,187	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989

¹⁾ As of 2004, impairment losses/reversal of impairment losses on properties in NCC Property Development are reported as production costs.

2004: Properties were sold for nearly SEK 5 billion and net indebtedness was reduced by SEK 3.7 billion to SEK 1.1 billion.

2005: Earnings increased, primarily as a result of a strong housing market in the Nordic region and also because of improved profitability in the Nordic contracting operations. Impairment losses of approximately SEK 220 M were incurred for such assets as goodwill, property projects and associated companies.

2006: A boom in the Nordic region gave rise to considerable activity, resulting in rising sales and earnings. Sales of housing, above all else, contributed to the healthy earnings, as did contracting operations, which showed increased profitability. Costs of SEK 186 M for the NCC Complete development project were charged against earnings.

2007: The economic boom in combination with strong earnings from property development operations contributed to the highest earnings in NCC's history and all of the financial objectives were achieved. Costs of SEK 645 M for the NCC Complete development project were charged against earnings, as was a competition-infringement fee of SEK 175 M. Operating profit included SEK 383 M from the sale of the Polish asphalt and stone materials operations.

2008: NCC reported historically high earnings and all of the financial objectives were achieved. This was also the year that the housing market came to an abrupt halt and a recession started, which was compounded by a global financial crisis. Impairment losses and restructuring costs totaling SEK 741 M were charged against earnings. The divestment of NCC's share in the Polish concession company AWSA contributed SEK 493 M to earnings.

2009: The year was characterized by recession and reduced demand in the Nordic construction market. While volumes declined, margins remained healthy. Although sales of housing units were favorable, they were impacted by price discounts. Earnings were charged with SEK 192 M for impairment losses on land and unsold housing units.

2010: The economic recovery had a favorable impact on the year's earnings. The lower volume was due mainly to fewer completed and handed over projects in NCC Housing and NCC Property Development, a reduction in orders received by the Construction units in 2009 and a cold winter, which resulted in delays and lower activity.

2011: The market trend was positive in 2011 and demand was favorable in the building, civil engineering and housing operations. Favorable earnings were reported, primarily as a result of more completed and handed over projects in NCC Housing and high volumes in NCC Roads thanks to a long season. SEK 172 M was charged against profit for impairment losses on goodwill in Finland and land in Denmark and Latvia.

2012: Operating profit was high, where development business accounted for 45 percent due to more completed and handed over projects, which contributed to the strong cash flow. During the year, construction and civil-engineering operations reported higher sales and earnings than in the preceding year.

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.

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 entailed that the opportunity to utilize the corridor method has been discontinued whereby actuarial gains and losses arising must be recognized directly in Other comprehensive income in the period they arise. The return on plan assets must also 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 are now recognized in net financial items.

BALANCE SHEET, SEK M	2004	IFRS 2004	2005	2006	2007	2008	IFRIC 15 2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013
ASSETS														
<i>Fixed assets</i>														
Goodwill	1,597	1,790	1,772	1,700	1,651	1,772	1,772	1,750	1,750	1,613	1,607	1,827	1,827	1,802
Other intangible assets	31	31	61	113	96	122	122	120	120	115	167	204	204	267
Managed properties	41	449	71	65	21	12	12							
Owner-occupied properties and construction in progress	821	830	865	796	640	682	682	647	647	576	596	662	662	704
Machinery and equipment	1,803	1,848	1,937	1,940	1,774	1,975	1,975	1,910	1,910	1,816	2,209	2,395	2,395	2,502
Participations in associated companies	609	200	44	47	25	10	10	9	9	7	8	9	9	9
Other long-term holdings of securities	311	311	265	242	250	227	227	203	203	182	173	158	158	131
Long-term receivables	1,392	1,363	1,246	2,739	1,968	1,338	1,366	1,378	1,397	1,431	1,750	1,859	615	496
Total fixed assets	6,605	6,822	6,263	7,642	6,424	6,139	6,166	6,016	6,035	5,739	6,511	7,114	5,870	5,910
<i>Current assets</i>														
Property projects	2,002	2,105	2,005	1,955	2,145	3,439	4,018	2,835	2,835	2,931	4,475	5,321	5,321	5,251
Housing projects	3,495	4,345	4,395	5,979	8,553	11,377	15,060	8,363	10,137	8,745	9,860	11,738	11,738	12,625
Materials and inventories	604	609	502	443	474	624	624	514	514	537	557	655	655	673
Participations in associated companies	53													
Accounts receivable	6,185	6,476	7,137	7,934	8,323	7,820	7,794	6,355	6,340	6,481	7,265	7,725	7,725	7,377
Worked-up, non-invoiced revenues	2,696	2,998	2,737	2,840	2,956	1,854	841	1,459	777	804	910	782	782	918
Prepaid expenses and accrued income	582	587	638	852	1,048	1,169	1,119	844	982	988	1,114	1,544	1,544	1,325
Other receivables	1,912	1,819	1,361	1,532	1,979	1,778	1,602	1,472	1,747	1,425	1,151	1,277	1,277	1,024
Short-term investments	32	113	153	173	483	215	215	286	286	741	285	168	168	143
Cash and cash equivalents	2,574	2,514	1,919	1,253	1,685	1,832	1,919	1,831	2,317	2,713	796	2,634	2,634	3,548
Total current assets	20,133	21,567	20,848	22,961	27,645	30,108	33,193	23,959	25,935	25,366	26,414	31,844	31,844	32,883
TOTAL ASSETS	26,738	28,389	27,110	30,603	34,069	36,247	39,359	29,976	31,970	31,104	32,924	38,958	37,713	38,793
SHAREHOLDERS' EQUITY														
Shareholders' equity	6,728	6,715	6,785	6,796	7,207	6,840	6,243	7,667	7,470	8,111	8,286	8,974	7,634	8,658
Non-controlling interests	84	84	94	75	30	25	25	18	18	21	11	15	15	17
Total shareholders' equity	6,812	6,799	6,879	6,870	7,237	6,865	6,268	7,685	7,488	8,132	8,297	8,988	7,649	8,675
LIABILITIES														
<i>Long-term liabilities</i>														
Long-term interest-bearing liabilities	3,148	3,485	2,004	2,023	1,590	2,620	2,721	2,941	2,972	2,712	3,850	7,102	7,102	7,029
Other long-term liabilities	34	343	392	561	816	837	837	558	558	921	643	841	841	299
Deferred tax liabilities	502	481	199	461	431	492	436	710	641	439	669	725	436	414
Provisions for pensions and similar obligations	180	180	143	119	112	42	42	18	18	1	6	9	393	125
Other provisions	1,641	1,683	1,611	2,157	2,729	3,190	3,029	3,023	2,932	2,722	2,619	2,435	2,435	2,070
Total long-term liabilities	5,506	6,172	4,348	5,321	5,678	7,180	7,065	7,250	7,121	6,796	7,788	11,113	11,208	9,937
<i>Current liabilities</i>														
Current interest-bearing liabilities	1,107	1,187	1,052	552	1,701	2,929	7,036	391	1,739	1,546	1,585	2,141	2,141	2,515
Accounts payable	3,891	3,908	4,520	4,874	4,974	4,356	4,356	3,545	3,536	3,414	4,131	4,659	4,659	4,096
Tax liabilities	261	260	137	170	101	140	140	38	38	449	60	122	122	58
Invoiced revenues, not worked up	3,563	4,375	4,367	4,823	4,971	5,300	4,784	4,516	4,250	4,092	4,176	4,241	4,241	4,264
Accrued expenses and deferred income	3,231	3,305	3,271	4,592	5,177	4,371	4,234	3,598	3,682	3,336	3,277	3,748	3,748	3,888
Other current liabilities	2,368	2,383	2,535	3,400	4,231	5,106	5,474	2,954	4,117	3,341	3,611	3,945	3,945	5,360
Total current liabilities	14,421	15,418	15,883	18,411	21,154	22,202	26,026	15,041	17,361	16,177	16,839	18,855	18,856	20,181
Total liabilities	19,926	21,590	20,231	23,732	26,832	29,382	33,090	22,291	24,482	22,973	24,627	29,968	30,063	30,118
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26,738	28,389	27,110	30,603	34,069	36,247	39,359	29,976	31,970	31,104	32,924	38,958	37,713	38,793

¹⁾ As of 2004, impairment losses/reversal of impairment losses on properties in NCC Property Development are reported as production costs.

2004: Total assets declined compared with 2003. The changes were mainly due to sold managed properties in NCC Property Development and by the divestment of a number of subsidiaries.

2005: NCC Property Development divested managed properties and received payment for properties sold in the preceding years, which led to a reduction in total assets. All financial objectives were achieved and net indebtedness was reduced to SEK 0.5 billion.

2006: As a result of additional sales of property projects within NCC Property Development, long-term receivables from sales of property projects increased. Investments in land for housing projects increased. All financial objectives were achieved and net indebtedness was reduced to SEK 0.4 billion.

2007: Capital tied-up in property projects increased at NCC Property Development, and in housing projects within NCC's Construction units in Sweden, Denmark and Finland.

2008: Continued increase in tied-up capital, primarily in housing operations.

2009: Total assets declined as a result of an intensified focus on cash flow and tied-up capital, resulting in, for example, higher sales of property and housing projects.

2010: Increased investments in properties held for future development were offset by higher sales of housing units, which resulted in a decrease in housing projects. NCC's positive cash flow resulted in an increase in cash and cash equivalents and short-term investments. Interest-bearing liabilities were amortized.

2011: Continued investments in housing projects at NCC Housing and in property projects at NCC Property Development resulted in an increased need for financing, which is the main reason for the rise in net indebtedness by SEK 3.5 billion.

2012: Total assets increased mainly due to continued investment in housing and property projects in the development operation. Cash and cash equivalents also increased due to higher payment preparedness.

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 the healthy cash flow in the fourth quarter.

Multi-year review, cont.

KEY DATA	2004	IFRS 2004	2005	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013
Financial statements, SEK M													
Net sales	45,437	46,534	49,506	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823
Operating profit	1,117	1,147	1,748	2,392	2,790	2,219	2,150	2,619	2,254	2,017	2,537	2,519	2,679
Profit after financial items	955	945	1,580	2,263	2,608	2,385	1,694	2,105	2,008	1,808	2,263	2,277	2,400
Profit for the year	859	876	1,187	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989
Investments in fixed assets	850	866	901	798	780	983	584	584	667	1,257	1,345	1,345	1,055
Investments in property projects	413	438	626	1,049	1,493	2,210	1,054	1,215	1,533	2,333	2,692	2,692	3,890
Investments in housing projects ¹⁾	1,921	1,920	2,140	3,908	5,392	5,010	1,262	3,193	3,171	7,529	8,997	8,997	7,912
Cash flow, SEK M													
Cash flow from operating activities	3,399	4,161	2,046	2,171	1,031	128	3,318	6,440	2,423	-1,547	-26	-26	2,532
Cash flow from investing activities	1,097	1,083	69	-514	134	-306	-481	-481	-489	-857	-906	-906	-870
Cash flow before financing	4,517	5,244	2,115	1,657	1,165	-178	2,837	5,960	1,935	-2,404	-932	-932	1,661
Cash flow from financing activities	-4,380	-5,264	-2,745	-2,307	-763	298	-2,827	-5,549	-1,504	491	2,774	2,774	-741
Change in cash and cash equivalents	115	-20	-596	-666	432	147	-1	399	396	-1,916	1,838	1,838	914
Profitability ratios													
Return on shareholders' equity, %	14	14	18	27	34	27	18	25	20	17	23	28	26
Return on capital employed, %	10	9	17	24	28	23	17	17	19	16	15	17	15
Financial ratios at year-end, SEK M													
Interest-coverage ratio, %	3.6	3.6	6.9	11.5	10.2	7.0	4.5	5.0	5.3	7.4	6.5	7.0	6.4
Equity/assets ratio, %	25	24	25	22	21	19	26	23	26	25	23	20	22
Interest-bearing liabilities/total assets, %	16	17	12	9	10	15	11	15	14	17	24	26	25
Net indebtedness	679	1,149	496	430	744	3,207	754	1,784	431	3,960	6,061	6,467	5,656
Debt/equity ratio, times	0.1	0.2	0.1	0.1	0.1	0.5	0.1	0.2	0.1	0.5	0.7	0.8	0.7
Capital employed at year-end	11,098	11,503	10,032	9,565	10,639	12,456	11,034	12,217	12,390	13,739	18,241	17,285	18,345
Capital employed, average	13,152	14,054	10,930	10,198	10,521	11,990	12,659	15,389	12,033	13,101	16,632	15,755	18,005
Capital turnover rate, times	3.5	3.3	4.5	5.5	5.6	4.8	4.1	3.6	4.1	4.0	3.4	3.6	3.2
Share of risk-bearing capital, %	27	26	26	24	23	20	28	25	28	27	25	21	23
Average interest rate, % ²⁾	4.8	4.8	4.8	4.8	5.2	5.9	4.5	4.5	4.6	4.2	3.6	3.6	3.3
Average period of fixed interest, years ²⁾	1.3	1.3	1.1	2.6	1.8	1.6	1.8	1.8	1.5	0.8	1.1	1.1	1.2
Average interest rate, % ³⁾									2.3	2.7	2.4	2.4	2.7
Average period of fixed interest, years ³⁾									0.1	0.1	0.1	0.1	0.1
Order status, SEK M													
Orders received	45,362	45,624	52,413	57,213	63,344	51,864	45,957	46,475	54,942	57,867	55,759	55,759	56,979
Order backlog	27,077	27,429	32,607	36,292	44,740	40,426	34,084	35,951	40,426	46,314	45,833	45,833	47,638
Per share data, SEK													
Profit after taxes, before dilution	8.36	8.53	11.07	15.80	20.75	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40
Profit after taxes, after dilution	7.89	8.05	10.86	15.74	20.73	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40
Cash flow from operating activities, after dilution	31.35	38.39	18.88	20.03	9.51	1.18	30.60	59.39	22.35	-14.27	-0.24	-0.24	23.46
Cash flow before financing, after dilution	41.67	48.38	19.52	15.29	10.75	-1.64	26.17	54.96	17.84	-22.17	-8.61	-8.61	15.40
P/E ratio, before dilution	10	10	13	12	7	3	10	8	11	10	8	8	11
Dividend, ordinary	4.50	4.50	5.50	8.00	11.00	4.00	6.00	6.00	10.00	10.00	10.00	10.00	12,00 ⁴⁾
Extraordinary dividend	10.00	10.00	10.00	10.00	10.00								
Dividend yield, %	16.5	16.5	10.9	9.6	15.1	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7
Dividend yield excl. extraordinary dividend, %	5.1	5.1	3.9	4.3	7.9	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7
Shareholders' equity before dilution	65.70	65.58	63.30	62.86	66.48	63.10	70.72	68.91	74.81	76.41	82.97	70.58	80.24
Shareholders' equity after dilution	62.07	61.95	62.60	62.69	66.48	63.10	70.70	68.90	74.80	76.41	82.97	70.58	80.24
Share price/shareholders' equity, %	134	134	225	298	209	78	167	172	198	158	164	193	262
Share price at year-end, NCC B	88.00	88.00	142.50	187.50	139.00	49.50	118.25	118.25	147.80	121.00	136.20	136.20	209.90
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	108.4	108.4	108.4
Treasury shares at year-end	6.0	6.0	1.2	0.3							0.4	0.4	0.6
Total number of shares outstanding at year-end	102.4	102.4	107.2	108.1	108.4	108.4	108.4	108.4	108.4	108.4	108.0	108.0	107.8
Average number of shares outstanding before dilution during the year	102.4	102.4	106.4	108.0	108.3	108.4	108.4	108.4	108.4	108.4	108.2	108.2	107.9
Market capitalization before dilution, SEK M	8,984	8,984	15,282	20,242	14,999	5,209	12,809	12,809	16,005	13,136	14,706	14,706	22,625
Personnel													
Average number of employees	22,214	22,375	21,001	21,784	21,047	19,942	17,745	17,745	16,731	17,459	18,175	18,175	18,360

¹⁾ As of 2007, investments are included in the unsold share of ongoing proprietary housing projects. As of 2008, costs incurred are included prior to project start.

²⁾ Excluding liabilities pertaining to Swedish tenant-owners' associations and Finnish housing companies and pension obligations in accordance with IAS 19.

³⁾ Pertains to liabilities of Swedish tenant-owners' associations and Finnish housing companies.

⁴⁾ Dividend for 2013 pertains to the Board of Directors' motion to the AGM.

⁵⁾ All shares issued by NCC are common shares.

Figures for 2004 to 2008 are not IFRIC 15 adjusted.

Figures for 2004 are not adjusted for IAS 39, Financial Instruments.

Figures for 2004 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see p. 113.

Quarterly data

SEK M	Quarterly amounts, 2013					Full year 2013	Quarterly amounts, 2012				Full year 2012
	Q 1	Q 2	Q 3	Q 4	Q 1		Q 2	Q 3	Q 4		
Group											
Orders received	11,675	17,798	13,143	14,363	56,979	11,723	15,453	13,160	15,423	55,759	
Order backlog	46,917	52,079	51,065	47,638	47,638	47,899	49,116	48,548	45,833	45,833	
Net sales	10,084	13,535	13,129	21,073	57,823	10,659	13,733	13,765	19,069	57,227	
Operating profit/loss	-217	526	823	1,547	2,679	-139	512	814	1,332	2,519	
Operating margin, %	-2.2	3.9	6.3	7.3	4.6	-1.3	3.7	5.9	7.0	4.4	
Profit/loss after financial items	-276	457	748	1,472	2,400	-173	451	742	1,258	2,277	
Profit/loss for the period attributable to NCC's shareholders	-215	362	611	1,229	1,986	-131	342	568	1,127	1,905	
Cash flow before financing	-950	-1,402	-227	4,240	1,661	-1,242	-2,179	-492	2,981	-932	
Net indebtedness	-7,250	-9,722	-9,893	-5,656	-5,656	-5,493	-8,979	-9,430	-6,467	-6,467	
Earnings per share after dilution, SEK	-1.99	3.35	5.67	11.39	18.40	-1.21	3.16	5.25	10.43	17.62	
Average number of shares outstanding after dilution during the period, million	108.0	107.9	107.8	107.8	107.9	108.4	108.2	108.0	108.0	108.2	
NCC Construction Sweden											
Orders received	3,535	6,893	4,715	5,205	20,348	4,916	5,328	4,471	6,767	21,483	
Order backlog	16,271	17,570	17,334	16,211	16,211	20,154	19,030	18,001	17,378	17,378	
Net sales	4,659	5,592	4,947	6,332	21,530	5,686	6,453	5,506	7,399	25,043	
Operating profit	57	145	192	243	637	117	134	227	325	801	
Operating margin, %	1.2	2.6	3.9	3.8	3.0	2.1	2.1	4.1	4.4	3.2	
Capital employed	573	642	767	1,250	1,250	294	336	462	1,122	1,122	
NCC Construction Denmark											
Orders received	2,128	859	571	1,370	4,929	560	550	720	1,458	3,288	
Order backlog	4,179	4,443	4,167	4,447	4,447	2,968	2,608	2,399	2,924	2,924	
Net sales	759	806	784	1,196	3,546	724	879	819	974	3,396	
Operating profit	39	47	55	67	208	38	46	58	48	189	
Operating margin, %	5.2	5.8	7.1	5.6	5.9	5.2	5.2	7.0	4.9	5.6	
Capital employed	310	214	251	309	309	368	211	247	288	288	
NCC Construction Finland											
Orders received	1,090	2,717	739	1,945	6,491	1,552	1,777	1,328	1,919	6,576	
Order backlog	5,164	6,404	5,353	5,630	5,630	6,187	6,211	5,631	5,667	5,667	
Net sales	1,423	1,752	1,698	1,808	6,680	1,331	1,671	1,702	2,005	6,709	
Operating profit/loss	19	25	38	45	127	-13	13	48	53	101	
Operating margin, %	1.3	1.4	2.2	2.5	1.9	-1.0	0.8	2.8	2.6	1.5	
Capital employed	265	234	260	271	271	212	199	228	267	267	
NCC Construction Norway											
Orders received	1,758	2,013	1,701	1,626	7,098	1,945	3,165	1,923	1,053	8,086	
Order backlog	6,993	7,235	6,968	6,364	6,364	4,812	6,690	8,193	7,265	7,265	
Net sales	1,703	1,780	1,671	2,253	7,408	1,154	1,276	1,507	2,133	6,070	
Operating profit/loss	13	-115	28	77	3	-14	17	30	41	74	
Operating margin, %	0.8	-6.4	1.7	3.4	0.0	-1.2	1.3	2.0	1.9	1.2	
Capital employed	930	957	808	803	803	602	632	972	984	984	
NCC Roads											
Orders received	1,972	3,555	3,784	3,001	12,311	2,102	3,569	3,299	2,836	11,807	
Order backlog	5,067	5,507	5,003	4,598	4,598	5,512	5,553	4,719	4,250	4,250	
Net sales	1,156	3,185	4,242	3,416	11,999	1,292	3,510	4,056	3,354	12,211	
Operating profit/loss	-468	230	538	106	406	-394	249	442	120	417	
Operating margin, %	-40.5	7.1	12.6	3.1	3.4	-30.5	7.1	10.9	3.6	3.4	
Capital employed	2,801	3,777	3,806	3,557	3,557	2,842	3,534	3,594	3,049	3,049	
NCC Housing											
Orders received	1,794	3,252	2,628	3,247	10,921	1,972	1,798	2,154	3,455	9,380	
Order backlog	12,264	14,357	15,440	14,200	14,200	12,100	12,217	12,678	11,932	11,932	
Net sales	1,329	1,524	1,506	4,670	9,030	1,045	1,605	1,530	4,432	8,612	
Operating profit	61	45	15	483	605	81	104	77	573	835	
Operating margin, %	4.6	3.0	1.0	10.3	6.7	7.8	6.5	5.0	12.9	9.7	
Capital employed	10,215	10,619	10,537	9,856	9,856	9,051	10,039	10,401	9,976	9,976	
NCC Property Development											
Net sales	609	656	102	3,443	4,811	1,043	392	318	1,095	2,847	
Operating profit/loss	78	152	8	475	713	112	-4	-27	214	295	
Capital employed	5,097	5,552	6,085	3,991	3,991	4,341	4,592	5,125	4,989	4,989	

The asphalt and civil-engineering operations of NCC Roads and certain activities within NCC's Construction units are affected by seasonal variations in their production caused by cold weather conditions. The first and final quarters are 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 OMX Stockholm. NCC AB is governed in accordance with Swedish company law and the regulations of NASDAQ OMX Stockholm, 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. This report has been issued by the Board of Directors but is not part of the formal Annual Report documentation.

This is 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 and Dagens Nyheter och 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 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 Extraordinary General Meetings 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.

COMPOSITION OF THE BOARD

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 Board Members are elected for a period of one year. During 2013, six Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Members of the Board, see pp. 106–107.

CHAIRMAN OF THE BOARD

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 Chief Executive Officer 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 p. 108). The Board of Directors has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to p. 104, "Board of Directors' report on internal control").

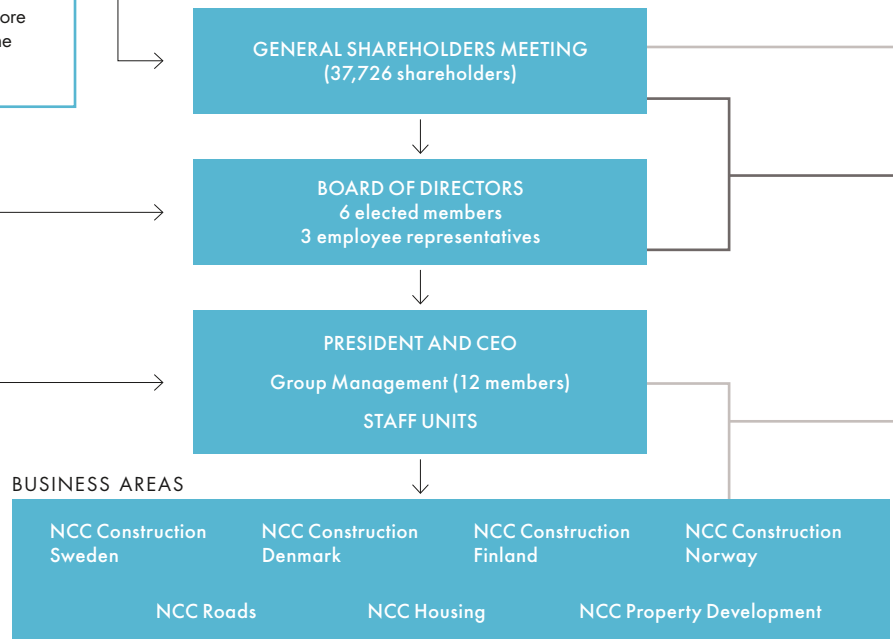
DEPUTY CHIEF EXECUTIVE OFFICERS

The company has not appointed any Deputy Chief Executive Officers.

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 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. 110–111. 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 2013



GROUP MANAGEMENT

In 2013, NCC's Group Management consisted of the CEO, the Heads of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway, NCC Property Development, NCC Housing and NCC Roads, plus the Chief Financial Officer and the Senior Vice Presidents for Corporate Communications, Human Resources (up to November 7, 2013), Sustainability (as of March 1, 2013) and Corporate Legal Affairs. For information on the members of Group Management, see pp. 108–109.

Group Management mainly focuses on strategic 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 complies with the instructions adopted by the AGM.

EVALUATION OF THE BOARD OF DIRECTORS AND AUDITORS

The Board of Directors is evaluated within the framework of the Nomination Committee's work. In addition, the Board performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation.

The Board also assists the Nomination Committee in evaluating the work of the auditors.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board of Directors and President, 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 2014, the registered firm of accountants PricewaterhouseCoopers AB is serving as NCC's auditors. Authorized Public Accountant Håkan Malmström has been elected PricewaterhouseCoopers AB's auditor-in-charge. For more information on the elected auditors, see p. 107.

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.

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 President, the CEO, Chief Financial Officer 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 regulations are summarized in a Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

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.

During 2013, NCC refined its compliance program and a Group-wide, needs-adapted process was launched during the year (see p. 32). 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 (Starnet) and via a special mobile application, thus enabling all NCC employees to make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided training in business ethics and how NCC Compass is to be applied in various situations to slightly more than 45 employees in all business areas. These employees are called navigators. 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. Moreover, NCC has 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 to 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 new methods has started in the form of training programs and discussions with NCC employees during 2013. All NCC employees must participate in the training programs.

Employees who have suspicions of unethical behavior or improper action should primarily 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 in a secure manner. All tips containing sufficient information will result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for.

NOMINATING COMMITTEE
Nomination and remuneration of Board Members and auditors



EXTERNAL AUDIT
(Auditing firm)



INTERNAL CONTROL ENVIRONMENT



GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. In all significant respects, the legal corporate structure matches the operational structure. Each business area is headed by a business area manager and has a Board of Directors, of which, among others, NCC AB's CEO, Chief Financial Officer 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. Many types of decisions are preceded by consultation. Country managers (the heads of NCC's Construction units in each country and the heads of NCC's Housing units in Germany and St. Petersburg) are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include the Group's brands and image, as well as utilization of synergism.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Operating procedures for Board work
- Division of work between Board/CEO
- Decision-making procedures for Group and business areas
- NCC's Code of Conduct
- NCC Compass
- Policies, regulations, guidelines and instructions

Corporate governance at NCC in 2013

ANNUAL GENERAL MEETING 2013

The 2013 Annual General Meeting was held in Stockholm on April 9 and was attended by 470 shareholders representing 56 percent of the share capital and 81 percent of the total number of voting rights. The minutes from the 2013 Annual General Meeting and from previous AGMs are available at www.ncc.se/bolagsstyrning. The 2013 AGM passed the following resolutions, among others:

Payment of cash dividend of SEK 10.00 (10.00) per share for the 2012 fiscal year.

Antonia Ax:son Johnson, Tomas Billing, Ulla Litzén, Olof Johansson, 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 3,075,000, distributed in the amount of SEK 825,000 to the Chairman of the Board and SEK 450,000 to each other AGM-elected member.

Viveca Ax:son Johnson (chairman), Marianne Nilsson and Johan Strandberg were elected members of the Nomination Committee (see "Nomination Committee 2013" on p. 103).

Guiding principles were adopted for determining the salary and other remuneration of the President and other members of the company's management. The introduction of a long-term performance-based incentive plan (LTI 2013) for senior executives and key personnel was also resolved (see "Remuneration" on p. 48).

To cover the commitment according to LTI 2013, the AGM authorized the Board, until the next Meeting, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 303,620 Series B shares to participants of LTI 2013. The Board of Directors exercised this authorization during the year and bought back 177,000 Series B shares.

Income statements and balance sheets for 2012 were adopted and discharge from personal liability was granted to the Board of Directors and the President.

WORK OF THE BOARD OF DIRECTORS

In 2013, NCC's Board held six 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 and major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. 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 Chief Financial Officer, other senior NCC executives participated in Board meetings in order to present matters. NCC's senior legal counsel was secretary of the Board.

On several occasions, the Board has evaluated the matter of establishing committees to deal with remuneration and audit-related issues. The Board has decided not to establish such committees and instead to address remuneration and audit-related issues within the framework of ordinary Board work (also see "Board of Directors' report on internal control" on p. 104).

BUYBACK OF COMPANY SHARES

During the second quarter of 2013, the company repurchased 177,000 Series B shares to cover its commitments under the long-term incentive program approved by the 2013 AGM (LTI 2013). The shares were bought back at the prevailing market price. After the buyback, the total number of non-treasury shares is 107,843,322.

Board of Directors 2013

	Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fee, SEK 000s	Board meetings and attendance 2013						
					Jan 29	Apr 9	Apr 9 ¹⁾	May 2	Aug 15	Oct 24	Dec 12
Board Members elected by the AGM											
Tomas Billing	1999	yes	no	805	✓	✓	✓	✓	✓	✓	✓
Antonia Ax:son Johnson	1999	yes	no	443	-	✓	✓	✓	-	✓	✓
Ulf Holmlund ²⁾	2004	yes	yes	114	✓	✓					
Olof Johansson	2012	yes	yes	443	✓	✓	✓	✓	✓	✓	✓
Sven-Olof Johansson	2012	yes	yes	443	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	443	✓	✓	✓	-	✓	✓	✓
Christoph Vitzthum	2010	yes	yes	443	-	✓	✓	✓	✓	✓	✓
Regular employee representatives											
Lars Bergqvist	1991			-	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			-	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			-	✓	✓	✓	✓	✓	✓	✓

¹⁾ Statutory Board meeting.

²⁾ Stepped down at the AGM on April 9, 2013.

REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance, the Board must establish a remuneration committee to prepare matters relating to 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 of Directors 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. The CEO does not participate in this decision. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman of the Board. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Framework conditions for variable remuneration are 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. In addition, the maximum outcome of variable remuneration is subject to distinct limits. In the Swedish Code of Corporate Governance, 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 of Directors 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 Group Management. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, p. 70.

NOMINATION COMMITTEE 2013

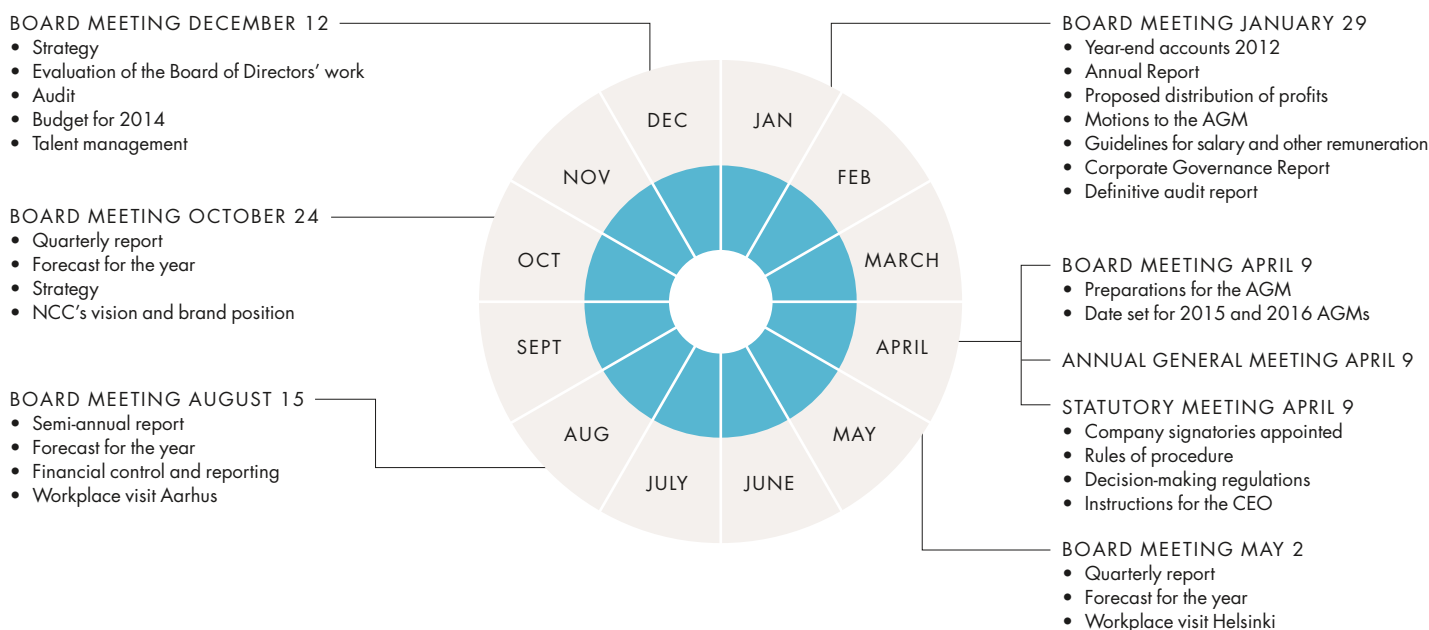
At the AGM on April 9, 2013, Viveca Ax:son Johnson (Chairman of the Board of Nordstjernan AB), Marianne Nilsson (newly elected), Executive Vice President of Swedbank Robur AB, and Johan Strandberg (newly elected), Analyst at SEB Fonder, were elected as members of the Nomination Committee, with Viveca Ax:son Johnson as Chairman of the Nomination Committee. Tomas Billing, Chairman of the NCC Board of Directors, is a co-opted member of the Nomination Committee but has no voting right. No remuneration was paid to members of the Nomination Committee.

NOMINATION COMMITTEE'S PROPOSALS

The Nomination Committee proposes that the Board of Directors, to the extent it is elected by the AGM, comprise seven ordinary members with no deputy members. Antonia Ax:son Johnson has declined re-election after 15 years as a member. The Nomination Committee proposes the re-election of the current members: Tomas Billing, Ulla Litzén, Christoph Vitzthum, Olof Johansson and Sven-Olof Johansson. The Nomination Committee proposes the new election of Carina Edblad and Viveca Ax:son Johnson and the re-election of Tomas Billing as Chairman.

A report on the Nomination Committee's work and motions ahead of the 2014 AGM is presented on NCC's website www.ncc.se under the "Corporate Governance" tab.

THE BOARD OF DIRECTORS' WORKING YEAR 2013 – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING



Board of Directors' report on *internal control*

The Board of Directors' 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 the financial reporting and the preparation of the consolidated financial statements. Information on this is provided in this section.

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FOLLOW-UP

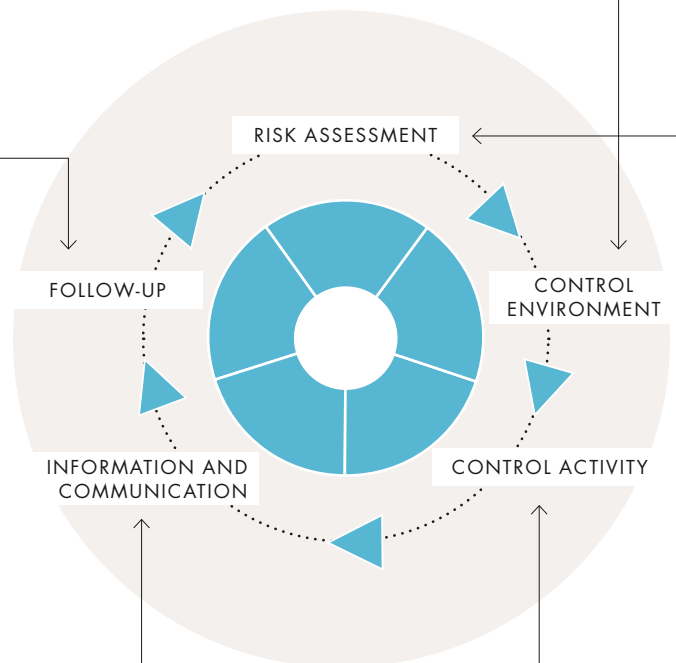
Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal controls. Self-assessments are performed regularly for NCC's business areas and Group offices and comprise a component for the Board of Directors' assessment of the internal control.

Operational control systems, the very basis of NCC's operations, are evaluated through audits of the operations, following which any shortcomings are rectified.

The internal controls are also 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.

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, PricewaterhouseCoopers AB, also examines a selection of NCC's controls. The Board of Directors receives the auditors' reports and meets the auditors twice annually, including one meeting without the presence of executive management. 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 addressed and followed up systematically within the particular unit. NCC's auditor also reviews the company's nine-month report.



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 Ekonomi). The information also contains methodology, instructions and supporting documentation in the form of checklists etc. as well as overall time schedules. Starnet Ekonomi is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and NASDAQ OMX Stockholm. NCC's Chief Financial Officer 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 Ekonomi.

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 Ekonomi. The rules and regulations are updated regularly under the auspices of the Chief Financial Officer. In addition, regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles concerning the requirements to which the internal control is subject. This is within the Chief Financial Officer's sphere of responsibility.

The status of the internal control set-up is reported annually at a meeting of the NCC AB Board. Such reporting also occurs at business area level.

2

CONTROL ENVIRONMENT

The Board has overall responsibility for the internal control of financial reporting. Each year, the Board establishes rules of procedure for the Board's work and an instruction concerning the division of work between the Board and the Chief Executive Officer. According to this instruction, the President and CEO is responsible for the internal control and for contributing to an efficient control environment. According to the Companies Act, the Board is obligated to establish an Audit Committee. If the Board finds it more appropriate, the entire Board of Directors may fulfill the duties of the Audit Committee, the method applied in NCC's case, since three independent Board members have auditing and accounting competencies. The fact that the Board is relatively small also facilitates this work.

The NCC Group is a decentralized international organization with business areas structured in a corporate format based on rules concerning the companies' governance in accordance with company law. At Board meetings, the CEO and, where applicable, subsidiary presidents present the matters that require treatment by the Board. 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 subsidiaries. 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.

For more information on governance and control, see the Group's website www.ncc.se, where you will find such documents as the Articles of Association and the Code of Conduct.

AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of NCC AB,
Corp. Reg. No. 556034-5174

It is the Board of Directors that is responsible for the 2013 Corporate Governance Report on pp. 100–105 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 statutory review of the Corporate Governance Report has a different orientation and a significantly more limited scope than the orientation and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices 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 7, 2014

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

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RISK-ASSESSMENT AND RISK-MANAGEMENT

NCC applies a risk-assessment and risk-management method for ensuring that the risks to which the company is exposed, and that can impact the internal control and financial statements, are addressed within the processes that have been established. The material risks that have to be taken into account include market risks, operating risks and 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.

Within NCC, risks are followed up in several different ways, including via:

- **Monthly 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 Chief Financial Officer. 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.
- **Board meetings** in the various business areas, which are held at least five times per year. Board meetings are minuted. The members of each particular board include NCC AB's CEO and the Chief Financial Officer, as well as the Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome and forecast, alternatively budget. Forecasts are formulated and are checked on three occasions: 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 real estate 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.
- 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.

3

CONTROL ACTIVITIES

At NCC, financial reporting and the management of risks are based on a number of control activities that are conducted at various levels for the companies and business areas. The purpose of the control activities is to ensure the efficiency of the Group's processes and that the internal controls are adequate.

For the business operations, operational control systems form the basis for the control structure established and these focus on stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects, which occur in part via the IT systems that support the various operational processes and in part through appropriately designed manual controls intended to prevent, discover and correct faults and nonconformities. NCC attaches considerable weight to the follow-up of projects.

In addition, 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 a shared service center, NCC Business Services (NBS), which manages most of the transactions of the Nordic operations. A demand imposed on NBS is that its processes must include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. NBS systematically and continuously develops its processes. Since November 2013, the Group also has a shared service center, Human Resources Services (HRS), which accounts for NCC's payroll administration for the Nordic countries and is subject to corresponding requirements as NBS.

Board of Directors and Auditors



TOMAS BILLING



OLOF JOHANSSON



ULLA LITZÉN



ANTONIA AX:SON JOHNSON



SVEN-OLOF JOHANSSON



CHRISTOPH VITZTHUM

TOMAS BILLING

Chairman. Born 1963.

Board member since 1999 and Chairman since 2001. President of Nordstjernan AB. Board member of Stenas Sfärråd and Parkinson Research Foundation. Previous experience: President of Hufvudstaden AB and Monark Bodyguard AB, among other positions.

Shareholding in NCC AB: 20,600 Series A shares and 75,400 Series B shares.

ANTONIA AX:SON JOHNSON

Born 1943.

Board member since 1999. Chairman of the Board of Axel Johnson AB and the Axel and Margaret Ax:son Johnson Foundation. Deputy Chairman of the Board of Nordstjernan AB. Member of the Board of Axel Johnson Inc., Axfast AB, Axfood AB, Mekonomen AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit.

Shareholding in NCC AB: 167,400 Series A shares and 72,400 Series B shares via private companies.

OLOF JOHANSSON

Born 1960.

Board member since 2012. Chairman and partner in Pangea Property Partners. Previous experience: Active in the Skanska Group (1986–2002), in charge of Skanska's project-development operations (1996–2002) among other positions.

Shareholding in NCC AB: 4,000 Series B shares.

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: own business and entrepreneur, among other positions.

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, Husqvarna AB and AB SKF. 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, VP Wärtsilä Power Plants (2006–2009), President of Wärtsilä Propulsion (2002–2006) and CFO at Wärtsilä Oyj Abp, Ship Power (1999–2002), among other positions.

Shareholding in NCC AB: 0



LARS BERGQVIST



KARL G. SIVERTSSON



KARL-JOHAN ANDERSSON



LIS KARLEHEM



MATS JOHANSSON

EMPLOYEE REPRESENTATIVES

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

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).

KARL G. SIVERTSSON

Born 1961. Carpenter.
Board member since 2009. Employed since 1986. Shop steward at NCC. Employee representative of Svenska Byggnadsarbetareförbundet (Swedish Building Workers' Union). Other assignments: Vice Chairman of Svenska Byggnadsarbetareförbundet, Central Norrland Region, and deputy member of Federation Board of Svenska Byggnadsarbetareförbundet.
Shareholding in NCC AB: 0

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: Regular Board member of Byggnadsarbetareförbundet in the Småland/Blekinge region.
Shareholding in NCC AB: 100 Series B shares.

LIS KARLEHEM

Born 1963. Services Manager Group IT.
Deputy Board member since 2009. Employed since 1999. Employee representative of Unionen (formerly SF, Swedish Industrial Salaried Employees' Association). Systems manager at IT Sverige.
Shareholding in NCC AB: 0

AUDITORS –
PRICEWATERHOUSECOOPERS AB

HÅKAN MALMSTRÖM

Auditor-in-charge. Born 1965.
Other significant assignments: auditor of Axel Johnson AB, Karo Bio AB, Nordstjärnan AB and Saab 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: 500 Series B shares.

Group Management



PETER WÅGSTRÖM



HÅKAN BROMAN



JOACHIM HALLENGREN



ANN-SOFIE DANIELSSON



SVANTE HAGMAN



KLAUS KAAE

PETER WÅGSTRÖM

Born 1964. President and CEO since 2011. President of NCC Housing (2009–2010). Employed by NCC since 2004. Previous experience: President of 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), among other positions. Shareholding in NCC AB: 10,360 Series B shares (including related-party holdings) and 19,319 call options on Series B shares.

ANN-SOFIE DANIELSSON

Born 1959. Chief Financial Officer since 2007 and Financial Director since 2003. Employed by NCC since 1996. Previous experience: Finance Director and Group controller at NCC AB (1999–2003), Group Accounts Manager at NCC AB (1996–1999) and Group Accounts Manager at Nynäs AB (1993–1995) and Authorized Public Accountant at Tönnerviksgruppen and KPMG (1984–1992), among other positions. Other assignments: Member of the Board of RNB Retail and Brands. Shareholding in NCC AB: 3,000 Series B shares.

HÅKAN BROMAN

Born 1962. General Counsel in NCC AB since 2009. Employed by NCC since 2000. Previous experience: 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) and positions in Swedish court system (1991–1993), among other positions; active in the European International Contractors (EIC) (2001–2010) and Member of the Board (2008–2010). Shareholding in NCC AB: 500 Series B shares.

SVANTE HAGMAN

Born 1961. Head of NCC Construction Sweden since 2012. Employed by NCC since 1987. Previous experience: 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, among other positions. Other assignments: Board member of Swedish Construction Federation. Shareholding in NCC AB: 7,244 call options on Series B shares.

JOACHIM HALLENGREN

Born 1964. President of NCC Housing since 2012. Employed by NCC since 1995. Previous experience: Head of NCC Property Development (2009–2013), Head of NCC Property Development's Swedish operations (2007–2009), Regional Manager NCC Property Development Western Sweden (2004–2007), Regional Manager NCC Property Development Southern Sweden (2003–2004), various positions within NCC's Property Development operations (1995–2003), among other positions. Shareholding in NCC AB: 0

KLAUS KAAE

Born 1959. President of NCC Construction Denmark since 2012. Employed by NCC since 1985. Previous experience: Deputy President of NCC Construction Denmark (2009–2012), among other positions. Corporate Director of NCC Construction Denmark 2002–2009. Member of the Board of Dansk Byggeri. Shareholding in NCC AB: 0



CAROLA LAVÉN



GÖRAN LANDGREN



CHRISTINA LINDBÄCK



JACOB BLOM



ANN LINDELL SAEBY



HARRI SAVOLAINEN



HÅKON TJOMSLAND

CAROLA LAVÉN

Born 1972. Head of NCC Property Development since May 2013. Employed by NCC since 2013.

Previous experience: Business Development Director at Atrium Ljungberg (2006–2013), Business Development Director at Ljungberg-Gruppen (2003–2006) and Property Manager for Stockholm/Uppsala at Drott (1998–2003), among other positions. Other assignments: Member of the Board of BRIS.

Shareholding in NCC AB: 0

ANN LINDELL SAEBY

Born 1962. Senior Vice President Corporate Communications since 2012. Employed by NCC since 2012.

Previous experience: Senior Vice President Corporate Communications at Fortum (2004–2012) and communications consultant and partner at Kreab Gavin Anderson (1998–2004), among other positions.

Shareholding in NCC AB: 0

CHRISTINA LINDBÄCK

Born 1963. Senior Vice President Corporate Sustainability, since March, 2013. Previous experience: Senior Vice President Environmental Affairs at NCC AB 2010–2013, Quality and Environmental Manager, Ragn-Sells AB, 2002–2010, Assistant Undersecretary, Acting Permanent Undersecretary of State, Deputy Assistant Undersecretary, etc. at the Ministry of the Environment (1991–2002), among other positions. Other assignments: Chairman of the Board of Miljömärkning Sweden AB, Nordic Swan Ecolabel.

Shareholding in NCC AB: 0

GÖRAN LANDGREN

Born 1956. Head of NCC Roads since 2006. Employed by NCC since 1981.

Deputy President of NCC Construction Sweden with responsibility for marketing, business development and subsidiaries (2004–2006) and various positions in building and civil engineering operations at NCC (1981–2001). Employed by Peab as Head of the Civil Engineering Division (2001–2003). Shareholding in NCC AB: 500 Series B shares (including related-party holdings).

HARRI SAVOLAINEN

Born 1971. Head of NCC Construction Finland since 2012. Employed by NCC since 2001. Regional Manager of NCC's residential construction in Helsinki and various executive positions at NCC Construction Finland since 2001. Other assignments: Member of the Board of Ömsesidiga Pensionsförsäkringsbolaget Etera and Byggnadsindustri RT.

Shareholding in NCC AB: 800 Series B shares.

JACOB BLOM

Born 1970. Senior Vice President Human Resources since March 12, 2014. Employed by NCC since 2013. Previous experience: Business Support Manager at NCC Construction Denmark (2013–2014), VP Human Resources at TDC Business & TDC Nordic (2009–2013), VP Human Resources at NCC Construction Denmark (2008–2009) and VP Human Resources at Merck Sharp & Dohme in Denmark and later in Sweden (2000–2005), among other positions. Shareholding in NCC AB: 0.

HÅKON TJOMSLAND

Born 1964. Head of NCC Construction Norway since June, 2013. Employed by NCC since 1992. Previous experience: Regional Head of NCC's civil-engineering operations in Norway (2009–2013), among other positions. District Manager in Civil Engineering Region (2003–2009). Prior to that, senior engineer and civil engineering manager at NCC Construction Norway. Shareholding in NCC AB: 0

OTHER SENIOR EXECUTIVES*

PETER GJÖRUP

Born 1959. Chief Purchasing Officer NCC AB. Employed by NCC since 1984. Previous experience: Head of NCC Construction Norway, Manager of Norrland Region in NCC Construction Sweden, among other positions in both civil engineering and building. Shareholding in NCC AB: 53 Series A shares, 2,000 series B shares and 13,571 call options on Series B shares.

GREGG NORDQVIST

Born 1955. Senior Vice President Strategy and Mergers & Acquisitions (M&A). Employed by NCC since 1996. Previous experience includes Head of M&A at NCC AB 1996–2011, responsibility for M&A at Price Waterhouse 1991–1996, president/owner of a group of companies active in machine sales and service 1986–1993. Shareholding in NCC AB: 0

* Reports directly to the Chief Executive Officer.

The NCC share

NCC's shares were initially listed on the Stockholm Stock Exchange in 1988, under the Nordstjernan name. The shares are traded on Nasdaq OMX Stockholm/Large Cap.

SHARE PERFORMANCE AND TRADING

Following a couple of years characterized by uncertainty, primarily due to financial problems in Europe, stock markets stabilized in 2013 and performed favorably. The NASDAQ OMX Stockholm exchange ended the year up by 23 percent. NCC's Series B share noted a price increase of 54 percent, which may be compared with the OMX sector index, which rose 38 percent. The year-end price of the NCC share corresponded to market capitalization of SEK 22.7 billion.

During the year, a total of about 166 million (161) NCC shares were traded in a total of 781,139 (572,405) completed transactions at a total value of SEK 27.9 billion (21.1). NASDAQ OMX Stockholm accounted for 95 percent (83) of trading in Series A NCC shares. For Series B shares, NASDAQ OMX Stockholm accounted for 51 percent (59) of trading, which means that other marketplaces accounted for 49 percent (41).¹⁾ Over the past five years, trading in Series B shares on marketplaces other than NASDAQ OMX Stockholm has risen from 16 to 49 percent. The turnover rate for Series A shares totaled 10 percent (6) on all marketplaces and 10 percent (5) on NASDAQ OMX Stockholm. The turnover rates for Series B shares were 204 percent (204) in total and 104 percent (119) on NASDAQ OMX Stockholm. The turnover rate for NASDAQ OMX Stockholm as a whole declined to 67 percent (74) during the year.

OWNERSHIP STRUCTURE

Nordstjernan AB is the largest NCC shareholder. During the year, Norges Bank Investment Management joined the list of the ten largest shareholders. The proportion of foreign shareholders rose to 22 percent (16) of the share capital and, in addition to Norway, the US accounted for the largest holdings. The current list of shareholders is available on www.ncc.se

¹⁾ Following the deregulation of stock markets, shares can be traded on marketplaces other than the exchange on which the share is listed, whereby additional players have established a position and trading has become more fragmented. Important marketplaces for Swedish shares are BATS Chi-X, Burgundy, Turquoise and London.

SHARE REPURCHASES AND CONVERSIONS

During the year, 177,000 shares were bought back and the number of treasury shares at year-end was 592,500.

In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. During 2013, 2,425,764 shares were converted. A total of 36.1 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

DIVIDEND AND DIVIDEND POLICY

NCC's dividend policy is to distribute at least half of profit after taxes as dividends. For 2013, the Board proposes a dividend of SEK 12.00 (10.00) per share, divided into two payments. The proposed dividend amounts to SEK 1,294 M (1,080), corresponding to 65 percent of profit after tax. The total return (based on the share performance and dividend paid in relation to the price of NCC's share at the beginning of the year) in 2013 was approximately 64 percent (21) for Series B NCC shares. The NASDAQ OMX Stockholm average, according to Six Return Index, was 28 percent (17).

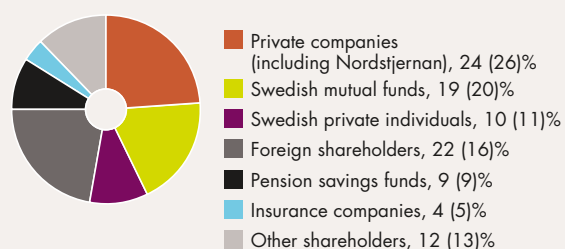
THE NCC SHARE IN 2013

	Series A shares	Series B shares
Total number of shares ¹⁾	27,708,122	80,135,200
Voting rights	10 votes	1 vote
Total share turnover, including late entries, millions	2.7	163.3
– of which, on NASDAQ OMX Stockholm	2.7	83.2
Total value of share turnover, SEK M	461	27,400
– of which, on NASDAQ OMX Stockholm	461	14,063
Turnover rate, %		
– total, all marketplaces	10	204
– on NASDAQ OMX Stockholm	10	104
Share price at start of year, SEK	136.00	136.20
Share price at year-end, SEK	209.50	209.90
Highest price paid, SEK	212.70	212.90
Lowest price paid, SEK	136.00	138.00
Beta value	0.905	0.967
Paid-out dividend, SEK	10.00	10.00
Total return, including dividend, %	64.33	64.44

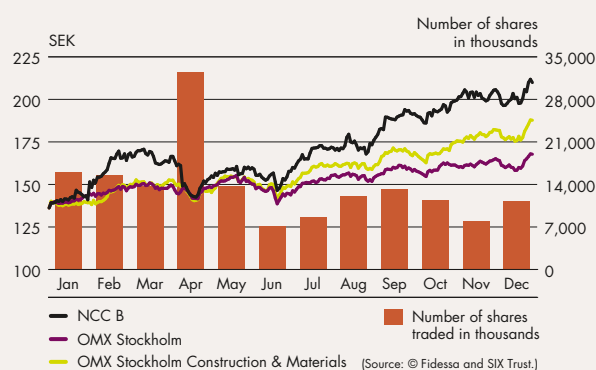
¹⁾ Excluding treasury shares.

SHAREHOLDER CATEGORIES, PERCENTAGE OF SHARE CAPITAL

The share of foreign ownership of NCC rose from 16 to 22 percent in 2013.



SHARE-PRICE TREND AND TURNOVER, 2013



FIVE-YEAR TREND IN NCC SHARES

	2009	2010	2011	2012	2013
Market price at year-end, NCC B share, SEK	118.25	147.80	121.00	136.20	209.90
Market capitalization, SEK M	12,809	16,005	13,136	14,706	22,748
Earnings per share, SEK ¹⁾	11.63 ⁴⁾	14.05	12.08	17.51	18.40
Ordinary dividend, SEK	6.00	10.00	10.00	10.00	12.00 ²⁾
Dividend yield, %	5.1	6.8	8.3	7.3	5.7
Total return, % ³⁾	147 ⁴⁾	30	-11	21	64
Number of shares outstanding at year-end (millions)	108.4	108.4	108.4	108.0	107.8

Key figures per share are presented in the Multi-year review on p. 98.

¹⁾ After tax and full dilution.

²⁾ Proposed dividend.

³⁾ Share performance and dividend paid in relation to the price of NCC's share at the beginning of the year.

⁴⁾ Not restated according to IFRIC 15.

SERIES A AND B SHARES

	Series A shares	Series B shares	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 2000–2012	-32,977,796	32,977,796	
Share buybacks 2000–2012		-6,450,892	-6,450,892
Sale of treasury shares 2005–2011		6,035,392	6,035,392
Number of shares outstanding at December 31, 2012	30,133,886	77,886,436	108,020,322
Conversion of Series A to Series B shares 2013	-2,425,764	2,425,764	
Repurchase of shares in 2013		-177,000	-177,000
Number of shares outstanding at December 31, 2013	27,708,122	80,135,200	107,843,322
Number of voting rights	277,081,220	80,135,200	357,216,420
Percentage of voting rights	78	22	100
Percentage of share capital	26	74	100
Closing price Dec. 31, 2013, SEK	209.50	209.90	
Market capitalization, SEK M	5,805	16,820	22,625

DISTRIBUTION OF SHARES BY HOLDING, DECEMBER 31, 2013¹⁾

	No. of shareholders	Percentage of total no. of shareholders	No. of shares	Percentage of share capital
1–500	28,802	76.3	4,886,131	4.5
501–1,000	4,793	12.7	3,986,806	3.7
1,001–10,000	3,635	9.7	9,997,714	9.2
10,001–100,000	378	1.0	11,949,569	11.1
100,001–1,000,000	105	0.2	33,742,117	31.6
1,000,001–	13	0.1	43,280,985	39.9
Total	37,726	100.0	107,843,322	100.0

¹⁾ Excluding treasury shares.

(Source: Euroclear Sweden AB.)

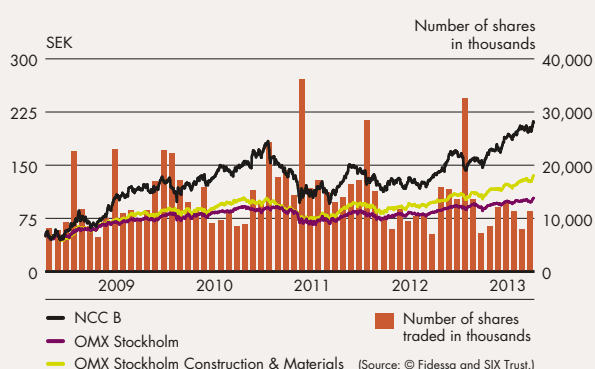
OWNERSHIP STRUCTURE AT DECEMBER 31, 2013¹⁾

	No. of Series A shares	No. of Series B shares	Percentage of	
			Share capital	Voting rights
Nordstjärnan AB	23,200,000	200,000	21.6	65.0
SEB funds		6,688,254	6.2	1.9
Swedbank Robur funds	420,392	3,758,156	3.9	2.2
AMF Insurance & Funds		2,986,720	2.8	0.8
Lannebo funds		2,400,000	2.2	0.7
Norges Bank Investment Management	4,239	2,329,133	2.2	0.7
Second AP Fund		2,309,317	2.1	0.6
SHB funds	32,028	1,960,891	1.8	0.6
Fourth AP Fund		1,410,753	1.3	0.4
AFA Försäkring		1,380,250	1.3	0.4
Total ten largest shareholders	23,656,659	25,423,474	45.4	73.3
Other shareholders in Sweden	3,759,295	34,055,734	35.3	20.1
Shareholders outside Sweden	292,168	20,655,992	19.3	6.6
Total number of shares	27,708,122	80,135,200	100.0	100.0

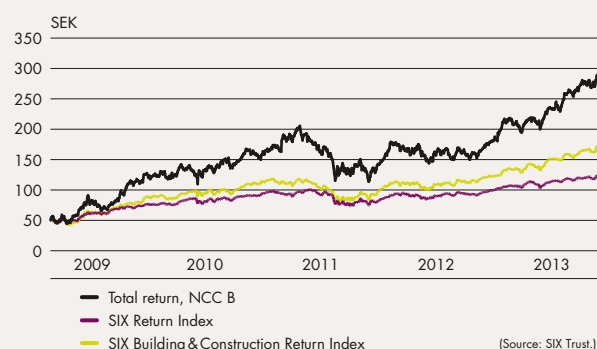
¹⁾ Excluding treasury shares.

(Source: Euroclear Sweden AB.)

SHARE-PRICE TREND AND TURNOVER, 2009–2013



TOTAL RETURN, 2009–2013



Financial information/*contacts*

NCC will publish financial information regarding the 2014 fiscal year on the following dates:

April 2	Annual General Meeting
April 29	Interim report, January–March
July 18	Interim report, January–June
October 24	Interim report, January–September
January 2015	Year-end report 2014

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 1997 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. Press releases issued by the Group, NCC AB, and local press releases from the various countries 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 within 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

The Annual General Meeting will be held at 4:30 p.m. on April 2, 2014.

Venue: Grand Hôtel, Vinterträdgården, Royals entrance, Stallgatan 6, Stockholm. Notification can be made by post to the following address: NCC AB, Agneta Hammarbäck, SE-170 80, Solna, via the Group's website www.ncc.se, by telephone to +46 8 585 521 10, by fax +46-8-624 00 95, or by e-mail to agneta.hammarback@ncc.se. Notification should include name, personal identification number (corporate registration number), address, telephone number and registered shareholding.

Registration at the Meeting will begin at 3:30 p.m. The official notification of the Annual General Meeting is available on the NCC Group's website, www.ncc.se, and was published in Post- and Inrikestidningar on February 25, 2014. 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 of companies included 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.

SHARE-PRICE INFORMATION.

Share-price information with a 15-minute delay is available and it will also be possible to see the total return (including reinvested dividends) and compare the performance of the NCC share 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.

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.

MORE INFORMATION/ CONTACT PERSON.

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IR Manager
Tel: +46 (0)8-585 523 53
E-mail: ir@ncc.se

Definitions/glossary

FINANCIAL KEY FIGURES

Average interest rate: Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

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 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.

Capital turnover rate: Net sales divided by average capital employed.

Debt/equity ratio: Net indebtedness divided by shareholders' equity.

Dividend yield: The dividend as a percentage of the market price at year-end.

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.

Equity/assets ratio: Shareholders' equity as a percentage of total assets.

Exchange-rate difference: Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currencies are translated into SEK.

Exchange-rate effect: The impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Interest-coverage ratio: Profit after financial items plus financial expense divided by financial expense.

Net indebtedness: Interest-bearing liabilities and provisions less financial assets including cash and cash equivalents.

Net investments: Closing balance less opening balance plus depreciation and impairment losses less write-ups pertaining to fixed assets and properties classed as current assets.

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

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 the housing unit is transferred to the end customer. Property sales are recognized on the date on which 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 income-recognized sales from completed projects.

Operating margin: Operating profit as a percentage of net sales.

Operating net: Result from property management before depreciation.

Order backlog: Period-end value of the remaining non-worked-up project revenues for projects received, including proprietary projects for sale that have not been completed.

Orders received: Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale, if a decision to initiate the assignment has been taken, are also included among assignments received, as are finished properties included in inventory.

P/E ratio: Market price of the shares at year-end, divided by earnings per share after taxes.

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

Repurchase of treasury shares in share data: Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.

Return on capital employed: 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 equity: Net profit for the year according to the income statement excluding non-controlling interests, as a percentage of average shareholders' equity.

Return on total capital: Profit after financial items including results from participations in associated companies plus financial expense in relation to average total assets.

Share of risk-bearing capital: The total of shareholders' equity and deferred tax liabilities as a percentage of total assets.

Total return: Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

SECTOR-RELATED DEFINITIONS

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.

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.

Detailed development plan: Municipal plan for the use of land in a certain area, which is legally binding and can form the foundation for the granting of building permits.

Development rights: Estimated possibility to develop a site. With respect to housing, a development right corresponds to an apartment or 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.

Function contract: Usually a multi-year contract in which the customer imposes functional requirements rather than detailed requirements concerning materials and design.

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.

Leasing rate: The percentage of anticipated rental revenues that corresponds to signed leases (also called leasing rate based on revenues).

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.

Properties: In descriptions of operations, "properties" refers to buildings, housing or land.

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.

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.

VDC: Virtual Design and Construction.



Emissions of greenhouse gases from the production of this printed matter, including paper, other materials and transport, have been offset through investment in a corresponding amount of certified reduction units in the Kikonda Forest Reserve project, forest plantation in Uganda.

Production: NCC and Hallvarsson & Halvarsson. Translation: The Bugli Company

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NCC is one of the leading construction and property development companies in Northern Europe, with sales of SEK 58 billion and 18,500 employees. With the Nordic region as its home market, NCC is active throughout the entire value chain – developing and building residential and commercial properties, and constructing 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.

