ANNUAL REPORT 2014

We shall *renew* our industry and provide *superior sustainable* solutions

Contents

The formal Annual Accounts, which have been signed by the Board of Directors and examined by the auditors, are pages 52–104.

This is a translation of the original Swedish Annual Report 2014 of NCC. In case of any interpretation issues, the Swedish Annual Report shall prevail.

NCC is one of the leading construction and property development companies in Northern Europe, with sales of SEK 57 billion and 18,000 employees. With the Nordic region as its home market, NCC is active throughout the 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.

> “Using the best *innovative and sustainable* solutions, we strengthen our position as one of the *leading construction companies* in Northern Europe.”
>
> Peter Wågström, President and CEO.

61,379
Orders received, SEK M

574
Cash flow before financing, SEK M

22
Return on shareholders’ equity, %

2,604
Operating profit, SEK M

0.8
Debt/equity ratio, times

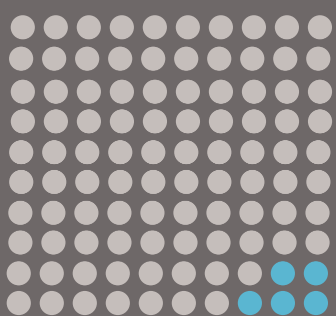
NCC’S MARKETS, SHARE OF TOTAL NET SALES, %

Beyond Construction

We are a construction and property development company, but we do not stop at CAD drawings, rebar and concrete. We look further than that. Constantly challenging ourselves to drive the development of how we can help make tomorrow better and create superior sustainable solutions. It pushes us to listen, share ideas and to partner with others.

We shall *renew* our industry and provide superior *sustainable* solutions

Read more about NCC's vision and strategy on p. 8.



NCC is one of the largest construction companies in the Nordic region with a market share of 5 percent.

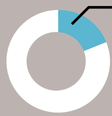
FOCUS ON INNOVATION

At NCC, innovation is key to being able to shape superior sustainable solutions, regardless of whether this involves our own production and work environment or construction of future residential units and offices. Notable events at NCC during 2014 included developing solutions for environmentally compatible asphalt production, launching concepts for more socially sustainable suburbs, building increasing numbers of eco-labeled housing units and initiating a large-scale bridge-building project without affecting traffic flows.

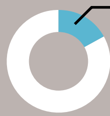
Three different businesses
– for profitable growth

INDUSTRIAL

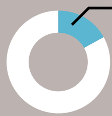
SHARE OF NCC TOTAL



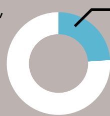
Net sales, **19** (19)%



Capital employed, **17** (18)%



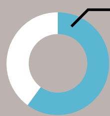
Operating profit, **17** (15)%



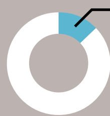
Average number of employees **24** (23)%

CONSTRUCTION AND CIVIL ENGINEERING

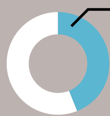
SHARE OF NCC TOTAL



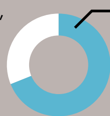
Net sales, **60** (60)%



Capital employed, **13** (13)%



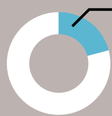
Operating profit, **44** (36)%



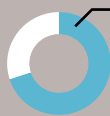
Average number of employ, **69** (71)%

DEVELOPMENT

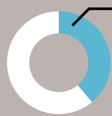
SHARE OF NCC TOTAL



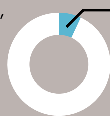
Net sales, **21** (21)%



Capital employed, **70** (69)%



Operating profit, **39** (49)%



Average number of employees, **7** (6)%

A stable base for *for higher profitability*

I am pleased to summarize another positive year for NCC. We are strengthening our position as one of the leading construction companies in Northern Europe. Activity has been high and we have continued to focus on business in which we can be involved at an early stage of the process, thereby forming the foundation for profitability and customer satisfaction.

We are now into the final year of the strategy launched in 2012. The objectives and priorities we set up back then currently appear possible to achieve. We have raised our sales in Norway, taken initiatives to establish a position in the civil engineering market in Finland and expanded our housing development business. This progress has involved focused and dedicated efforts that required considerable commitment throughout the organization, and has made NCC one of the most profitable companies in the industry. Meanwhile, we are aware that continuing development and streamlining are necessary to defend our position, not least in terms of our largest business, construction and civil engineering.

Scope for improvement

With the exception of operations in Denmark, where our construction contract model has yielded higher profitability, there is room for improvement. With lower purchasing costs, a more varied platform range, and early and frequent collaboration with customers and other partners, we will not only be able to boost project profitability but also gain even more satisfied customers. Quite simply, we have to focus on the right business. This something I have seen many favorable examples of in 2014; for example, Tvärbanan (crosstown rail link) in Stockholm, which we completed earlier than scheduled and at a lower cost, and the Skandionkliniken (proton therapy clinic) partnering project in Uppsala, where we not only met but exceeded the customer's ambitious expectations, as well as the housing project in Aarhus, Denmark, which we completed in cooperation with the investors Topdanmark Ejendom and PenSam.

Even though I am not completely exultant about the profitability of our construction operations, there are reasons to be satisfied with orders received during the year, which were the highest since 2008. There has been an influx of a wide range of projects, notably in Sweden, where the order book in early 2015 was 25 percent higher than a year earlier.

A stronger construction market also provides a robust foundation for our industrial operations, since the production of stone materials and asphalt is closely linked to higher construction volumes. A mild winter in 2014 also contributed to higher activity, permitting us to raise our margins.

However, activity in our commercial property development business was flatter, notably in comparison with 2013, which admittedly was something of a record year with the completion of several major projects. This meant that we entered 2014 with a slimmer portfolio. But I am happy to see that we have restocked the portfolio in the form of major new projects, such as Torsplan 2 in Stockholm and the SCA building in Mölndal.

Record-strong housing business

One operation that certainly did not lack projects was the housing development business. In 2014, we noted an all-time record-high sales figure of 6,047 housing units, and at year-end we had 7,687 homes under construction, 20 percent higher than a year earlier, and exceeding the target of at least 7,000 units. Germany, St. Petersburg and Sweden are showing the most buoyant trends. In Finland, which saw sluggish demand in the private sector, we increased our sales to investors.

The situation in Finland reflects the substantial differences in our markets despite them being in such a limited area geographically. While other Nordic countries continue to grow, the Finnish economy contracted for the third consecutive year, which, of course, adversely impacted construction and civil engineering investments. The consequences of mounting unrest in Russia – in the wake of the Ukraine crisis and tumbling oil prices – are difficult

"Innovative thinking characterizes all our operations, and is a significant factor in building *tomorrow's society."*

to assess, except to say that major forces have been set in motion. However, rapid urbanization is a resilient trend that offers higher business potential. Irrespective of whether it is Copenhagen, Stockholm or St. Petersburg, local populations continue to rise each year, leading to a need for new housing and sustainable infrastructure solutions.

Major responsibility

As an industry leader, we have a responsibility to drive development towards a more sustainable society. Our customers demand sustainable solutions and we want those residing and working in our buildings to enjoy optimal conditions. Sustainability is a key, integral component of our business and we aim to be both a leader and a pioneer in this area. I am delighted that carbon emissions from our own operations have been reduced.

We will also endeavor to serve as a role model in terms of business ethics and work environment. During the year, we initiated an extensive training program for all of our employees based on the NCC Compass, our tool to assist employees with advice and guidance on issues relating to gifts, business entertainment, conflicts of interest and competition law. This is needed to ensure that nobody at NCC is unaware of the significance of maintaining high ethical standards in our company.

Strengthening the company's safety culture remains a top priority. I am pleased to see that since 2011 we have reduced occupational accidents by 45 percent. But more has to be done. Especially in view of the unfortunate fact that we suffered a fatal accident during the past year. Together, we must do everything in our power to prevent the recurrence of such a tragedy. It should be taken for granted that all NCC employees return home to their nearest and dearest every day.

Tomorrow's solutions

Innovative thinking characterizes all of our operations and is a significant factor in our ability to continuously strengthen our offering and build tomorrow's society. For example, we are focusing on: solutions that reduce the eco-footprint of our energy-intensive asphalt production; innovations that facilitate and accelerate infrastructure construction in rapidly growing cities; and smart and effective housing that meets stringent environmental standards and the ever-more important social dimension.

In efforts to develop innovative new solutions for our industry, we also cooperate with universities and colleges. For example, we employ seven industrial doctoral students to contribute positively to NCC's development in projects involving maintenance-free bridges and geothermal piling.

I can confirm that NCC has a good starting position for 2015. With a record-high order backlog in construction operations, higher activity in our stone materials and asphalt production, and a new, higher level in our housing development business, conditions are favorable for continuing, positive growth. Together with a dedicated organization, I look forward to finalizing a successful strategy and laying the basis for a new one, which will commence as of 2016.

Solna, February 2015

Peter Wågström
President and CEO

Driving forces *for long-term growth*

NCC's operations are shaped by a number of international and industry-specific driving forces. Capitalizing on these by adapting the offering improves NCC's ability to retain and strengthen its leading position in selected markets and create long-term, profitable growth.

SUSTAINABLE CONSTRUCTION

There is a risk that the global use of energy for buildings and construction will continue to increase at a pace matching population growth and increasing household wealth. Accordingly, the ability to develop innovative, sustainable building solutions will be of major importance to opportunities to offset, and create resistance to, such factors as climate changes. NCC has a strong focus on sustainable construction and, for example, has participated in the development of the environmental certification system, BREEAM, in Sweden. NCC is also one of the construction companies in the Nordic region with the greatest experience of passive building projects, and all of NCC's proprietarily built housing units are of a low-energy type. NCC also works to reduce the use of energy in existing buildings through its sustainable refurbishment concept, while continuously developing more energy-smart, climate-compatible and resource-efficient products and services, both independently and in partnership with customers. Combined with this, citizen dialogs and other social aspects are given greater scope in NCC's solutions, both in new property projects and in the renewal of existing residential areas. The long-term objective is to be both the leader and a pioneer in this area.

URBANIZATION

With forecasts indicating that nearly five billion people will live in the world's cities in 20 years, increasingly stringent requirements are being placed on residential environments characterized by low environmental impact, security and a sustainable infrastructure. In certain cities, the pace of urbanization is currently so fast that infrastructure is being neglected. Stockholm, one of the fastest growing cities in Europe, has an acute need for a better infrastructure, more workplaces and more housing to be able to cope with the up to half a million additional people who are expected to move there by 2030. NCC develops innovative solutions that contribute to facilitating and accelerating infrastructure construction in cities, and to curtailing the environmental problems that result from increased infrastructure requirements. NCC is also working to satisfy the need for workplaces and efficient residential units on compact spaces, to meet the increasing demand for housing.

DIGITALIZATION

IT continues to be a productivity driver in the construction industry and, with VDC (Virtual Design and Construction), a major technology leap has been taken. VDC is used for construction projects of all shapes and sizes and leads to higher quality and reduced costs in project engineering, implementation and when handing over to customers. For several years, NCC has focused on improving its VDC skills. The technology has been used in more than 650 projects and NCC is the industry leader in its use, not only in the Nordic region but also globally.

GLOBALIZATION

The globalization under way in various sectors is increasingly also impacting on the construction industry. In recent years, the element of international competition has intensified in the Nordic construction market, particularly due to the increased number of major infrastructure projects. NCC's strong position in the Nordic region provides a solid platform for cooperation with other international players, in a bid to strengthen its competitiveness and thus be able to participate in the largest projects. Globalization also increases NCC's opportunities to engage in more efficient purchasing.

THE BATTLE FOR COMPETENCIES

The ability to attract and retain well-educated and skilled employees is increasing in importance for many sectors, including the construction industry. The large wave of retirements that is imminent is intensifying competition for the existing competencies, while it continues to be difficult to get students to show an interest in technical programmers, such as construction engineering. In addition, globalization entails that employers have to cover an even larger labor market. Thanks to NCC's focus on accumulating expertise in, for example, industrial construction, sustainable construction and VDC, the company has a competitive edge in the battle for the best employees.

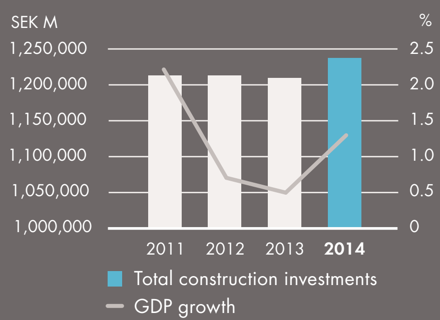
MARKET

The Nordic construction market generated sales of SEK 1,237 billion (1,168) in 2014. NCC is one of the largest players, with a market share of 5 percent.

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

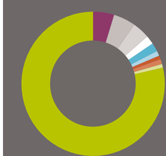
At the Nordic level, NCC's main competitors are Skanska and Peab of Sweden, MT Højgaard of Denmark, Veidekke and AF-Gruppen of Norway and YIT and Lemminkäinen of Finland. In Sweden, JM is a competitor in residential development. In civil engineering projects and road construction, as well as asphalt 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, only a few major players serve the property development market, 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.

TOTAL CONSTRUCTION INVESTMENTS AND GDP GROWTH



MARKET SHARES, NORDIC REGION

The Nordic construction market is highly fragmented. NCC is one of the largest construction companies in the Nordic region with a market share of 5 percent. The Nordic construction market generated sales of approximately SEK 1,237 billion in 2014. (Source: Euroconstruct.)



- NCC, **5%**
- Skanska, **5%**
- PEAB, **4%**
- Veidekke, **2%**
- Lemminkäinen, **2%**
- YIT, **1%**
- JM, **1%**
- AF Gruppen, **1%**
- MT Højgaard, **1%**
- Other, **80%**

Stable ground for *profitable growth*

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

Vision

We shall 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.

Core values

The company's values and Code of Conduct function as the backbone for the way NCC works and operates. They also jointly serve as a compass for how employees are to conduct themselves and act in everyday situations, and provide guidance when decisions have to be made. Read more at: page 43.

- HONESTY
- RESPECT
- TRUST
- PIONEERING SPIRIT

Organization

NCC conducts integrated construction and development operations in the Nordic region, Germany, Estonia, Latvia and St. Petersburg. The company has three businesses – industrial, construction and civil engineering, and development – which are organized in seven business areas, several of which with distinct geographical links.

NCC'S ORGANIZATION 2015

NCC AB

Industrial	Construction and civil engineering				Development	
NCC Roads	NCC Construction Sweden	NCC Construction Denmark	NCC Construction Finland	NCC Construction Norway	NCC Housing	NCC Property Development
Sweden Denmark Finland Norway St. Petersburg					Sweden Denmark Finland Norway Germany Estonia Latvia St. Petersburg	Sweden Denmark Finland Norway

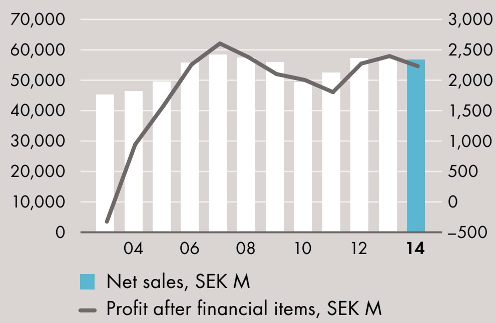
NCC's development

NCC's strategy for the period 2012–2015 was adopted during 2011. The strategy is now entering its final year and a new strategy for the period 2016–2020 will be presented during 2015. To better understand the background to the current strategy, it is important to understand NCC's past.

NCC's journey from an unprofitable and unstructured company at the beginning of the 2000s to today's profitable and market-leading operation can be divided into three phases. The first phase comprised a powerful turnaround of the business, during which profitability was restored to the industry average through a process of reduced costs and higher efficiency. A consolidation of operations was implemented during the next phase. Parts of the Group that were regarded as non-core operations, and investment properties, were sold and resources were freed up for initiatives in NCC's prioritized construction and civil engineering markets in the Nordic region. Operations were concentrated additionally and synergies realized. The third phase, in which NCC still remains, involves the creation of profitable growth, primarily organic, through focused efforts aimed at being able to sustainably capitalize on strong global trends.

SALES OCH PROFIT AFTER FINANCIAL ITEMS 2003–2014

NCC has changed during the period from an unprofitable and unstructured company into a profitable company that is a leading player in its market areas.



Strategy 2012–2015

"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. The aim is to primarily grow organically and in existing markets but this may be supplemented with acquisitions. Three areas are prioritized for generating growth: growth in Norway in all business areas, establishing a presence in the civil engineering market in Finland and expansion of the housing development business in all markets.

The strategy has been successful. NCC is now one of the most profitable companies in the sector with a return on equity of 22 percent. In order to reach this position, NCC has focused on a number of long-term strategic key issues throughout strategy period:

- NCC is to be the customer's first choice
- NCC is to be a leader in its markets
- Construction costs at NCC must be reduced to drive organic growth
- Capitalizing on NCC's synergies in terms of both support functions and between operations
- Housing development is to be a Group-wide business
- NCC is to be the leading society builder of sustainable environments

Each business implements a series of activities within the framework of the Group-wide key strategic issues.

Since NCC's three businesses have different prerequisites for growth, different growth targets have been set for the strategy period. For the industrial operations and the construction and civil engineering business, the target for the end of the strategy period is that sales growth will at least double the GDP growth rate. For the housing development business, the target is that the number of housing units under production will amount to at least 7,000.

Prioritized areas

Growth in Norway in all business areas. The Norwegian construction and civil engineering market is large and fragmented. NCC has a strong offering and excellent opportunities to expand in all of its businesses.

Establishing a presence in the Finnish civil engineering market

In Finland, NCC has long had a strong position in residential and office construction, but not as strong in civil engineering and infrastructure projects. Expansion in these areas would enable NCC to have the same strength in Finland as in the rest of the Nordic region.

Expansion of the housing development business in all markets

An important part of NCC's strategy is to satisfy the underlying need for new housing resulting from the powerful urbanization of the Nordic region. NCC plans to develop and build more housing for private individuals by capitalizing on more efficient construction processes, whereby advanced internal cooperation is of importance for generating profitable growth.

RECONCILIATION GROWTH TARGETS

INDUSTRIAL

Target: ≥2 times GDP growth → STATUS IN 2012–2014: 3.3% (2xGDP=5.1%)

CONSTRUCTION AND CIVIL ENGINEERING

Target: ≥2 times GDP growth → STATUS IN 2012–2014: 0.8% (2xGDP=5.1%)

DEVELOPMENT

Target: ≥ 7,000 housing units under construction → STATUS 2014: 7,687 units

STATUS 2014

NCC's growth targets apply to the period 2012–2015. With one year of the strategy period left, NCC is poised to achieve the target of at least 7,000 housing units under construction. However, both the Industrial and the Construction and civil engineering operations are below the target of doubling GDP growth. Sales in the industrial business have been adversely impacted by a lower price for oil. Orders received in construction operations were favorable during 2014 and the conditions are in place for achieving the growth target in 2015.

STRATEGY 2012–2015

PROFITABLE GROWTH

Customer focus | Leader in NCC's markets | Costs | One NCC | Housing development business | Sustainability

Industrial

Sales growth ≥ double GDP growth

Construction and civil engineering

Sales growth ≥ double GDP growth

Development

≥ 7,000 housing units under construction.

Maintained level in the property development portfolio.

NCC's business model

NCC's three different yet complementary businesses, together with a leading position in selected markets, generate significant competitive advantages when, for example, complex large-scale construction projects are being procured and implemented.

Three different businesses with different business logic

- *The industrial business* has a process-oriented focus pursued within NCC Roads' aggregate and asphalt production. This business ties up capital in pits and quarries, as well as in aggregates and asphalt plants, which have high fixed costs.
- *The construction and civil engineering business* is pursued within NCC's Construction units. This business requires little tied-up capital, has a strong cash flow and is project oriented.
- *The development business* is pursued within 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.

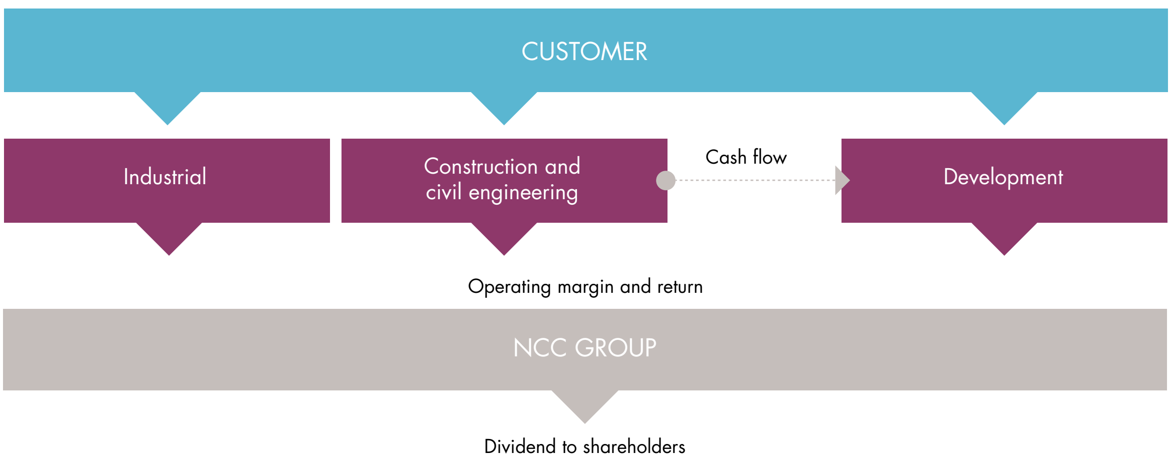
Synergies between the businesses

At NCC, operational and financial synergies exist that generate value for customers and shareholders. *The operational synergies* comprise the industrial business's support of the construction and civil engineering business by providing stone materials, asphalt, paving and road services. For major roadworks, in particular, the synergies are significant. The development business also provides construction contracts to the construction units when housing and commercial properties are under development.

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

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

NCC'S BUSINESS MODEL



NCC'S FINANCIAL OBJECTIVES

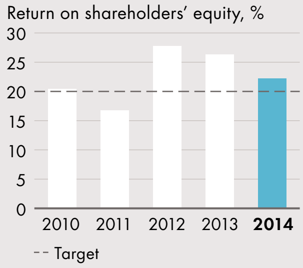
NCC's overriding objective is to create value for customers and shareholders. For shareholders, NCC aims to generate a healthy return under financial stability. During 2014, NCC achieved the target of a return on equity of at least 20 percent and the debt/equity ratio was far below the limit of not more than 1.5 times shareholders' equity. NCC has a strong financial position, which creates conditions for the operations to continue to grow without compromising on profitability.

RETURN ON EQUITY

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

TARGET FULFILLMENT

The Group has achieved its objective of 20 percent in four of the past five years. In 2014, NCC achieved the objective with a return of 22 percent. During 2014, shareholders' equity was higher and earnings were slightly lower, due to a decline in profit from property projects.

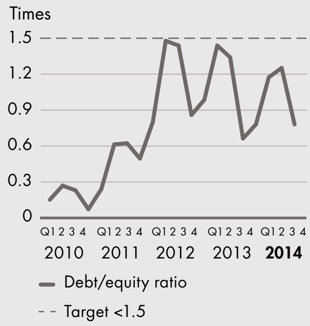


DEBT/EQUITY RATIO

Net indebtedness, defined as interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables, shall not exceed 1.5 times shareholders' equity. This is measured at the end of every quarter.

OUTCOME

The debt/equity ratio did not exceed 1.5 at the end of any of the quarterly periods in 2014 and totaled 0.8 (0.7) 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. During the second and the fourth quarter, dividends are paid to NCC's shareholders. During the year, NCC continued to focus on long-term financing to satisfy future borrowing requirements.

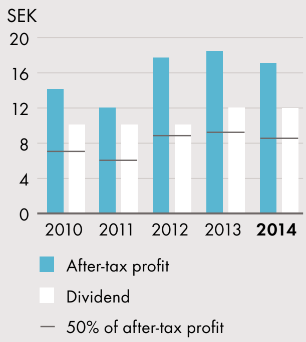


DIVIDEND POLICY

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 and to provide NCC with the potential to invest in its operations and thus ensure that future growth can be created while maintaining financial stability.

DIVIDEND PROPOSAL

The proposed dividend for the 2014 financial year is that SEK 12.00 (12.00) be paid per share, divided into two payments. The proposed dividend for 2014 corresponds to 71 percent of profit after tax.



NCC'S SUSTAINABILITY TARGETS

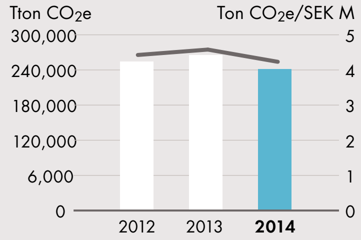
CLIMATE AND ENERGY

NCC's climate impact is to be reduced continuously and the use of energy is to be derived from renewable sources. By 2015, NCC is to reduce its carbon emissions[1)] by at least 20,000 tons compared with 2013, and emissions will be capped at 4 tons of CO_2e/SEK M in net sales.

1) Pertains to direct emissions from our operations, known as Scope 1 of the Greenhouse Gas Protocol, and indirect emissions from electricity and heat, Scope 2.

TARGET FULFILLMENT

NCC's total carbon emissions decreased by 15,365 tons of CO_2e from the level prevailing in 2013, which entails that the emissions-to-sales ratio was 4.38, a reduction compared with the year-earlier level of 4.57. The transition from fossil fuels to renewable fuels in a number of NCC's asphalt plants has played a major role.

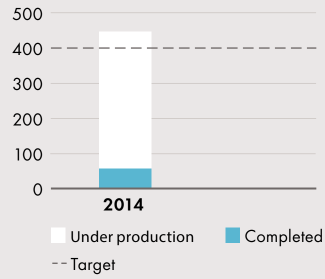


CHEMICALS AND SUSTAINABLE CHOICES OF MATERIALS

NCC is to create healthy developed environments by minimizing the use of materials that can have a harmful impact on people or the environment. By 2015, NCC is to have at least 400 housing units in production that have prepared content declarations according to the Nordic Swan Ecolabel criteria.

TARGET FULFILLMENT

This was the first year when NCC monitored the number of housing units whose constituent products are declared according to the Nordic Swan Ecolabel criteria. During the year, 57 housing units had this type of product declaration, and another 390 units are under production. Accordingly, the target of 400 housing units has already been achieved.



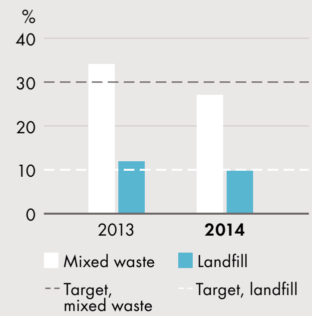
INCREASE RESOURCE EFFICIENCY, RECYCLING AND WASTE REDUCTION

Portion of mixed waste, and landfill

NCC's product development is to be characterized by resource efficiency and the operations based on circular flows. Of the total amount of waste from construction sites, not more than 10 percent may be sent to landfill, and the portion of mixed waste may not exceed 30 percent.

TARGET FULFILLMENT

The proportion of recycled waste increased during 2014. Mixed waste now accounts for 27 (34) percent of the total amount of waste, and 10 percent (12) is disposed of in landfills. During 2014, NCC thus achieved the target set for 2015.



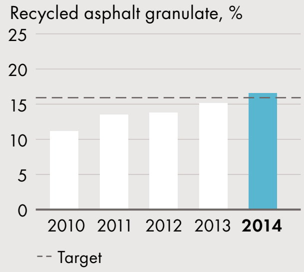
Recycled asphalt granulate

The proportion of renewable and recycled materials and components in NCC's product range is growing steadily. By 2015, recycled asphalt granulate is to account for at least 16 percent of NCC's total production of asphalt.

TARGET FULFILLMENT

The proportion of recycled asphalt granulate from the production of asphalt has increased steadily over the years. With the 75 plants that currently handle granulate recycling, recycled granulate accounts for 16.5 percent (15.0) of total production of hot asphalt, an increase of nearly 50 percent since 2010. The target of at least 16 percent was thereby achieved.

Recycled asphalt granulate, %



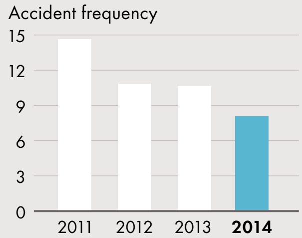
WORK ENVIRONMENT

A good work environment and a safe workplace are highly prioritized areas and NCC works systematically to eliminate the number of accidents. NCC has adopted a zero vision regarding occupational accidents. Accident frequency is calculated as the number of worksite accidents resulting in one day or more of absence from ordinary work per million worked hours.

TARGET FULFILLMENT

As a result of the company's structured safety efforts, accidents at NCC's workplaces decreased to 8.0 (10.6), a reduction of 45 percent since 2011. One fatality occurred within Construction Sweden in February 2014.

Accident frequency



Bridge construction *that is scarcely noticeable*

Just north of Stockholm by the E4 Expressway at Rotebro, Sweden's busiest road junction, NCC is replacing two highway bridges. In terms of bridge engineering, this bridge-building project differs from others because NCC is not building a temporary bridge but using one of the new bridges for traffic while the old bridges are demolished and the new one is built. Subsequently, the 325-meter bridge will be moved laterally into position. This ensures that the large flow of traffic, with six lanes, is retained and that safety is high for motorists and bridge builders throughout the construction period. But what makes the project remarkable is that it is scarcely noticeable. While construction is in progress, the vehicles rush by as usual and, under the bridges, inter-city trains speed by.

MAJOR GAINS FOR SOCIETY

This is the first time that this solution has been used on such a large scale in Sweden. The solution contributes major gains for society in the form of reduced productivity losses, unimpacted travel time, less emissions and fewer accidents. Since costs have been reduced and the bridge process has become smoother, the Transport Administration is a very satisfied customer. Rotebro is also the first earthworks and civil engineering project in Sweden to be environmentally certified for both project engineering and execution under the international certification system CEEQUAL. By the time the project is complete in 2015, it will have answered a total of 200 environmental questions from CEEQUAL.

1st

environmental certification under CEEQUAL

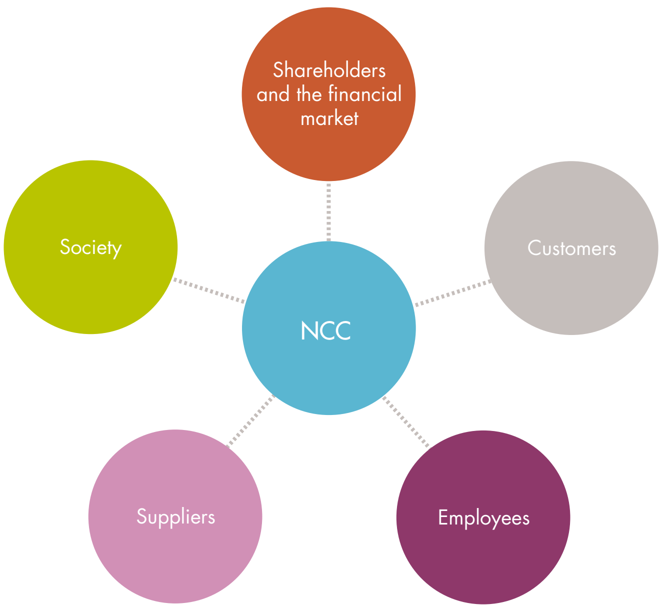
325 meters

long bridge will be moved in place in July 2015

Value generation for stakeholders through *continuous dialog*

By tracking and analyzing the trends and driving forces affecting NCC's business environment and through continuous dialog with its stakeholders, NCC can continue to generate profitable growth that also creates stakeholder value.

NCC'S STAKEHOLDERS



NCC's stakeholders are shareholders and the financial market, customers, suppliers, employees and other members of society. The dialog with these stakeholders is an important basis for operations and also helps to ensure that NCC can continue to create value for its stakeholders. In day-to-day work, tens of thousands of meetings between people and a continuous exchange of ideas and experience take place that benefit us in our continued development All these meetings generate added value and contribute to the long-term development of the operations.

Shareholders and financial market

NCC generates long-term value for shareholders by paying dividends and growing with a healthy return on invested capital. During 2014, the price of the NCC share rose 18 percent, and the Board proposes a dividend of SEK 12 per share. Over a five-year period, NCC has generated a total return of 183 percent for its shareholders, compared with an average return of 89 percent for the Nasdaq Stockholm exchange (SIX Return Index) during the same period.

NCC regularly meets its investors, analysts, the credit market and shareholders. Shareholder dialogs take place at, for example, capital market days, Annual General Meetings, with the help of the Annual Report and through other forms of communication.

In recent years, an ever greater interest in green transactions has been noted in terms of both the products delivered by NCC and also of investors wishing to find companies with a sustainable strategy. These investors require that the companies or projects that they loan to or invest in have ambitious environmental aims. As early as 2012, NCC entered into a long-term borrowing agreement with the Nordic Investment Bank in an amount of SEK 500 M. This was based on the construction of energy-efficient office buildings within NCC Property Development. NCC has concluded that this part of the investor market will grow and be an interesting addition financially, while also serving as an important driving force in efforts to guide the switch to the sustainable society.

Customers

NCC's customers are central and local governments, as well as private-sector companies and private individuals. NCC has made a long-term commitment to contributing to its customers' success by delivering sustainable buildings and structures. Since construction and civil engineering projects are complex and often extend over long periods, close cooperation and dialog with customers is required to shape more efficient projects and processes, while ensuring that everyone works towards the same sustainable targets.

Through strategic partnering, the efficiency of this cooperation can be enhanced, ensuring that the projects can be delivered on time, with the right quality and cost and lead to more satisfied customers.

Certain customers are large clients who regularly commission NCC, while others are one-time purchasers. Since all customers are equally important to the company, it is vital that a straightforward dialog is pursued to ensure that customer expectations are met.

NCC also regularly performs thorough market and customer satisfaction surveys to better understand the customers' needs and preferences. When planning new residential areas, NCC sends invitations to attend information meetings and engage in dialog.

Suppliers

Developing sustainable and competitive purchasing is a key issue for us. Group purchases of goods and services currently total about SEK 40 billion. In addition to direct purchases of materials, significant amounts of energy, consumables and various types of construction contracts and consulting services are purchased.

On top of financial value, NCC contributes, through cooperation with suppliers, to the development of products and services and to improved processes. Since the company is a major developer, large numbers of subcontractors are commissioned, and it is essential that there are competent suppliers who can deliver what NCC requires. NCC also builds value through the transfer of competencies and various types of cooperative projects.

NCC endeavors to continuously examine its suppliers on the basis of financial, social and environmental criteria.

Employees

One of the key issues for NCC is attracting the best talents, while simultaneously successfully developing and retaining current employees. Competent and motivated employees lead to superior profitability and more satisfied customers.

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

Society

NCC is a large employer with international operations and participates in the development of the physical environment of communities.

NCC is also engaged in social issues linked to the company's operations. In Sweden, NCC has for several years actively participated in discussions on the conditions for residential construction and has constructively provided valuable insights and experiences, including proposals to speed up the decision-making and construction process. NCC also engages in continuous dialog with various interest organizations and participates actively in various forums and organizations that pursue issues linked to the company's operations, such as the various Green Building Councils in the Nordic region.

VALUE GENERATION FOR STAKEHOLDERS

SEK M	**2014**	2013
Economic value generated		
Customers	56,898	57,830
Economic value distributed		
Suppliers	–42,522	–43,484
Employees	–8,956	–8,863
Lenders	–370	–279
State (expensed tax and social security fees)	–3,211	–3,214
Shareholders' equity	–1,294[1)]	–1,294
Economic value retained	**545**	**696**

1) Proposed dividend.

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 Stockholm/Large Cap.

Share performance and trading

During 2014, stock markets continued to show a stable and positive trend. The Nasdaq Stockholm exchange ended the year up by 12 percent and an increase of 18 percent was noted for the Series B NCC share. This may be compared with the Nasdaq sector index, which rose 23 percent during the same period. The year-end price of the NCC share corresponded to market capitalization of SEK 26.7 billion.

During the year, a total of about 179 million (166) NCC shares were traded in a total of 992,507 (781,139) completed transactions at a total value of SEK 40 billion (27.9). The Nasdaq Stockholm exchange accounted for 95 percent (95) of trading in Series A NCC shares. For Series B shares, Nasdaq Stockholm accounted for 49 percent (51) of trading, which means that other marketplaces accounted for 51 percent (49). The turnover rate for Series A shares was 10 percent (10) on all marketplaces and 9 percent (10) on Nasdaq Stockholm. The turnover rates for Series B shares were 214 percent (204) in total and 103 percent (104) on Nasdaq Stockholm. The turnover rate for Nasdaq Stockholm as a whole declined to 66 percent (67) during the year.

Ownership structure

Nordstjernan AB is the largest NCC shareholder. During the year, Länsförsäkringar fund management, Skandia Liv and the US fund iShares joined the list of the ten largest shareholders. The proportion of foreign shareholders declined to 21 percent (22) of the share capital, with the US and UK accounting for the largest holdings. The current list of shareholders is available on www.ncc.se.

Share repurchases and conversions

NCC did not buy back any shares in 2014. The company holds 592,500 Series B shares to cover its commitments under long-term incentive programs. In 1996, holders of Series A shares were provided with the opportunity to convert their Series A shares to B shares. A total of 37.8 million shares have been converted since 1996. Written requests regarding conversion must be submitted to the Board of Directors.

Dividend and dividend policy

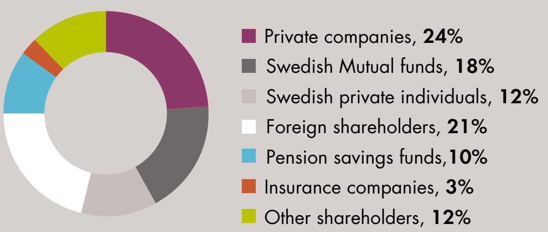
NCC's dividend policy is to distribute at least half of profit after taxes as dividends. For 2014, the Board proposes a dividend of SEK 12.00 (12.00) per share, divided into two payments. The proposed dividend amounts to SEK 1,294 M (1,294), corresponding to 71 percent of profit after tax. The total return in 2014 (based on the share performance and dividend paid in relation to the price of NCC's share at the beginning of the year) was approximately 24 percent (64) for Series B NCC shares. The Nasdaq Stockholm average, according to Six Return Index, was 16 percent (28).

THE NCC SHARE IN 2014

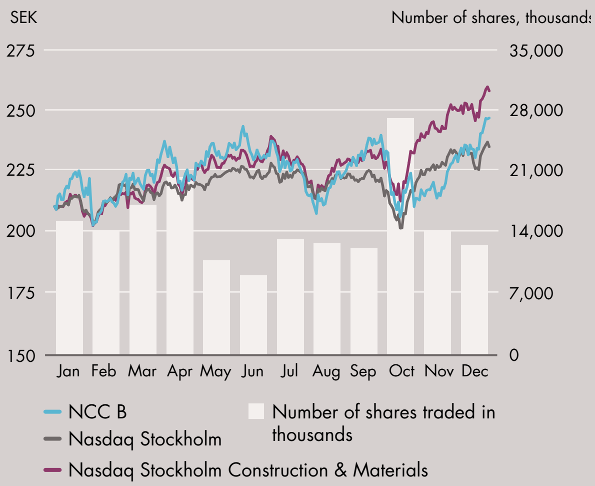
	Series A shares	Series B shares
Total number of shares[1]	26,023,097	81,820,225
Voting rights	10 votes	1 vote
Total share turnover, including late entries, millions	2.5	176.7
– of which, on Nasdaq Stockholm	2.4	85
Total value of share turnover, SEK M	554	39,500
– of which, on Nasdaq Stockholm	528	18,900
Turnover rate, %		
– total, all marketplaces	10	214
– on Nasdaq Stockholm	9	103
Share price at start of year, SEK	209.50	209.90
Share price at year-end, SEK	245.20	246.80
Highest price paid, SEK	249.20	248.60
Lowest price paid, SEK	198.00	197.60
Beta value	0.96	1.09
Paid-out dividend, SEK	12.00	12.00
Total return, including dividend, %	23.53	24.09

1) Excluding treasury shares.

SHAREHOLDER CATEGORIES, PERCENTAGE OF SHARE CAPITAL



SHARE-PRICE TREND AND TURNOVER, 2014



Source: Six and Fidessa

FIVE-YEAR TREND IN NCC SHARES

	2010	2011	2012	2013	2014
Market price at year-end, NCC B share, SEK	147.80	121.00	136.20	209.90	246.80
Market capitalization, SEK M	16,005	13,136	14,706	22,748	26,720
Earnings per share, SEK[1]	14.05	12.08	17.51	18.40	17.01
Ordinary dividend, SEK	10.00	10.00	10.00	12.00	12.00[2]
Dividend yield, %	6.8	8.3	7.3	5.7	4.9
Total return, %[3]	30	–11	21	64	24
Number of shares outstanding at year-end (millions)	108.4	108.4	108.0	107.8	107.8

Key figures per share are presented in the Multi-year review on p. 108.
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

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 2000–2013	–35,403,560	35,403,560	
Share buybacks 2000–2013		–6,627,892	–6,627,892
Sale of treasury shares 2005–2011		6,035,392	6,035,392
Number of shares outstanding at Dec 31, 2013	**27,708,122**	**80,135,200**	**107,843,322**
Conversion of Series A to Series B shares 2014	–1,685,025	1,685,025	
Number of shares outstanding at Dec 31, 2014	**26,023,097**	**81,820,225**	**107,843,322**
Number of voting rights	260,230,970	81,820,225	342,051,195
Percentage of voting rights	76	24	100
Percentage of share capital	24	76	100
Closing price Dec. 31, 2014	245.20	246.80	
Market capitalization, SEK M	6,381	20,193	26,574

DISTRIBUTION OF SHARES BY HOLDING, DECEMBER 31, 2014[1]

	No. of shareholders	Percentage of total no. of shareholders	No. of shares	Percentage of share capital
1–500	33,424	76.7	5,437,797	5.0
501–1 000	5,352	12.3	4,416,464	4.1
1 001–10 000	4,234	9.7	11,340,812	10.4
10 001–100 000	396	0.9	12,368,506	11.4
100 001–1 000 000	104	0.3	32,698,133	30.7
1 000 001–	13	0.1	41,581,610	38.4
Total	**43,524**	**100**	**107,843,322**	**100**

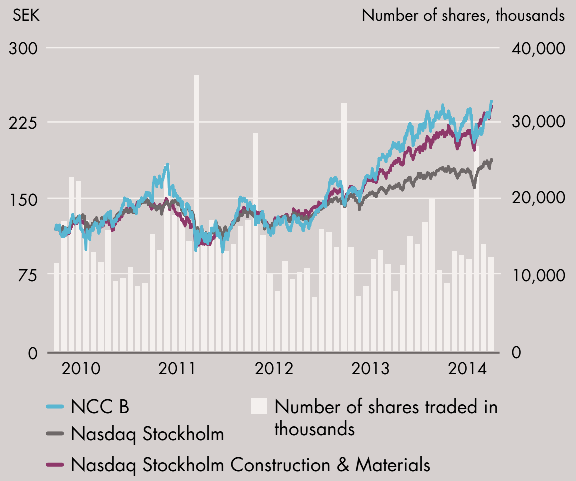
1) Excluding treasury shares.
(Source: Euroclear Sweden AB.)

OWNERSHIP STRUCTURE AT DECEMBER 31, 2014

				Percentage of	
	Number Series A	Number Series B	Total no. of shares	Share capital	Voting rights
Nordstjernan	22,200,000,	968,178	23,168,178	21.4,	65.1
SEB funds		7,426,661	7,426,661	6.8	2.2
Swedbank Robur funds	420,392	4,444,989	4,865,381	4.5	2.5
AMF Insurance & Funds		4,682,545	4,682,545	4.3	1.4
Norges Bank Invest-mentManagement	4,239	2,399,747	2,403,986	2.2	0.7
SHB funds	28,430	1,972,457	2,000,887	1.8	0.7
Lannebo funds		1,440,211	1,440,211	1.3	0.4
Länsförsäkringar fund management		1,318,309	1,318,309	1.2	0.4
Skandia Liv	328,833	927,598	1,256,431	1.2	1.2
iShares funds		1,181,764	1,181,764	1.1	0.3
Total ten largest shareholders	**22,981,894**	**26,762,459**	**49,744,353**	**45.8**	**75.0**
Total other	3,041,203	55,057,766	58,098,969	54.15	25.0
Total number of shares outstanding	26,023,097	81,820,225	107,843,322		
Buyback of company shares		592,500	592,500	0.05	0.00
Total number of shares	**26,023,097**	**82,412,725**	**108,435,822**	**100.0**	**100.0**

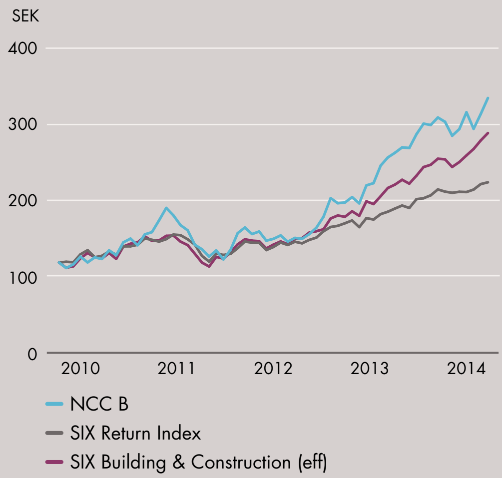
(Source: Euroclear Sweden AB.)

SHARE-PRICE TREND AND TURNOVER, 2010–2014



Source: SIX and Fidessa

TOTAL RETURN, 2010–2014



Source: SIX

Better life in the suburbs *with Bertta*

In Finland, like the other Nordic countries, many suburbs to major cities are in acute need of upgrading. However, because most of the properties are privately owned, it is difficult for the municipalities to pursue a refurbishment program. To solve this problem, NCC developed Bertta, a compact multi-family dwelling that can be built on a car park or a backyard. Desolate empty spaces are transformed into an attractively populated area. By selling land to NCC, the property owner also receives funds that can be used to refurbish the existing buildings.

STABLE AND SOCIALLY SUSTAINABLE

The mix of new-built and upgraded older buildings creates variation for the residents, which increases the purchasing power of the population thus benefiting local companies. The suburb becomes more stable and socially sustainable. The first two Bertta buildings were completed in 2014 in the Vantaa suburb of Myyrmäki. Another five buildings are under way or are planned. The reason why the Bertta concept needs so little land is that the two bottom floors are used as a parking building. If the building is erected on an existing parking lot, three stories are used as a parking building, to meet the parking needs of the new tenants.

2–3

Stories on which there are parking facilities are built into the buildings

25%

of the population in Finnish cities lives in suburbs

NCC's geographical markets

NCC occupies a strong market position in all segments in Sweden. In the other Nordic countries, as well as Estonia, Latvia, Germany and St. Petersburg, NCC's positions vary and offer potential for strengthening, both geographically and within various 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, asphalt, paving and road services. Large customer groups are central and local governments and major companies in areas including the mining industry, as well as private customers who buy housing.

Orders received: 32,023 (27,560)
Order backlog: 26,429 (22,366)
Net sales: 26,831 (30,547)
Operating profit: 1,252 (1,648)
Capital employed: 8,348 (7,382)
Number of employees: 9,517 (9,988)

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 materials, asphalt, paving and road service operation. Large customer categories include the Norwegian central government, municipalities, property companies and other major companies.

Orders received: 9,789 (9,691)
Order backlog: 8,857 (7,641)
Net sales: 8,989 (10,172)
Operating profit: 175 (198)
Capital employed: 3,938 (3,453)
Number of employees: 2,348 (2,418)

NCC IN DENMARK

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

Orders received: 8,077 (7,683)
Order backlog: 8,153 (5,995)
Net sales: 7,576 (5,671)
Operating profit: 428 (239)
Capital employed: 3,557 (3,847)
Number of employees: 2,086 (2,114)

NCC IN GERMANY

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

Orders received: 3,899 (3,255)
Order backlog: 4,227 (3,256)
Net sales: 3,170 (2,508)
Operating profit: 328 (229)
Capital employed: 1,268 (877)
Number of employees: 715 (686)

NCC's three *different businesses*

INDUSTRIAL, PAGES 24–27

STONE MATERIALS, ASPHALT, PAVING AND ROAD SERVICES

CONSTRUCTION AND CIVIL ENGINEERING, PAGES 30–35

ALL OF NCC'S CONSTRUCTION, FROM HOUSING TO INFRASTRUCTURE

DEVELOPMENT, PAGES 36–41

DEVELOPMENT OPERATIONS FOR HOUSING AND COMMERCIAL PROPERTIES

NCC IN FINLAND

NCC in Finland focuses on residential and building construction. Establishment of a civil engineering operation 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: 5,736 (7,381)
Order backlog: 5,343 (6,514)
Net sales: 9,230 (8,181)
Operating profit: 277 (267)
Capital employed: 3,296 (3,039)
Number of employees: 2,557 (2,786)

ST. PETERSBURG

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

Orders received: 1,697 (1,290)
Order backlog: 1,659 (1,800)
Net sales: 913 (633)
Operating profit: 148 (108)
Capital employed: 852 (779)
Number of employees: 402 (356)

NCC IN THE BALTIC COUNTRIES

In Estonia and Latvia, NCC constructs housing. Construction has been concentrated to the capital cities of Tallinn (Estonia) and Riga (Latvia).

Orders received: 160 (118)
Order backlog: 110 (89)
Net sales: 157 (111)
Operating loss: –4 (–11)
Capital employed: 491 (527)
Number of employees: 28 (12)

INDUSTRIAL
CONSTRUCTION AND CIVIL ENGINEERING
HOUSING DEVELOPMENT
PROPERTY DEVELOPMENT

All amounts are stated in SEK millions (SEK M).

INDUSTRIAL
– STONE MATERIALS, ASPHALT, PAVING AND ROAD SERVICES

Industrial operations are conducted in the NCC Roads business area. The core operation is the production of stone materials and asphalt, as well as asphalt paving and road services.

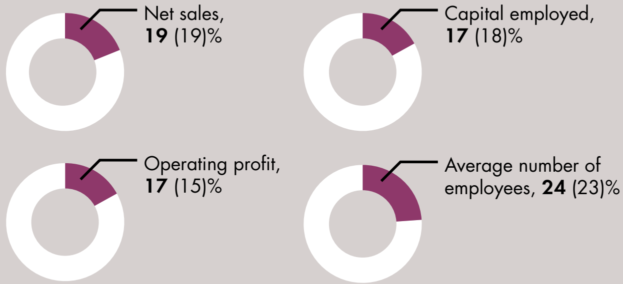
Stronger position *with new organization*

NCC's industrial business is based on a distinct value chain involving the production of stone materials, asphalt, paving and road services. The various parts are integrated with NCC's construction and civil engineering operations.

2014 IN BRIEF

Sales in industrial operations increased slightly in 2014, primarily as a result of higher sales of stone materials. Asphalt sales matched the 2013 level. Operating profit rose 13 percent to SEK 459 M, with the increase primarily resulting from higher earnings in road services operations.

SHARE OF NCC TOTAL



12.1
Sales, SEK Bn

6.2
Asphalt (million tons)

0.5
Operating profit, SEK Bn

28.3
Stone materials (million tons)

KEY DATA

SEK M	2014	2013	Change, %
Net sales	12,153	11,999	1%
Operating profit	459	406	13%
Capital employed	3,619	3,557	2%
Average no. of employees	4,26	4,119	3%
Stone materials, 1,000 tons[1]	28,272	27,395	3%
Asphalt, 1,000 tons[1]	6,216	6,257	–1%

1) Sold volume

The initial link in the value chain consists of a high-tech industrial process in which stone materials are produced both for the building materials industry and the contractors involved in earthworks and civil engineering. The basic stone material is extracted primarily from proprietary quarries and is used in the production of asphalt, which is the second link in the chain. The production of asphalt is an industrial process that takes place in proprietary asphalt plants. The asphalt is used in various types of road surfacing in the third link, referred to as paving. The final link in the value chain is maintenance of road networks, frequently in multi-year road-service contracts.

NCC delivers stone materials and asphalt to everything from garage driveways and small roads to major infrastructure projects. Deliveries are also made to other construction and civil engineering operations, with aggregates used when laying foundations for housing, offices and industrial sites, as well as in the concrete industry.

The operations are primarily concentrated to the Nordic countries, where NCC is the leading player in the industry. Distribution between the various markets is relatively constant and tracks trends in the construction market. Sweden is the largest single market, accounting for about half of sales. Asphalt and paving operations are also conducted on a smaller scale in the St. Petersburg area.

Customers are found in both the private sector and in municipal and central government administrations. The private market accounts for the largest portion of the customer base. In an effort to meet the public sector's need for long-term solutions, NCC offers total-package undertakings – referred to as function contracts – which include long-term resources planning for paving and multi-year servicing and maintenance contracts for road networks.

In 2014, NCC continued its long-term strategic efforts to attain local market leadership, to secure access to aggregates from proprietary quarries close

THE VALUE CHAIN

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

to urban areas and to increase coordination within the business area and strengthen its customer focus.

NCC Roads is the market leader in the Nordic region. During the year, the business area was reorganized into three Nordic divisions – stone materials, asphalt and road services. The change has streamlined the organization and created better conditions for a pan-Nordic approach to operations. The business area strengthened its position and leveraged the economies of scale provided by the Nordic organization. The divisions can focus more on business development and satisfying the future needs of customers, with the ambition of becoming the customers' first choice.

STRATEGIC FOCUS AREAS 2012–2015

STRENGTHEN POSITION through increased efficiency and production of proprietary products

DEVELOP POSITION in the value chain
- recycling
- road services

EXPAND in Norway

GROWTH OBJECTIVE
The target for the industrial business is for sales growth during the strategy period to correspond to at least double the GDP growth rate.

Products and methods for reduced environmental impact

Customers are becoming increasingly environmentally aware and are demanding more products and services with a lower environmental impact, primarily in terms of carbon dioxide. This was also shown by the results of the latest customer survey implemented by NCC in all Nordic markets towards the end of 2014. NCC focuses proactively on energy-efficiency initiatives to reduce its environmental impact. Energy-efficient paving techniques, asphalt recycling and alternative fuels are some of the initiatives that have been introduced.

A higher number of total-package undertakings enables more long-term and efficient resource planning. Lengthy contract periods facilitate optimization of asphalt paving from a lifecycle perspective, thus benefiting customers while NCC's product development moves towards more sustainable solutions.

NCC has a number of accredited road-related laboratories in the Nordic region, in which extensive R&D activities are pursued. Among other products, these facilities develop the many different types of paving that NCC produces to reduce its environmental impact.

Products and methods that reduce the adverse impact on the environment have been developed and concentrated under the NCC Green Concept® name, of which NCC Green Asphalt® is the best known. This is a production method that results in significantly lower carbon-dioxide emissions than the conventional production of hot asphalt.

ACTIVITIES IN 2014

The restructured organization for NCC Roads, with three Nordic divisions, was launched on January 1. During the year, the business area focused on capitalizing on the economies of scale that the revamped Nordic organization and the business's market-leading position offer. In addition, work continued on key issues prioritized in recent years.

Roads United – the new joint working approach and the IT system designed to boost synergism in the business area and integration with customers – was implemented throughout the Nordic countries. Operations underwent extensive technological development. Several operational areas were digitalized, with mobile solutions deployed in all markets.

A Nordic-wide operational system has begun to take shape. The system will include all aspects of quality, safety and environment, thereby also facilitating complete documentation regarding customers, suppliers and subcontractors.

NCC Recycling – the establishment of a network of recycling terminals for construction and civil engineering materials continued, as did efforts to further develop operations to ensure that recycling terminals can handle all types of construction waste. NCC is strengthening its position in recycling and will be able in the future to manage all of its construction waste from a natural eco-cycle approach.

New technology has begun to be applied in stone materials operations in an effort to inventory and calculate material volumes in rock pits and gravel quarries. Camera drones have taken over the former manual operations. Calculating precision has improved considerably, a decisive factor for effective and efficient production planning. The drones also offer safety benefits, since steep-sided quarries represent hazardous work environments.

Excavation operations (blasting) were expanded in Sweden in 2014. Machinery resources are being increasingly relocated across larger geographical areas, while substantially expanding the customer base.

Capital rationalization initiatives have significantly raised production efficiency and reduced equipment utilization in asphalt operations. Higher energy conversion and asphalt granulate recycling contributed to enabling NCC to conduct operations with an ever-decreasing environmental impact.

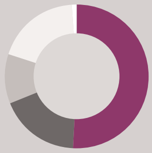
Road services – Nordic coordination aimed at enhancing internal efficiency – continued and a major strategic shift was initiated. This entails that operations do not focus solely on conventional road service contracts and other services, but also on developing a broader product portfolio that includes offerings in various service areas. One example is NCC ViaSafe® in the safety area.

Self-draining asphalt *reduces the risk of floods*

Climate change means that flooding and overloads of sewage systems are becoming increasingly common. NCC has developed products and methods to prevent flooding. NCC Permavej® is one example of asphalt paving that self-drains rainwater into the soil. Beneath the asphalt lies a specially developed stone materials product, NCC DrænStabil®, with properties that ensure that the water quickly and readily penetrates the soil.

GEOGRAPHIC MARKETS, SHARE OF NET SALES

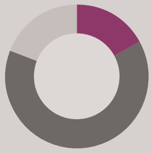
Distribution among markets is relatively constant and tracks the trend in the construction market. No major changes occurred in the distribution of net sales in relation to 2013.



- Sweden, **51** (50)%
- Denmark, **18** (18)%
- Finland, **11** (11)%
- Norway, **19** (19)%
- St. Petersburg, **1** (2)%

PRODUCT MIX, SHARE OF NET SALES

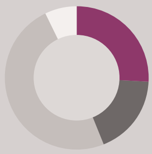
Asphalt and paving account for most of sales in the industrial operation. Of the remainder, stone materials and road services represent half each.



- Stone materials, **17** (17)%
- Asphalt and paving, **64** (63)%
- Road services, **19** (20)%

CUSTOMER MIX, SHARE OF NET SALES

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



- Central government, **26** (27)%
- Municipalities/county councils, **18** (19)%
- Private customers, **49** (47)%
- Internal in NCC, **7** (7)%

MARKET

STONE MATERIALS

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

ASPHALT AND PAVING

Competition in the asphalt production market primarily consists of other nationwide companies. On the other hand, numerous local players are active in paving operations.

The maintenance market for road networks is growing in pace with increased road traffic, offering potential for future asphalt operations. The energy requirements for production are significant and energy prices are highly volatile. Action is being taken to reduce energy dependence and gain control over energy costs, and through initiatives to satisfy customer demands for lower carbon emissions.

ROAD SERVICE

The competitive pressure in road services is intensifying. Although the market was previously dominated by government-owned companies, public-sector operators are now exposed to greater competition and are losing their market shares to private players. In Finland, central government road service operations have been privatized and a similar process is under way in Norway. The only central government company remaining in this area is the Swedish one, which also has operations in Norway.

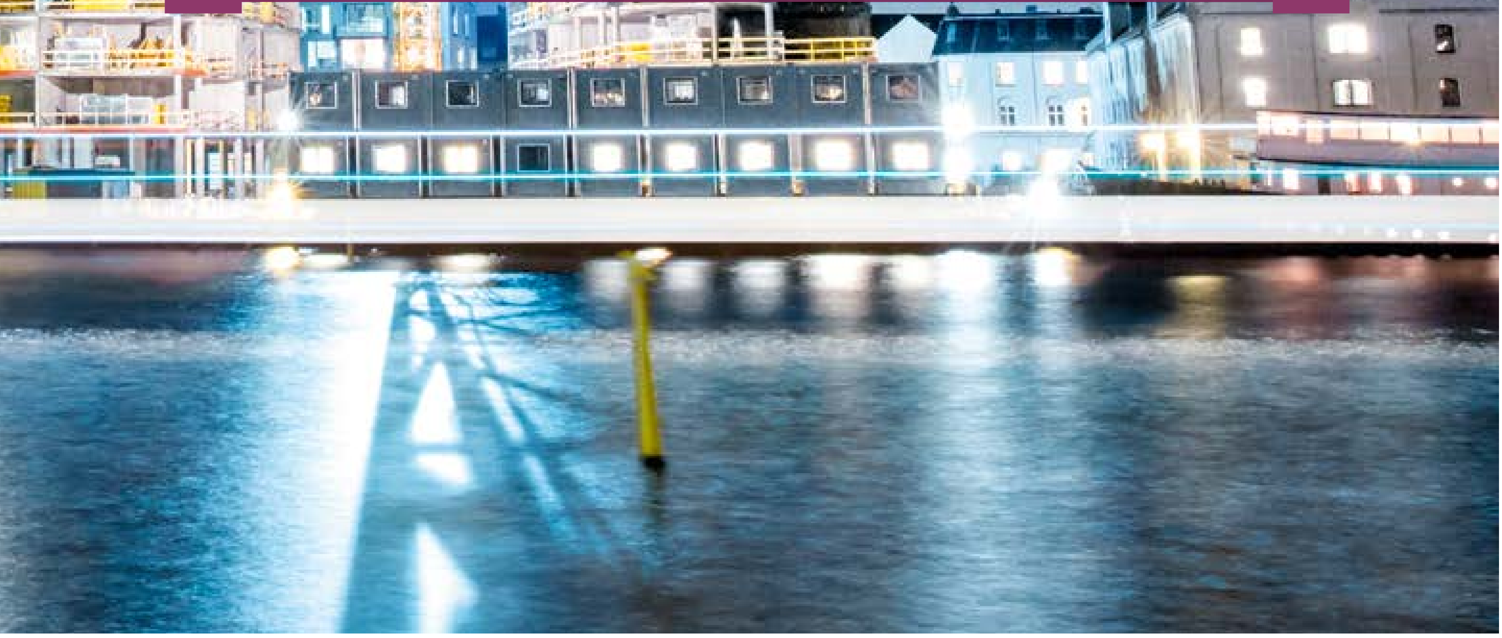
The Swan has landed *in Copenhagen*

Those living in one of the 38 apartments in NCC's new multi-family building at Krøyers Plads have a beautiful view of Copenhagen Harbor. They also have the privilege to stay in Denmark's first Nordic Swan Ecolabeled housing facility. Compliance with the Nordic Swan Ecolabel entails that the building meets stringent requirements in terms of minimum eco-footprint, approved construction materials, healthy indoor environment, energy efficiency and favorable economy. NCC has 390 Nordic Swan Ecolabeled apartments and single-family homes under production. The building at Krøyers Plads is Denmark's first and was constructed by NCC in 2014. Among other features, it offers 40 percent higher energy efficiency than required by Danish law.

MILESTONE FOR A SUSTAINABLE SOCIETY
The factors that prompted NCC to select the Nordic Swan Ecolabel include the fact that most individuals in the Nordic countries are aware of what it represents. The Nordic Ecolabel has been used since 1989 on such products as detergents, household appliances and toys, as well as on building materials. Swan ecolabeling for multi-family buildings, single-family homes and preschools is relatively new, and as yet not so many people know that it exists. But that will soon change. NCC has an ambitious goal and views housing construction as a significant milestone in a more sustainable community. In Denmark, the plan is that all new housing constructed in the future will be Nordic Swan labeled. Next up are row houses on Havnevigen at the Islands Brygge dock, with occupancy scheduled for November 2015.

40%
higher energy efficiency

38
38 new Nordic Swan Ecolabeled housing units



CONSTRUCTION AND CIVIL ENGINEERING

– ALL NCC'S CONSTRUCTION, FROM HOUSING TO INFRASTRUCTURE

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

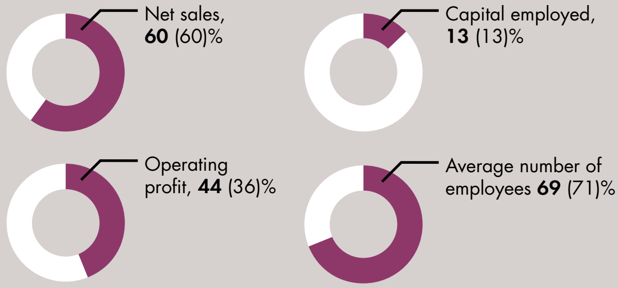
Leading construction operation *for a sustainable society*

NCC's construction units create value by understanding the customer's operations and social development requirements. NCC is frequently involved at an early stage in the planning of new infrastructure, housing areas and public places, and can thus utilize its collective know-how in project engineering, planning and construction processes.

2014 IN BRIEF

The construction market in Sweden, Norway and Denmark improved during 2014. Orders received for NCC's construction operations rose 13 percent and the order backlog advanced SEK 6 billion to SEK 38.6 billion. Sales in 2014 fell slightly due to NCC having a lower order backlog in early 2014 compared with 2013. Operating profit improved 25 percent, with a higher operating margin in all of NCC's construction units.

SHARE OF NCC TOTAL



38.5
Sales, SEK Bn

4,000
Number of construction projects

1.2
Operating profit, SEK Bn

KEY DATA

SEK M	2014	2013	Change, %
Orders received	43,938	38,865	13%
Net sales	38,472	39,163	–2%
Operating profit	1,215	976	25%
Average no. of employees	11,952	12,853	–7%
Cash flow before financing	1,275	312	309%

Each day, construction operations meet customers from both the private and public sectors. Ideas are realized in interaction with municipalities, county councils, government agencies and public-utility housing companies in the public sector, and with retail, industrial and service companies in the private sector.

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 produces stone materials, asphalt and lays asphalt paving, is another key partner in earthworks and infrastructure projects.

By understanding the customer's operations and business, combined with an awareness of what is possible to develop and construct, NCC and the customer can add value – not only for the customer – but also for the customer's customer.

For example, NCC constructs many schools, public baths, offices and housing every year and thus creates opportunities for efficient processes, development of platforms and knowledge of best practice. The combined know-how is valuable for customers who, perhaps, build a school once in a decade.

Platforms and processes are abstract concepts, but require that NCC adopts a systematic approach to and procedures for purchasing, Virtual Design and Construction (VDC), production planning and risk management, for example.

NCC adds value for clients by having well-developed planning and production processes and cooperative formats based on dialog and shared goals. When combined with an understanding of customer processes and challenges, sustainable solutions are created offering substantial value for society.

Nordic base

NCC has Northern Europe as its base and conducts construction and civil engineering operations in 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 several strategic areas, including partnering, purchasing and VDC. Orders received are relatively evenly divided between the construction of housing, buildings and infrastructure.

NCC in Norway has a long tradition of civil engineering, with roads, tunnels and infrastructure providing a stable base, but also builds housing, commercial premises and public buildings such as schools and hospitals. Norway is a definite growth area for the NCC Group. In Denmark, NCC is one of the large construction and civil engineering companies in a fragmented market, with operations in building and civil engineering construction, residential construction and services.

In line with the Group's strategy for profitable growth, NCC is establishing civil engineering operations at a plant in Finland in an effort to become a comprehensive contractor in this market too. Currently, NCC is strong primarily in housing and office construction in Finland.

St. Petersburg has a substantial underlying need for new housing. Residential production has increased sharply in recent years, making St. Petersburg one of NCC's largest housing markets.

Cash flow permits investment

NCC's construction and civil engineering operations pursue thousands of projects in the Nordic countries. The core construction competency consists of being able to lead and coordinate suppliers, subcontractors and materials procurement in multi-varied projects, ranging all the way from mains refurbishment in multi-family buildings to major nationwide infrastructure projects.

Building production ties up relatively little capital and normally generates continuous cash flow that also supports NCC's potential to develop offices and housing, and to produce stone materials and asphalt, 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 the Group's overriding objective of profitable growth and being the customer's first choice, through efficient production, innovative capacity and market leadership. With sustainable processes, products and services, NCC enhances it market presence in well-defined growth areas in the market.

A number of key strategic areas offer potential for strengthening competitiveness. Partnering, VDC, 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 VDC. It has also developed extensive knowledge in a form of collaboration known as partnering and is now a leader in this field.

Best worldwide in partnering

During 2014, NCC strengthened its organization with new partnering managers to enable it to offer strategic partnering to an even higher degree. Strategic partnering entails that the parties create long-term customer relations and lengthier framework agreements extending over a number of projects. This permits the parties to work in a more structured format and share best practices, while the repetition enhances quality and reduces costs.

Efficient risk management is essential

Risk management is based on well-functioning shared business systems and well-developed procedures for tendering new projects. During 2014, NCC took initiatives to strengthen control of major projects. With firmer management and control, profitability is improved at the same time as the risk of project losses are reduced. An increase in the margin by one-percentage-point has a significantly larger impact on earnings than a 5–10 percent increase in volume.

Knowledge is concentrated in platforms

NCC's platforms are developed to match customer requirements and provide proven functionality and cost-effective methods. NCC's knowledge of planning, production and best practices is collected in the platforms. By being a large construction company, NCC can develop 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 have defined technical solutions and governing project engineering requirements, as well as instructions for choosing effective production methods. This results in production becoming more repetitive, which provides opportunities for continuous improvement. The platform approach simplifies project engineering, purchasing and construction, ultimately enabling greater control of costs, quality and sustainability performance.

STRATEGIC FOCUS AREAS, 2012–2015

GROWTH OBJECTIVE

The target for the construction and civil engineering business is to raise sales by a minimum of twice the gdp growth rate at the end of the strategic period in 2015.

FOCUS

The work environment and safety are always the foremost priorities. The development of VDC, operational systems, risk management and purchasing operations provides a basis for efficient operations and market competitiveness.

EXPAND AND ESTABLISH OPERATIONS

Construction and civil engineering operations in Norway are expanding through organic growth and corporate acquisitions. Meanwhile in Finland, civil engineering operations are being established as a supplement to construction activities.

ACTIVITIES IN 2014

1. Infrastructure cooperation in the Nordic countries. NCC interacts across national boundaries as part of efforts to meet rising international competition in a vibrant Nordic infrastructure market.
2. Shared structures for operational systems in the Nordic countries with joint control and benchmark points, as well as a joint structure for risk and possibility assessment.
3. Advance positions in VDC. Undertake flagship projects in all countries. In consultation with customers, use NCC Project Studio to plan construction projects at an early stage.
4. IT management in additional central areas provides a foundation for more efficient operations and improved cooperation among the countries.

Taina Sunnerborg, the customer at Telge Fastigheter, and Matti Virrki, NCC

Best worldwide *in strategic partnering*

Södertälje, Sweden, is the site of the world's foremost cooperative construction project. In 2014, NCC and Telge Fastigheter received the 2014 prize for the world's best strategic partnering collaboration. The prize was awarded in San Francisco by the International Partnering Institute, which promotes the dissemination of good partnering.

Since 2008, Telge Fastigheter and NCC have cooperated in a partnering agreement covering the development and construction of 22 public-service buildings, such as schools, preschools, sports arenas and residential homes for the elderly, with a value of almost SEK 1 billion.

22

public-sector buildings since 2008 with a value of nearly

SEK 1 billion

GEOGRAPHIC MARKETS, SHARE OF NET SALES

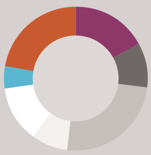
Sweden is the largest market for NCC's construction and civil engineering operations, accounting for 54 percent (55) of sales. Lower production in NCC Construction Sweden and NCC Construction Norway resulted in a slight adjustment of the breakdown of net sales compared with 2013.

- Sweden, **54** (55)%
- Denmark, **11** (9)%
- Finland[1], **17** (17)%
- Norway, **18** (19)%

[1] Including St. Petersburg, Estonia and Latvia.

PRODUCT MIX, SHARE OF NET SALES

Housing continues to account for a large share of the product mix. During 2014, infrastructure rose in primarily Norway and Sweden. The segment "Other" includes schools and hospitals.



- Infrastructure, **17** (15)%
- Earthworks, **10** (12)%
- Housing, **25** (23)%
- Industrial and processing plants, **8** (10)%
- Offices, **13** (14)%
- Business centers, etc., **5** (5)%
- Other, **22** (21)%

CUSTOMER MIX, SHARE OF NET SALES

Private customers remain the dominant customer category for construction and civil engineering operations. The remaining customer groups declined slightly compared with the preceding year.

- Internal in NCC, **16** (17)%
- Government, **13** (14)%
- Public utility housing companies, **8** (8)%
- Municipalities/county councils, **22** (23)%
- Private customers, **41** (38)%

NCC has developed platforms in all business areas and can offer solutions ranging from sports centers, swimming complexes, offices and logistics facilities to roads, schools and housing.

Practice makes perfect

Having constructed a large number of sports halls, NCC has identified the solutions and functions that work best. This experience is embedded in the planning of each new project. NCC's sports halls are based on a flexible basic design that can easily be adapted to meet the requirements of the particular sport and facility size. A common feature of all varieties is high built-in functionality, starting with the players' demands and the administration's need for smooth maintenance.

Functions, technical solutions and materials offer consistently high quality and performance, thus also facilitating environmental certification, indoor climate declarations and climate offsetting in the sports hall.

Nordic Swan Ecolabel housing

An example of where progress in technology and sustainability go hand in hand is NCC's Design Duo and Design Quattro housing products. NCC can build well-designed Nordic Swan ecolabeled housing at a low price, with short construction periods. Thanks to pre-project engineering and a controlled and standardized construction process, the customer receives a quality-assured product with minimum energy consumption and a predictable construction period. Nordic Swan ecolabeled housing confirms the potential of the full utilization of a platform-based approach.

VDC helps the customer

Nowadays, VDC – Virtual Design and Construction – is a self-evident aid in many projects and is about to transform the construction process. Applying VDC, NCC can initiate an early dialog with the customer and all those involved in the project for a joint review of what is to be delivered. Even before construction start-up, customers can commence planning their particular activities and management based on virtual, computerized models.

VDC largely involves how parties to a construction project collaborate, the work methods used and how work is monitored. NCC has created the NCC Project Studio to promote and develop cooperation and quality. Aided by computer models, the project studio gathers project participants to visualize, optimize and evaluate the planned products. The result is efficient, quality-assured and controlled products optimized throughout the entire process, from initial concept to management.

NCC has used VDC in over 650 projects and is thus the industry leader, not only in the Nordic countries but also globally. VDC is used in all types of construction projects, from housing and building construction to civil engineering and infrastructure projects.

To keep ahead, NCC provides in-house training to employees in this application area, and completed a comprehensive training course jointly with Stanford University in 2014.

Passive buildings can be constructed even in an arctic climate

NCC constructed a passive building in Kiruna, Sweden, where winter temperatures average minus ten degrees.

Since a passive building is extremely energy efficient, it offers major personal and environmental savings in areas with a cold climate. The project was nominated for the Swedish Construction of the Year, 2015 award.

55
kWh per sqm/yr

Systematic work for greater safety

Work environment activities at NCC are characterized by persistence and intense determination to realize the Group's zero vision – meaning zero accidents at work. NCC's systematic work environment efforts encompass all processes, starting from early planning and project engineering and then extending throughout the construction stage, all in a bid to minimize identified risks and manage any remaining risks in a structured manner.

An efficient and smoothly functioning building project is always marked by low sickness absence and few work-related injuries. Operational planning and control include effective supervision and monitoring of the work environment, health and safety.

NCC devotes considerable resources to training, support and the monitoring of safety measures in all countries in which it operates.

Attitudes toward health, safety and the environment proceed from NCC's values and permeate the entire organization's approach and performance in these matters.

For the fourth consecutive year, NCC arranged NCC Awareness Day during which all employees participate and discuss safety issues. Feedback from this event contributes to enhancing the work environment at all of the company's workplaces.

Sustainability at all stages

Construction operations act on a broad front to achieve a more sustainable society. These actions range from resource conservation at the construction stage, controlling purchasing, providing energy-efficient buildings and housing with a healthy indoor climate, and solutions for greater security, to ethical action in everyday work to permit life-cycle assessments of operations.

NCC continuously develops its sustainability activities, for which the environment, people and economy are the three pillars.

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 Nordic construction companies with the most extensive experience in passive housing, and all proprietary housing is of the low-energy type.

By carefully analyzing completed projects NCC, lays the foundation for developing zero-energy and plus-energy housing.

MARKET

The recovery in Europe was uneven and growth remained low at 0.8 percent in 2014. Growth is expected to rise slightly in 2015 to 1.4 percent. The primary factor underlying the slow growth rate was weaker development in Germany. Lower demand from the euro zone, plus a fall in exports to Russia, were factors that impacted on German output and exports.

Stable Swedish demand

The Swedish economy showed relatively favorable growth of almost 2 percent in 2014, which is expected to rise to 3 percent in 2015.

Households acted as the primary locomotive in the economy. Affordable housing loans and a stable labor market were the key growth factors.

Conditions in the construction market were buoyant, with growth anticipated again for 2015. In particular, investments in new housing contributed to the positive trend in 2014. However, residential construction is expected to level off and show moderate growth in 2015. The construction of offices, commercial premises and public buildings is expected to strengthen during 2015, driven mainly by the private sector. Civil engineering construction is expected to gain momentum during 2015 when several major construction projects commence.

Slow improvement in Denmark

Following several years of economic crisis, Denmark is slowly making a comeback. Renewed confidence in the future is reflected in rising prices for buildings, higher job creation and lower unemployment.

The Danish construction market improved during 2014 in housing and other areas. The housing segment is also expected to develop well in 2015. Healthy market activity was particularly notable in Copenhagen and Aarhus.
The expectations are that demand for other types of buildings will remain at a similar level in 2015, while demand in the civil engineering segment has declined slightly.

Growth has leveled out in Norway

Following a period of positive development for the Norwegian economy, growth has stabilized at a moderate level due to lower investment in onshore industry, a leveling-off in the oil industry, weaker international growth and lower employment.

The Norwegian construction market is expected to remain buoyant in 2015, notably in civil engineering. Housing sales in the secondary market have risen but there has been no increase yet for new housing. Other building construction is expected to grow in 2015, driven by public sector investment, while private investment is expected to decline. Access to funding has improved but unrest in the oil market is a negative contributory factor.

Weak trend in Finland

The Finnish economy is struggling with a loss of competitiveness and structural problems in the IT, telecom and forest-products industries, compounded by higher unemployment. Construction activity in Finland is flat. In 2014, there were about 25,000 housing starts, a year-on-year decline of 10 percent, and the number is expected to fall further in 2015. Consumer demand is weak, but the activity of housing funds and other investors has supported residential construction. The civil engineering market declined in 2014 and the outlook for next year is made bleaker by factors including reduced funding for road maintenance and lower housing production.

DEVELOPMENT
– DEVELOPMENT OPERATIONS FOR HOUSING AND COMMERCIAL PROPERTIES

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

Developing future residential *and work environments*

The foundation of all professional property development involves understanding customer needs and, on this basis, creating favorable residential and work environments. Extensive urbanization and the growth of large cities continue to drive demand for sustainable cost-effective, high-quality residential and commercial properties. Flexible solutions and advanced expertise in sustainable property development contribute to NCC's ability to provide attractive offerings to discerning customers and investors.

The value chain in NCC's housing and property development business extends from project concept and analysis to land acquisition, concept development, production and ultimately sales, whereby capital is released for new development projects. NCC is developing and constructing the communities of tomorrow. Long-term responsibility, in which the sustainability issue is high on the agenda, enhances the benefits for NCC's customers and for municipalities and investors, by contributing to the positive development of urban areas and property values.

Both development operations and residential and commercial properties are capital intensive activities, which means that NCC's insight into the areas in the various markets that can provide maximum return is a vital factor. The development process is conducted in close cooperation with customers, municipalities, landowners, architects and other stakeholders.

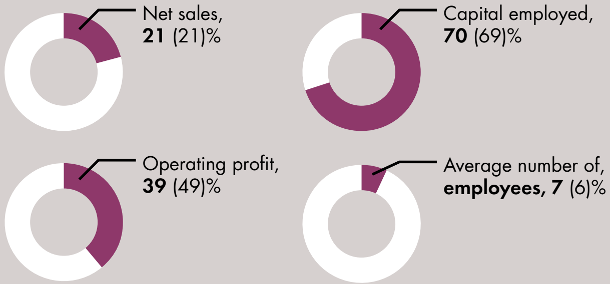
A customer-driven process

The basis of all professional urban development involves the ability to develop solutions based on customer insights and to create favorable residential environments and effective office and commercial environments. The business concept is to develop appropriate land sites for new, sustainable residential

2014 IN BRIEF

Sales and earnings declined in NCC's development operations because fewer and smaller commercial property projects were recognized in profit in 2014. During the year, however, construction was started on several new commercial property projects, primarily in Sweden. Sales and earnings in the housing development business increased in 2014. Housing sales were robust, with NCC started more housing projects.

SHARE OF NCC TOTAL



13.3
Sales, SEK Bn

7,687
Housing units in production

1.1
Operating profit, SEK Bn

17
Commercial properties

KEY DATA

SEK M	2014	2013	Change, %
Net sales	13,260	13,841	–4%
Orders received[1]	12,480	10,921	14%
Operating profit	1,087	1,318	–18%
Capital employed	15,292	13,847	10%
Average no. of employees	1,214	1,170	4%

1) Refers solely to NCC Housing

and work environments in which buildings are adapted to customer requirements and to an area's unique conditions and circumstances. In 2014, a keener focus on customer needs and purchasing power contributed to NCC's capacity to offer products that match the demand. Meeting customers wherever they are and making the offering as visible and accessible as possible were prioritized through a greater presence in, for example, digital media.

Focus on additional customer segments

NCC's housing customers consist primarily of individuals who invest in an own home. Meanwhile, investors are becoming an increasingly significant target group that is displaying greater interest in housing projects in a number of markets. Companies seeking new offices, logistics or retail parks represent an expanding customer segment, confirming the advantage of the broad range and considerable expertise of NCC's development operations, thereby promoting urban centers that become attractive for both residents and companies. The aim of NCC's development operations is to stay one step ahead of the market and to identify attractive and creative development projects for municipalities and urban centers. In 2014, NCC was appointed as one of eight companies to develop an initial 1,500 housing units and 1,000 workplaces in Frihamnen – Gothenburg's new urban district.

Housing development

NCC is the leading housing developer in Northern Europe. Housing development operations are pursued in eight geographic markets in the Nordic countries, Germany, St. Petersburg and the Baltic countries. This geographic area is experiencing continuous

STRATEGIC FOCUS AREAS, 2012–2015

- expand the housing development business
- focused and balanced portfolio
- wider product mix
- develop critical mass in major urban areas
- more efficient processes

ACTIVITIES IN 2014

In housing development, the priority is to widen the product mix by means of more innovative concepts, such as rental apartments that, among other gains, offer the potential for higher package sales to investors. In 2014, the number of package deals increased in Sweden and other markets.

In the development business of commercial properties, the focus is on raising leasing rates and identifying new projects. Seven new projects were started in 2014.

Sustainable development is central in the Group's endeavor to systematically optimize conditions for future owners and users of NCC-constructed housing and commercial premises. NCC is the Scandinavian property developer that has BREEAM certified most buildings.

Over the course of 2014, accessibility to digital forums was improved for new and existing housing customers. Visualization technology enables customers to virtually visit the homes that capture their attention.

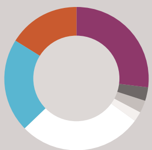
population growth, and rising inflows into major urban regions. There is healthy demand for sustainable, cost-effective high-quality housing that can be developed and sold to private customers and investors. Since the robust urbanization trend entails that growth is focused on urban centers, NCC is continuing its strategy of operating in major metropolitan areas that display significant growth and a stable, local labor market that creates demand for new housing.

Construction systems – shorter lead times, plus higher quality and lower cost

In 2014, NCC continued to 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 crucial to efforts to generate time and cost savings.

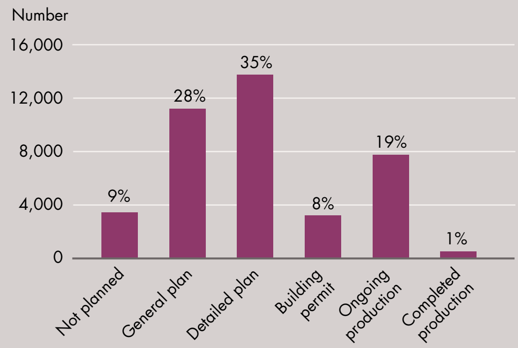
GEOGRAPHIC MARKETS, HOUSING UNDER PRODUCTION

The diagram shows housing for both private customers and investors. In 2014, NCC had housing starts in all markets, primarily in Sweden, Germany, St. Petersburg and Finland. The share of housing units under construction rose in Germany, St. Petersburg and Sweden as a result of healthy demand, but declined in Finland and Denmark.



PORTFOLIO OF DEVELOPMENT RIGHTS, ONGOING AND COMPLETED HOUSING

Of the total portfolio of 31,300 (33,200) development rights, approximately 16,800 (16,900) have made considerable progress in the development process, with building permits or detailed development plans in place, thus continuing to provide favorable potential for project starts in the years ahead. For the remaining portion of the development rights portfolio, most have a general plan for residential development in place. During 2014, the share subject to general plans declined, while the share of ongoing production and not planned increased. The successful pursuit of work on detailed development planning and creating attractive residential environments in cooperation with municipalities accounts for a major share of value generation in housing development. The percentage figure denotes NCC's total development rights.



HOUSING DEVELOPMENT

Development rights in NCC, housing starts and housing units sold for proprietary use and to the investor market

	GROUP		HOUSING DEVELOPMENT, PRIVATE CUSTOMERS		HOUSING DEVELOPMENT, INVESTOR MARKET	
	2014	2013	**2014**	2013	**2014**	2013
Development rights	31,300	33,200				
of which options	9,800	13,200				
Housing starts			4,503	3,715	1,445	1,095
Housing units sold			4,575	3,747	1,472	1,129
Housing under construction			5,952	4,831	1,735	1,552
Sales rate, units under construction, %			58	47	100	98
Completion rate, units under construction, %			45	49	65	38
Housing units recognized in profit			3,661	2,951	1,393	903
Completed housing units, not recognized in profit			438	717		
Housing units for sale (ongoing and completed)			2,812	2,884		

In 2014, NCC sold 6,047 (4,876) housing units, of which 1,472 (1,129) were in projects sold to investors. 3,661 (2,951) housing units for private customers were completed and recognized in profit. Market conditions in 2014 permitted a higher number of housing starts for both private customers and investors, mainly in Sweden, Germany and St. Petersburg. The total number of housing starts in 2014 rose to 5,948 (4,810), of which 1,445 (1,095) were in projects for investors.

A complete and more detailed table is available on www.ncc.se

A simple and secure transaction

NCC aims to assist customers as soon as possible in their new home investment by offering various security packages. The packages include insurance policies, warranties and services that protect and help customers before and after they purchase their NCC home. The various features include cover for double housing costs, unemployment or illness.

Customers are increasingly finding their new home via NCC's websites or portals linked to them. Visualization tools allow customers to virtually explore the housing units they are interested in and to choose their options for the selected apartment. A shared platform with a user-friendly interface has been implemented in all of NCC's markets, adding to customer willingness to buy a new home at an early stage of a project.

Sustainable housing

NCC's overall target is that those who invest in and move into an NCC home should be provided with conditions conducive to a sustainable lifestyle, in which ecological values interact well with social and economic values. Looking beyond homes, the development of sustainable communities is a prerequisite for this. In Sweden, the Norra Sigtuna Town project was awarded the 2014 Green Building Award for the sustainable development of a new district. This was given in recognition of a unique planning process, incorporating a vision-driven work method in which the residents participated right from the start in creating the new urban district. The process represents a creative mix of person-to-person dialog and professional analyses to shape a new urban center with the right materials, energy and water management plus high social values.

A healthy indoor environment is another important feature of sustainable housing. NCC has drawn up a chemicals procurement strategy to avoid building materials that are hazardous 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 materials selection was made with considerable attention to public health and the environment. Since 2013, NCC in Sweden has embraced the concept of certifying multifamily dwellings and single-family homes with the Nordic Swan Ecolabel. Buildings are also certified under the SGBC label. Denmark's first Swan Ecolabeled multifamily dwelling was completed in 2014 by NCC in Copenhagen, while construction of Norway's first Swan Ecolabeled multifamily dwelling has commenced in Bergen.

Since the home user's behavior is also a key factor in determining the eco-performance of a home, those who move into an NCC-built home receive support regarding how the unit should be utilized and cared for in a sustainable manner over the long-term. NCC also offers various tools to assist customers in controlling and limiting their energy consumption; thus helping them to save money and reduce their environmental impact.

THE HOUSING MARKET

General market conditions remained stable during 2014, a year that was characterized by a continued, gradual recovery.

The most favorable market conditions were noted in Sweden, Germany and St. Petersburg and demand remains resilient, particularly in Sweden. The Russian economic climate deteriorated during the year and the GDP forecast for the country was repeatedly downgraded. St. Petersburg, however, remains vibrant. Continuing inward migration and a rising population are exerting a positive influence on the St. Petersburg market. Despite the instability characterizing Russia during the year, there is still a positive attitude towards overseas development companies and optimism among customers regarding property investments.

Sales to the investment market have become an increasingly significant factor in housing development operations and, in 2014, a number of major package deals were completed in Finland, Sweden and Germany. There are definite signs in Sweden that this market area offers considerable potential for NCC. The Finnish housing market continued to weaken in 2014, due to negative GDP growth and a slackening consumer price index. A minor GDP increase is expected in 2015. Households are squeezed by unemployment and low real wage increases. Overall, housing prices have remained unchanged since 2011, but the number of housing transactions fell in 2014 and the market is expected to remain challenging in 2015.

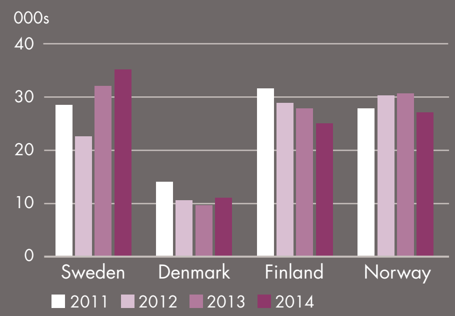
Swedish consumer confidence is growing, with a slight rise in house prices, which may be expected to bolster growth in 2015 and 2016, when unemployment is expected to decline. Market conditions in Gothenburg and Stockholm were healthy in 2014, but customers are cautious and only buy close to or after the completion of the home.

The market in Copenhagen is showing a very buoyant recovery while the rest of the Danish market is slower. Property prices edged up in Norway, but falling oil prices affected the economy.

The Latvian and Estonian economies continue to report the fastest growth rates among EU countries.

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

In Sweden and Denmark, there were more housing starts in 2014, while fewer were started in Finland and Norway.



Source: Euroconstruct

Commercial properties

NCC Property Development develops and sells commercial properties in defined growth markets in Sweden, Norway, Denmark and Finland. Operations focus on sustainable office, retail and logistics properties in attractive locations, and are characterized by expertise with in-depth understanding of specific customer requirements.

Since property development is a protracted process, it is crucial to build up trend insights in an effort to predict the demands and requirements of tomorrow's customers. Analyses must point in the right direction in terms of geographic locations and types of property that customers are likely to choose for their workplaces in five to ten years' time. NCC works systematically in accumulating insight through, for example, future studies, customer interviews and trend monitoring.

Mega-trends, such as urbanization and competition for talent, strengthen NCC's potential to develop urban centers offering attractive offices, commercial centers and, not least, support for smoothly functioning infrastructure around growth centers. NCC guides municipalities and companies in developing and building needs-based commercial spaces. This guidance takes into consideration such values as the significance of the office for the company's brand, access and peripheral services; values that contribute to boosting the attractiveness of the urban district and customers, while enhancing the value for investors.

In 2014 – for the seventh successive year – the annual Real Estate Awards survey of the international financial magazine Euromoney deemed NCC Property Development to be the best property developer in the Nordic countries.

Customer requirements represent the core of profitable property development

NCC endeavors to inspire, support and provide consultancy to companies seeking new offices. This research-based customer offering – called Future Office – is a needs-based process through which NCC cooperates closely with the customer in creating a flexible workplace that not only create conditions for efficient operations, but also improve the work situation for the customer's employees in terms of health, work environment and comfort.

Customers seeking new offices have a number of selection criteria ranging from space efficiency, price, and transport links for customers and employees to needs-based workspaces close to stores, gyms and

COMPLETED LEASING CONTRACTS PER SEGMENT

m2	Sweden	Denmark	Finland	Norway	Total
Offices	30,023	24,006	3,724	5,379	63,132
Retail	976	65	3,715		4,756
Logistics	2,530				2,530
Other	552		141		693
Total	**34,081**	**24,071**	**7,580**	**5,379**	**71,111**

Source: NCC

PROPERTY DEVELOPMENT PROJECTS[1]

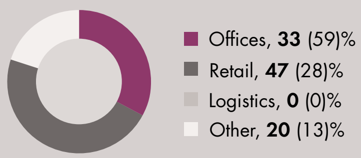
Country (number)	Completion rate, %	Leasable space, square meters	Leasing rate, %
Sweden (5)	37	85,285	59
Denmark (7)	85	40,227	58
Finland (3)	64	24,098	40
Norway (2)	74	29,011	100
Total (17)[2]	**56**	**178,621**	**63**

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 seven previously sold and profit-recognized property projects. A complete and more detailed table is available in the year-end report on www.ncc.se

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

PRODUCT MIX 2014, SHARE OF NET SALES

The retail segment was the largest segment for NCC Property Development during 2014. In 2013, there were a number of major profit-recognized office projects that had no counterparts during 2014. "Other" comprises rental revenues and other revenues. Although this item accounted for a larger share of sales during 2014, it remained unchanged compared with 2013 in absolute terms.



restaurants. Other criteria may be that the property is environmentally certified and that the location reflects the company's brand.

When NCC develops a commercial property, a detailed analysis is conducted to ensure an excellent commercial location that can offer substantial customer flows, as well as premises that are optimized to sell the tenant's products or services.

For a customer that works with warehouse and logistics solutions, the location and a highly efficient goods flow are two of the most important criteria. NCC's know-how in optimizing warehouses, combined with standardized solutions for warehouse buildings, provides highly favorable conditions for offering the optimal solution for every customer.

Sustainable property development

NCC is at the cutting edge of sustainable property development and eco-certifies all of its properties, while supporting the environmental work of tenants by signing green leases. Among Scandinavian property developers, NCC has certified most buildings using the international BREEAM and DGNB environmental certification systems. At year-end, 41 of NCC's commercial properties were BREEAM certified, or were about to be. Currently, two commercial property projects in the early stage of NCC's portfolio are seeking BREEAM Outstanding certification, a world-class level that only about a dozen office buildings worldwide have received. A somewhat different example of sustainable property development is Portland Towers in Copenhagen, which has been transformed from cement silos to modern offices. And not only people are welcome; a bird nesting-box has been built on the roof, which hopefully will attract peregrine falcons. The falcon nesting-box is included in Portland Towers' environmental certification and is an example of how responsible property development can strengthen local flora and fauna.

A town center *takes shape*

During 2014, construction began on a modern, needs-based office property for SCA in Mölndal, near Gothenburg. NCC's building is the starting point of the transformation underway in Mölndal town center.

NCC is not only building office properties and SCA's innovation center in the area, it is also involved in developing the Mölndal city center, with the vision of creating an attractive town center with a mix of commercial and housing facilities, as well as public places.

24,400
square meters office space

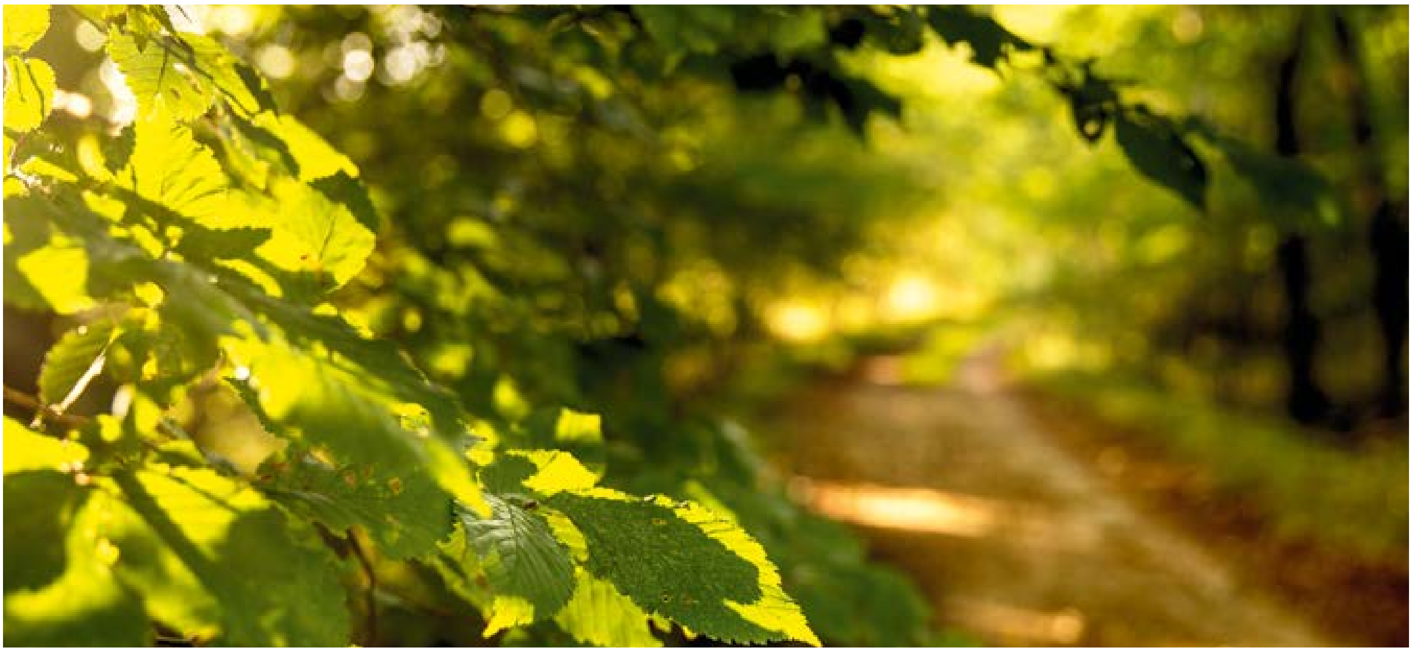
THE PROPERTY MARKET

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 companies. The single most important criterion for potential investors is to gain an excellent yield in relation to an acceptable risk level. With continuing low yields on alternative investments, demand for attractively located, environmentally certified, space-efficient properties is on the rise and is expected to remain firm in the years ahead. All Nordic metropolitan areas continue to show strong demand for modern workplaces, leading generally to a stable price level, a trend that favors NCC. Although the healthy economic situation and stable markets of the Nordic countries attract international investors, the volumes derive primarily from domestic players with a considerable need for suitable investments. The Nordic transaction market in 2014 saw a high level of activity, with interest primarily directed towards objects in the major metropolitan centers or attractive suburbs.
The transaction volume on the Nordic property market during the year totaled SEK 301 billion (184), of which Sweden accounted for SEK 148 billion (92).

OFFICE MARKETS IN THE NORDIC REGION, 2014[1)]

	Vacancy rate, %	Rent, m^2/year	Required yield, %
Stockholm	6.5	2,750 SEK	5.0
Oslo	4.5	2,900 NOK	5.0
Copenhagen	12.1	1,300 DKK	4.8
Helsinki	9.5	270 EUR	6.7

1) Refers to the inner city. Source: Newsec



The best *sustainable solutions*

NCC's sustainability efforts are based on the company's vision – to renew our industry and provide superior sustainable solutions. Through working together with customers and suppliers, and through active engagement in society, the company contributes to a sustainable future.

As a leading industry player, NCC is involved in and driving development toward a more sustainable society. This means actively contributing to reduced use of resources and the development of new technical solutions, products and work methods that contribute to society's sustainable development in terms of economic, environmental and social values. This is also aimed at breaking traditional work patterns and creating new collaborative paths with other players and stakeholders in society.

NCC develops concepts that promote social sustainability in, for example, the refurbishment and renewal of existing residential areas. NCC's sustainable refurbishment concept plays an important role in this process. Through collaboration with tenants, municipalities and other local participants, secure and economically sustainable solutions are created. Residents do not just get to influence the decision-making process in their own neighborhood, they also gain job opportunities during the refurbishments. NCC also offers trainee positions and apprenticeship schemes as part of many other types of projects.

The construction industry uses huge quantities of material resources and energy, both in its own operations and in those products and services that it supplies to society. A proactive approach is required to today's challenges to transform the construction sector into a long-term, sustainable industry.

NCC works purposefully to reduce both its own and its suppliers' and customers' environmental impact. Through working continuously with the development of additional energy-efficient, climate-compatible and resource-efficient products and services, on its own and together with customers, environmental impact is minimized and society will develop in a more sustainable direction.

NCC also plays a key role in society and actively contributes to meeting demands to build new housing as a result of the increased pace of urbanization. For example, the company has developed new business models for renovating objects from the Million Homes Program (public housing project of the 1960s and 70s), with the aim of achieving increased social and economic integration. In addition, NCC is working to strengthen the industry's reputation through the active use of tools that help to prevent the risk of cartels, bribery and corruption.

Organization and governance

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

NCC's environmental efforts are based on four overriding focus areas and are controlled by the Group's SVP Corporate Sustainability in cooperation with the environmental and sustainability managers for each business area. The group meets regularly and sets shared targets, while following up developments regarding environmental efforts.

Values that form the foundations of the business

NCC's values and Code of Conduct are the basis for all actions in our operations. Together, they act as a compass for employees and business partners, and provide guidance to daily operations.

These four values are prerequisites for achieving NCC's vision – to renew our industry and provide superior sustainable solutions.

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

RESPECT
- We value diversity and treat others respectfully
- We cooperate, value the opinion of others and stand behind our decisions
- We use all our 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 think and work in new ways
- We drive development together with our stakeholders

NCC's code of conduct

NCC' Code of Conduct is based on the company's values and on voluntary initiatives adopted by NCC, such as the World Economic Forum Partnering Against Corruption (PACI) and the UN Global Compact, an initiative that sets out principles for managing human rights, work methods, the environment and corruption. All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work. NCC's Executive Management Group is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities.

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 Ask Me function handles about 30 questions per year, of which 60 percent pertain to gifts and business entertainment. Frequently asked questions and answers are compiled on NCC Compass. The Tell Me function is a whistle-blower 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, to guarantee legally secure treatment thus protecting both the reporting party and the individual reported. This year more than 20 incidents were reported through the Tell me function, of which nine had grounds for investigation. The incidents concerned areas, such as theft and fraud.

During the year, an external Tell me function was also created with the aim of dealing with any external reports that arrived.

An extensive training initiative has been started to establish and generate understanding for the issues addressed by NCC Compass. Thus far, about 7,500 salaried employees and 300 blue-collar workers have received training and, in 2015, all remaining employees will undergo training. The course is provided online and is based on real cases and issues.

Anti-bribery partnership

Together with the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Anti-corruption Institute (IMM), the Swedish Construction Federation, the Swedish Construction Clients and other construction companies, NCC is participating in a project to prepare guidelines for construction companies when working with municipalities and county councils.

NCC is also a member of the Corporate Supporters Forum, an industry forum operated by Transparency International Sweden.

Significant issues

For the fifth consecutive year, NCC is presenting a sustainability report in accordance with the international framework of the Global Reporting Initiative (GRI) and, this year, for the first time, the report has been prepared in line with the updated G4 guidelines.

Internal analyses of strategic issues, the driving forces in society and the results of stakeholder dialogs (see page 16) lead to a definition of the sustainability issues that are most significant for NCC.

The method for defining these significant issues follows the GRI G4 guidelines and comprises identification, prioritization and validation.

Regular checks will be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

IDENTIFICATION

Initially, a general list of significant issues was prepared, which was based on identified drivers in society, the GRI's aspects, the UN Global compact, existing and future regulatory frameworks, strategic issues, etc.

PRIORITIZATION

Internal workshops were carried out with all functional areas. By gaining support for the issues in our own operations and benchmarking against industry standards, the issues were analyzed based on their impact on business activities and stakeholders.

VALIDATION

Validating the identification of the right issues entailed utilizing previously conducted surveys of customers, suppliers, employees and investors as well as gaining the support of Executive Management Group. Continued validation and updating is performed continuously through stakeholder dialogs in daily operations.

SIGNIFICANT ISSUES

The significant issues can be grouped according to economic, environmental and social responsibility, they are linked to the entire operation and pervade every link of the value chain.

SUPPLIERS
- Competition
- Anti-corruption
- Supplier evaluation

EMPLOYEES
- Occupational health and safety
- Non-discrimination
- Recruitment
- Diversity and equal opportunity
- Equal pay for men and women
- Recruitment and competency development
- Development of human capital

CONSTRUCTION AND CIVIL ENGINEERING PROCESS
- Financial performance
- Energy
- Carbon dioxide emissions
- Materials and chemicals
- Biodiversity
- Waste and resource efficiency
- Compliance with environmental legislation
- Environmental performance of products and services

CUSTOMERS
- Customer satisfaction
- Environmental performance of products and services

SOCIETY
- Recruitment
- Training and education
- Biodiversity
- Local communities

- Financial responsibility
- Social responsibility
- Environmental responsibility

ABOUT THIS REPORT AND THE CONTACT PERSON

For the fifth 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 2014 Annual and Sustainability Reports, together with information on the NCC website, fulfills the GRI disclosure requirements for G4 Core. Unless otherwise stated, all the information pertains to the entire NCC Group during 2014. The GRI index is available on NCC's website www.ncc.se/griindex.
Contact: Senior Vice President Corporate Sustainability Christina Lindbäck.

SUPPLIERS

Highly efficient, responsible purchasing

Each year, NCC makes purchases valued in billions of SEK from an array of suppliers. Therefore, the purchasing area is of great significance, NCC places great importance on developing how suppliers' operations are audited from a sustainability perspective.

Developing responsible and sustainable purchasing is a key issue for NCC. The purchasing of material and services accounts for about two thirds of the NCC Group's expenses. Group purchases of goods and services currently total about SEK 40 billion.

The purchases are made through more than 50,000 suppliers. The purchasing volumes mainly comprise services and materials relating to excavation and transportation, staffing, consultants, installation, foundations, prefabricated concrete and steel, as well as construction materials.

NCC coordinates and organizes purchasing centrally to raise efficiency, boost profitability and lower costs. 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 CPI increases for so many years.

The Group's purchasing function controls and coordinates strategic purchasing. Suppliers deal with One NCC, which is the same throughout the company, thereby increasing control over purchasing. This makes NCC stronger in negotiations and lowers costs.

Another positive effect of coordinated purchasing is that the number of suppliers and range of items declines, which also has an impact on cost savings.

Continuous audits

Over the years, NCC has built up a stable international supplier base outside the Nordic region, in part by establishing its own purchasing offices in various locations worldwide. Close partnerships with suppliers in the international market enable NCC to raise the reliability and efficiency of its supplier chain. The aim is to continue increasing the proportion purchased from suppliers outside the Nordic region.

To monitor and develop international suppliers, NCC focuses on audits of social responsibility, quality, the environment and the work environment. During the year, a review and update of the audit tool for international suppliers were initiated. NCC applies a 12-month supplier-assessment audit cycle for all international suppliers who deliver to the Nordic region to ensure compliance with and development in these areas. Serious supplier deviations that are not rectified after having been commented on, lead to the termination of the partnership.

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.

EMPLOYEES

With safety as the top priority

Competent and motivated employees contribute to NCC's success. The company retains existing employees and attract new ones by providing a stimulating workplace with high safety levels.

Everyone can impact worksite safety. Speaking up when something is not sufficiently safe contributes to a safer work environment. NCC's Time-out system means exactly that, reacting and acting when people find themselves in risky situations, so that the problem can be corrected and work can progress safely.

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. A key part of these efforts is to establish a shared safety culture, and create an environment in which everybody reacts to and acts on work environment shortcomings and incorrect behavior. Worksite accidents at NCC have been reduced by 45 percent since 2011 as a result of the company's structured safety efforts.

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 legislation.

Recruiting for the future

One of the really key issues for NCC is attracting the best talents, while simultaneously developing and retaining current employees. Competent and motivated employees generate greater profitability and increase customer satisfaction.

The construction industry continues to face a major need for recruitment, and NCC is taking an active role in securing future access to competencies. For example, the company is involved in a high-school course together with Kunskapsskolan, which offers a three-year technology program at a number of locations in Sweden. During the course, students will have continuous company contact, including trainee positions, field trips and lectures by experts from NCC. NCC also sponsors Mattecentrum, which provides math support to junior and senior high school pupils free of charge. During the year, NCC also continued to work with the Technical Leap project, whereby senior high school pupils are offered trainee positions while receiving insight into and boosting interest in the engineering profession.

Broad skills development

NCC is a knowledge-intensive organization, where education and skills development are central 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 fore-

Joint *safety discussions*

NCC's Awareness Day is organized once each year. On this day, production stops throughout NCC and employees gather in groups at their own workplaces to discuss safety. Health and safety issues are raised at the same time for discussion at all of the company's workplaces and employees discuss, for example, how accidents can be avoided. The 2014 Awareness Day, which was held at the start of September, focused on orderliness.

1,700

improvement proposals were submitted

man school, which has been in operation for several years, and which provides new types of development opportunities for skilled workers.

Diversity contributes to creativity and innovation

NCC works actively to enhance diversity and counter discrimination. Diverse backgrounds, skills, experiences and ideas contribute to creativity and new solutions. The company's Code of Conduct states that all employees are to be treated equally – regardless of ethnicity, gender, age, religion, sexual orientation, lifestyle or other attributes.

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 already work at NCC. The women's network Stella has a vital role to play in this effort. Since its start in 1998, Stella has worked to highlight women's skills and the percentage of women both generally and in leading positions.

NCC also actively promotes an increase in the percentage of employees with different ethnic backgrounds by participating in local integration projects aimed at offering immigrants training and trainee positions to prepare them work in, for example, construction and civil engineering.

Employee survey forms the foundation for improvements

Workforce satisfaction and the employees' view of the company are tracked via an employee survey – the Human Capital Index (HCI). The HCI includes questions on motivation, well-being, work satisfaction and loyalty so as to provide input to NCC's continuous improvement efforts. NCC's results outperform the industry index in most of its markets.

The 2014 survey illustrates, for example, that an extremely high and, this year, increasing percentage of employees (HCI score of 80) is of the opinion that there is an awareness at their worksites of the risks to health and safety that are linked to operations, and that there is substantial involvement in these issues among all employees.

To a considerable degree, the respondents regard NCC as a company that focuses on sustainability efforts (HCI score of 74) and that their immediate superior acts in line with NCC's values (HCI score of 84). The improvements in these areas reflect the local development efforts at the worksites.

The Silent Book is spreading across the industry

This is a unique book on safety and has reduced accidents at NCC's own construction sites. It is called the Silent Book and has been distributed to all of NCC's employees. The book uses pictorial information to describe safe working practices at construction sites. As the book is completely devoid of any text, its information reaches everybody who works on a construction site, irrespective of the language they speak.

As part of spreading an industry-wide safety mindset, NCC is initiating a cooperation with the industry and employer organization the Swedish Construction Federation (BI). A new issue is being printed of the Silent Book and it will become available for the majority of Swedish construction industry.

Focus on *traffic safety*

During the year, the new NCC ViaSafe concept was launched for increased road safety and improved traffic flows. This pertains to various services in conjunction with work on and near streets and roads. NCC is responsible for the entire process, from plans for traffic control devices and permits from government agencies to putting out correct traffic barriers and signage. This initiative is based on NCC's vision of zero work-environment accidents and increased demand for this type of competence. Increased safety and better traffic flows provide significant socioeconomic gains and also have a positive impact on the environment.

CONSTRUCTION AND CIVIL ENGINEERING

More efficient processes reduce environmental impact

The construction industry has a major environmental impact and, accordingly, NCC works actively to influence social development in a sustainable direction. One example is the new work method for capitalizing on human social values and interests in conjunction with the redevelopment of residential areas.

One of the cornerstones of all construction is obtaining resources. Projects require building materials and technical installations in many different forms. NCC works closely with its suppliers to source material choices that are as sustainable as possible.

NCC's operations should be characterized by efficient use of resources. The operations endeavor to close the eco-cycle of the various materials. One of the company's long-term goals is that no recyclable waste is to be disposed of in landfills and, instead, should be recycled or reused. The percentage of renewable and recyclable materials and components in NCC's product range should also grow.

Toward circular flows

Life-cycle analyses help to optimize the usage of materials in production. Through increasing resource efficiency in construction processes, the amount of recycled material should gradually increase and waste quantities diminish.

In many parts of NCC's operations, the recycling of construction and civil engineering material form a core part of the business. One example is the NCC Recycling business concept. Since the recycling of asphalt and other materials is more energy and cost effective than new production, NCC is continuously improving its recycling capacity in an increasing number of asphalt plants, thus permitting more ecocycle-adjusted operations. In 2014, recycled asphalt granulate accounted for 16.5 percent (15.0) of hot asphalt production.

Reduced emissions and renewable sources

NCC's goal is to continuously reduce the company's climate impact by reducing emissions of greenhouse gases in both its operations and the products offered to the market. Increasingly optimized energy consumption and a transition to more environmentally compatible energy sources are high on the agenda. Low-energy and passive buildings featuring advanced energy technology in which renewable energy are given far greater scope can be seen in, for example, solar cells and bedrock heat.

Because the energy requirements of asphalt production are significant, which entails a major impact on the environment, NCC launched a method for heating asphalt plants with wood pellets a couple of years ago in order to reduce carbon emissions. During 2014, 12 NCC asphalt plants in Sweden and Norway were converted to the use of wood pellets. The goal is for the majority of NCC's 29 asphalt plants in Sweden to run on wood fuel within five years.

In 2014, NCC also reduced its carbon emissions from asphalt production in the Nordic region by using recycled asphalt and increasing production of NCC Green Asphalt. Currently, NCC has 75 plants that recycle asphalt and of these 40 have been remodeled to produce NCC Green Asphalt.

Phasing out hazardous substances

NCC's objective is to be able 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

Recycling generates new material and *reduces environmental impact*

NCC Recycling, NCC's Nordic concept for recycling, comprises a major strategic initiative aimed at reducing environmental impact. Recycling terminals, where used material such as stone materials, gravel, sand and soil products are processed and sold as new products, are increasingly being established in the various markets. Development of the concept is continuing and, in the near future, the recycling terminals will be able to accept all types of construction waste. This means that NCC will be able to manage all of its own building materials. At present, a total of three terminals are in operation in Sweden, Denmark and Finland. In 2015, one new terminal will open in Denmark and one in Sweden.

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 hazardous substances. 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 has been further intensified by NCC's purchasing organization.

NCC has been using well-known product-selection systems for many years. In the environmental certification of projects, logbooks have been developed in which selected products are described. In addition to logbooks, the BASTA, ChemXchange and Byggvarubedömning tools are used primarily to make the right product choices.

Ecosystem services in urban development

Ecosystem services have become increasingly important to sustainable urban development. Ecosystem services refers to the functions of ecosystems that benefit mankind, that is those that maintain or improve people's well-being, for example, wetland water purification or the use of vegetation for thermal control.

Ecosystem services are of major socioeconomic significance and active management of these services will benefit NCC's business. For example, Urban vegetation helps lower the temperature on hot summer days, which equates to lower energy costs due to reduced cooling needs.

EMISSIONS FROM NCC'S OPERATIONS

	2014	2013
Greenhouse gas emissions CO_2e (1,000 tons)	249	265
– of which, scope 1[1]	221	239
– of which, scope 2[2]	28	26
Net sales, SEK M	56,867	57,823
CO_2e (ton)/SEK M	4.38	4.57

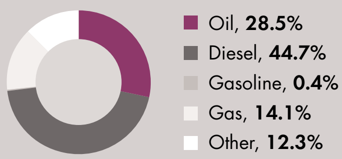
[1] Pertains to direct emissions from NCC's operations.
[2] Pertains to indirect emissions from electricity and heat.

INDIRECT ENERGY USE

MWh	**2014**	2013
Electricity	240,729	219,134
District heating	41,278	46,521
District cooling	85	283
Total	**282,092**	**265,938**

The table shows NCC's usage of purchased energy.

DIRECT ENERGY USE



The diagram shows NCC's energy usage of various fuels.

CUSTOMERS

The best sustainable solutions

NCC's products and services have an impact on the environment and society even after the conclusion of the project. Accordingly, a key part of operations comprises cooperation with customers to secure sustainability aspects in the utilization phase.

NCC offers customers 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.

A sustainable offering list is attached to every tender exceeding SEK 50 M. The customer can then choose to utilize NCC's expertise in Green Construction and receive a tangible environmentally compatible offer. The aim is to make it easier for customers to act sustainably, in both the construction process and in utilization.

Under the Green Tenders initiative, customers are offered, for example, energy-efficient and environmentally compatible establishment of workplaces, climate-declared buildings and climate compensation.

In 2014, an updated version of Green Tenders was launched, which comprises more services than the purely climate related. With time, Green Tenders will become standard at NCC and will comprise additional aspects of an economic and social character.

Certification as a tool for assessment

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. The company plays an active role 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. In its proprietarily developed projects, NCC adheres to BREEAM for commercial buildings and city districts (in Denmark, NCC adheres to the German system, DGNB) and the Nordic Swan Ecolabel and SGBC certification for residential projects. If customers so wish, LEED is also used.

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, transportation, recycling, noise and dust, as well as communication with neighbors and other stakeholders.

SOCIETY

A visible role in sustainable social development

NCC plays a major role in society and actively contributes to sustainable social development.These efforts focus on minimizing the company's own impact, for example in the form of emissions, but also on contributing to identifying sustainable solutions to society's problems.

For some years, NCC has actively participated in the Swedish debate concerning the conditions for increased residential construction. With experience gained from the Nordic countries and Germany, where NCC is the largest housing developer, the company has constructively mediated valuable insights and experience with proposals for a faster decision and construction process.

Research and development that contribute to society

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

NCC also engages in continuous cooperation with various universities and colleges and employs about seven industrial PhD candidates every year, who constructively contribute to NCC's strategic development. In Sweden, NCC 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.

Wood makes *asphalt sustainable*

NCC has developed and a patent is pending for an innovation that enables large-scale use of wood pellets in asphalt production. The initiative marks a change in the industry. Every year, 21 million tons of hot asphalt is produced in the Nordic region, and NCC is responsible for about one third. To date, heating oil and gas have been the primary fuels in asphalt plants. By switching to renewable fuels, such as wood pellets, for all of the Nordic region's asphalt plants, the asphalt industry as a whole would be able to reduce carbon-dioxide emissions by 460,000 tons, corresponding to emissions from 280,510 cars each year*.

RAPID CONVERSION AT NCC

During 2014, NCC converted 12 of its asphalt plants in Sweden and Norway to using wood pellets. Over 2015 and 2016, the plan is to convert some ten additional plants to operating on renewable fuel. A total of 22 kg of carbon dioxide is emitted per ton of asphalt produced using heating oil. Accordingly, by the end of 2016, NCC will have reduced emissions of fossil-fuel carbon dioxide emissions from its asphalt production by about 50,000 tons.

* Based on a diesel-driven car that consumes 0.052 l/km and is driven 12,180 km/yr, which is equal to 1,647 tons of CO_2 per car per year.

12

of NCC's asphalt plants use wood pellets

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 2014 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 material and asphalt, and provides paving and road services. Operations are mainly conducted in the Nordic region. In Germany, NCC focuses primarily on housing. In St. Petersburg, NCC builds housing and has an asphalt and paving operation.

OPERATIONS DURING THE YEAR

Market

The Swedish construction market improved in all segments during 2014. In Norway, infrastructure investments contributed to an expanding civil-engineering market. The Finnish market remained weak. In Denmark, growth is primarily arising in the metropolitan regions of Copenhagen and Aarhus in the housing and other buildings segments, in both new builds and refurbishment.

In NCC Roads' markets, demand for asphalt and stone material was generally favorable during the year. Due to the mild weather towards the end of 2014, production could continue later in the year. In Finland, market conditions for asphalt och stone material were more restrictive than in the other markets. The market trend in Russia has become more uncertain due to political developments during the year.

The market trend in NCC's housing markets generally remained favorable. In Sweden and Germany, demand was healthy with rising prices. In Finland, demand was weaker, but there was demand from the investor market and from the private market for small and reasonably priced housing units. In Norway, housing prices increased slightly but a declining price for oil had an adverse impact on the economy. The weaker economic situation in Russia has not yet impacted demand for housing units in St. Petersburg, which has a stable labor market with low unemployment. Demand for housing remains favorable in Copenhagen.

For commercial properties in Sweden, demand in the leasing market was favorable, vacancy rates low and interest from investors high. In Copenhagen, there is pressure on rent levels because of high vacancy rates in the portfolio of old office units. Vacancies were stable in Oslo since few new office projects were completed in 2014. In Helsinki, transaction volumes were high but demand in the leasing market was weak.

Changes among senior executives

In March 2014, Jacob Blom, was appointed the new HR Director and a member of Executive Management Group. Jacob Blom had served as acting HR Director since November 2013, succeeding Mats Pettersson who left the company at year-end 2013. Jacob Blom has long-standing experience in the field of the Human Resources both from NCC in Denmark and other companies.

Jyri Salonen was appointed new Business Area Manager for NCC Roads and a member of the Executive Management Group in December 2014. He assumed his new position on February 1, 2015. Jyri Salonen has been Division Manager at NCC Road Services since January 2014 following four years as Business Unit Manager for NCC Roads in Finland. He was employed as the Finance and Business Control Manager of NCC Roads in Finland in 2008. Until February 1, 2015, NCC Roads' Business Area Manager, Göran Landgren, remains at NCC at Group level with responsibility for special initiatives and projects. Göran Landgren reports to President and CEO Peter Wågström.

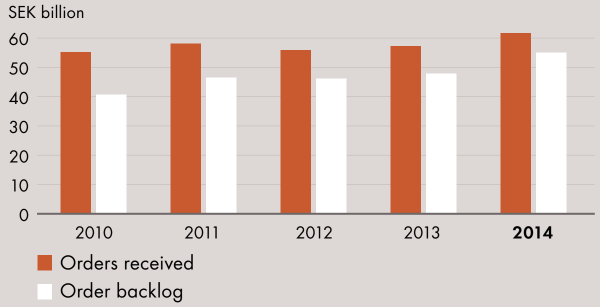
Orders received

Orders received amounted to SEK 61,379 M (56,979). Orders received were higher in NCC's Construction units in Sweden, Denmark and Norway. NCC Housing reported an increase in orders received, while NCC Construction Finland and NCC Roads noted declines. NCC Roads registered more infrastructure projects in the year-earlier period. Exchange-rate changes increased orders received by SEK 445 M compared with the preceding year.

Orders received for proprietary housing projects for private customers amounted to SEK 11,295 M (9,029). During 2014, 4,503

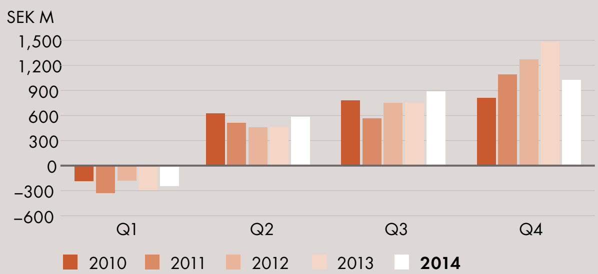
ORDERS RECEIVED AND ORDER BACKLOG

Orders received during 2014 were higher than in 2013, primarily for housing units. During 2013, orders received rose, primarily because of more housing project starts as well as an increase in other buildings. Orders received were slightly lower in 2012 compared with the historically high level noted in 2011, mainly due to a decline in orders received by the Construction units in Sweden, Denmark and Finland. 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 high during 2010, primarily because of strong demand for housing.



PROFIT/LOSS AFTER FINANCIAL ITEMS

A decline in profit was noted in the final quarter of the year, mainly because NCC Property Development profit-recognized a number of property projects during the fourth quarter of 2013. The start of the year was seasonally weak. During the second quarter of 2014, all business areas reported strong earnings, apart from NCC Property Development. Earnings increased in the third quarter, primarily as a result of higher earnings from NCC Housing.



(3,715) housing units for private customers and 1,445 (1,095) units for the investor market were started. During the year, 4,575 (3,747) housing units were sold to private customers and 1,472 (1,129) units to the investor market. Orders received for proprietary property development projects amounted to SEK 1,996 M (2,309). The order backlog rose SEK 7,140 M compared with the preceding year to SEK 54,777 M. Changes in exchange rates had a positive impact of SEK 211 M on the order backlog.

Net sales
Net sales totaled SEK 56,867 M (57,823). The decline was due to lower sales in NCC Construction units in Sweden, Norway and Finland, and in NCC Property Development. Fewer projects were recognized in profit, which explains the lower net sales in NCC Property Development. NCC Roads reported higher sales, particularly in its aggregate operations. The volumes of stone material rose year-on-year mainly as a result of healthy performance in Sweden and Norway. An increased number of profit-recognized housing units for private customers resulted in higher net sales for NCC Housing compared with the preceding year. Exchange-rate changes increased sales by SEK 626 M compared with 2013.

Operating profit
Operating profit amounted to SEK 2,604 M (2,679). All business areas reported higher earnings year-on-year, with the exception of NCC Property Development, which reported fewer profit-recognized projects. The greatest earnings improvement was attributable to NCC Housing, which recognized more housing units in profit during the year.

The total operating profit for NCC's Construction units was higher than in the preceding year and the operating margin was also higher. In 2013, impairment losses on projects in NCC Construction Norway had a negative impact on earnings.

NCC Roads operating profit improved compared with 2013, primarily as a result of improved earnings within road services. Despite higher sales of stone material, earnings from stone material declined due to higher costs in Denmark and costs for the development of recycling operations. The asphalt operations reported another strong year with a margin that matched the preceding year.

NCC Housing's operating profit was higher than in 2013 as a result of an increase in the number of profit-recognized housing units for private customers, a higher margin on units sold to the investor market and sales of land.

NCC Property Development's operating profit was lower than in the preceding year. During the year, seven (11) projects were recognized in profit. In 2013, projects were recognized in profit at a better margin.

"Other and eliminations" amounted to an expense of SEK 157 M (expense: 21), of which eliminations of inter-company gains accounted for expense of SEK 18 M (income: 66). Profit after financial items totaled SEK 2,234M (2,400). Due to higher interest rates in Russia, net financial items declined to an expense of SEK 370 M (expense: 279).

Profit after tax for the year amounted to SEK 1,838 M (1,989). The effective tax rate for NCC was 18 (17) percent.

FINANCIAL POSITION
Profitability
The return on equity after tax was 22 percent (26).

Total assets
Total assets amounted to SEK 38,987 M (38,793).

Net indebtedness
Net indebtedness amounted to SEK 6,836 M (5,656), of which net indebtedness in ongoing projects in Swedish housing associations and Finnish housing companies accounted for SEK 1,963 M (1,714). The reason for the higher net indebtedness was that tied-up capital increased, primarily in housing projects, while the pension debt rose.

Cash flow
Cash flow before financing was SEK 574 (1,661). Cash flow from changes in working capital amounted to a negative SEK 928 M (positive: 211). Cash flow from property and housing projects matched the preceding year. Higher sales of housing projects during the year facilitated more starts, thus increasing investments by the same rate. During the year, lower sales of property projects were offset by lower investments. Cash flow from operating activities declined compared with 2014, mainly due to a decrease in interest-free financing. Also refer to the Cash flow statements on p. 68.

Equity/assets and debt/equity ratio
On December 31, the equity/assets ratio was 23 percent (22). The debt/equity ratio amounted to a multiple of 0.8 (0.7).

Seasonal effects
The operations of NCC Roads and certain activities within NCC's Construction units are affected by seasonal variations caused by 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 amounted to SEK 24,899 M (20,348). The upswing was primarily due to an increased number of housing projects, as well as to a higher number of projects in the other buildings and civil engineering segments. Operating profit amounted to SEK 640 M (637). Lower production was offset by improvements in project margins.

NCC Construction Denmark
Orders received by NCC Construction Denmark amounted to SEK 5,587 M (4,929). The increase was due to a higher level of orders received in the housing segment. The higher sales and the continued healthy profitability resulted in an earnings improvement to SEK 281 M (208).

NCC Construction Finland
Orders received amounted to SEK 5,799 M (6,491). The decline was due to lower demand in the other buildings and housing segments. Operating profit improved to SEK 148 M (127) as a result of improved margins.

NCC Construction Norway
Orders received rose to SEK 7,653 M (7,098). The increase derived from a rise in orders received in civil engineering, as a result of two large-scale civil engineering projects registered in the fourth quarter, and from housing, which increased from a low level. Operating profit was SEK 146 M (3). In the preceding year, earnings were adversely impacted by impairment losses on projects in a number of other building projects.

NCC Roads
Net sales totaled SEK 12,153 M (11,999). The increase was primarily attributable to higher stone material sales, as a result of healthy development in Sweden and Norway. Operating profit amounted to SEK 459 M (406). The increase was mainly attributable to improved earnings in road services. Despite higher sales, earnings from stone material declined due to increased costs in Denmark and costs for developing recycling operations. The asphalt operations had another strong year with a margin that matched the preceding year.

NCC Housing

A total of 4,575 (3,747) housing units were sold to private customers and 1,472 (1,129) to the investor market. Housing sales to private customers rose the most in Sweden and St. Petersburg, but also in Germany and Latvia, while sales in Estonia, Norway and Denmark were on par with the year-earlier period. However, sales declined in Finland.

During the year, construction started on a total of 4,503 (3,715) housing units for private customers and 1,445 (1,095) units for the investor market. Higher sales facilitated an increase in housing starts for private customers.

The number of profit-recognized housing units was 3,661 (2,951) for private customers and 1,393 (903) for the investor market. The number of unsold, completed housing units at year-end was 438 (717). The number of housing units under construction totaled 7,687 (6,383), including 5,952 (4,831) units for private customers. The sales rate for units under construction for private customers was 58 percent (47) and the completion rate was 45 percent (49). The sales rate for units under construction for investors was 100 percent (98) and the completion rate was 65 percent (38).

The number of development rights at year-end was 31,300 (33,200), including 9,400 (11,200) located in Sweden. Assets in housing projects increased to SEK 13,246 M (12,625), primarily as a result of more ongoing projects. Operating profit amounted to SEK 918 M (605). Earnings were higher than in the year-earlier period as a result of an increase in the number of profit-recognized housing units for private customers, a higher margin on units for the investor market and sales of land. Earnings in the preceding year were negatively impacted by the sale of rental units and land, impairment of land and restructuring costs in Sweden.

NCC Property Development

Sales for NCC Property Development amounted to SEK 3,125 M (4,811). Operating profit declined compared with 2013 to SEK 169 M (713). Seven (11) projects were recognized in profit, of which five in Finland and two in Denmark. Earnings from previous sales and sales of land also contributed to earnings. The operating net for the year was SEK 68 M (68).

At year-end 2014, NCC had 17 (17) completed and ongoing projects that had not been recognized in profit, with total project costs amounting to SEK 5.4 billion (5.0). Costs incurred in all ongoing projects amounted to SEK 3.0 billion (3.0), equal to a completion rate of 56 percent (60), while the leasing rate was 63 percent (74). Leases were signed for 71,100 square meters (120,100) 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 landfills, which are also subject to permit obligations. The external environmental 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 laws in the Trondheim area during 2005–2008. The Norwegian Competition Authority announced in March 2013 its ruling in the case entailing that NCC was obligated to pay approximately NOK 140 M (approx. SEK 150 M) in competition-infringement fees. Subsequently, NCC appealed the Norwegian Competition Authority's ruling to the Oslo District Court, which issued its verdict on February 19, 2014, entailing a reduction of the competition-infringement fee from NOK 140 M to NOK 40 M (SEK 43 M). This verdict has been appealed. More information is available in Note 30, Other provisions.

In the wake of the Finnish asphalt cartel, during the period 1994-2002, which was finally concluded in court and regulated in 2009 with respect to competition-infringement fees, NCC and other construction companies have received damage claims from a number of municipalities and the Road Authority in Finland. For NCC Roads' Finnish company, this means that the claim for approximately EUR 71 M is directed at the company, jointly with the other construction companies concerned. These claims are being heard in general courts of law. In November 2013, the Helsinki District Court handed down rulings in a number of the claims for damages in progress at the Court. NCC Roads' Finnish company was ordered to pay approximately EUR 1 M, including interest and process costs. The company has reserved a reasonable amount for damages.

PERSONNEL

The average number of employees in the NCC Group during the year was 17,669 (18,360). The reduction in the workforce was mainly due to fewer employees in NCC Construction Sweden, and also to fewer employees in NCC Construction Finland.

ORDERS RECEIVED, NET SALES AND EARNINGS PER BUSINESS AREA

	ORDERS RECEIVED		NET SALES		OPERATING PROFIT	
SEK M	**2014**	2013	**2014**	2013	**2014**	2013
NCC Construction Sweden	24,899	20,348	20,788	21,530	640	637
NCC Construction Denmark	5,587	4,929	4,330	3,546	281	208
NCC Construction Finland	5,799	6,491	6,621	6,680	148	127
NCC Construction Norway	7,653	7,098	6,733	7,408	146	3
NCC Roads	10,526	12,311	12,153	11,999	459	406
NCC Housing	12,480	10,921	10,135	9,030	918	605
NCC Property Development			3,125	4,811	169	713
Total	**66,944**	**62,097**	**63,885**	**65,003**	**2,761**	**2,700**
Other and eliminations	–5,565	–5,118	–7,019	–7,180	–157	–21
Group	**61,379**	**56,979**	**56,867**	**57,823**	**2,604**	**2,679**

NCC SHARE

At December 31, 2014, NCC's registered share capital consisted of 26,023,097 Series A shares and 82,412,725 Series B shares. The shares have a quotient value of SEK 8.00 each.

The Annual General Meeting (AGM) on April 2, 2014 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 the long-term performance-based incentive program that was resolved for introduction at the 2014 AGM. NCC did not exercise the mandate to buy back Series B shares in 2014. The company already held 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. Conversions become effective when the shares are registered. During the year, 1,685,025 Series A shares were converted to Series B shares.

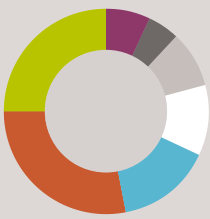
The number of NCC shareholders at year-end was 43,524 (37,727), with Nordstjernan AB as the largest individual holder accounting for 21 percent (22) of the share capital and 65 percent (65) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly account for 46 percent (45) of the share capital and 75 percent (73) of the voting rights.

On December 10, 2014, NCC signed a five-year revolving credit facility for EUR 400 M. The transaction replaced a previous credit facility of EUR 325 M signed on February 1, 2012. Should any major changes occur in NCC AB's ownership structure, meaning if a shareholder other than Nordstjernan AB acquires more than 30 percent of voting rights in NCC AB, or if NCC AB is delisted from the 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 originally to a total of 51,223 Series B shares in NCC AB. The call options covered by the issue had a term of 3.3 and 5.3 years, with redemption in spring 2014 and spring 2016 at a strike price of SEK 200 and SEK 250, respectively. The terms and conditions of the options have been gradually recalculated due to the dividends paid on NCC shares since spring 2011. At the end of 2014, what remained were options comprising 33,275 Series B NCC shares, with a term until spring 2016 and a strike price of SEK 193.34.

ORDERS RECEIVED BY PROJECT SIZE, 2014, NCC'S CONSTRUCTION UNITS

Projects of SEK 100–300 M increased most in percentage terms during the year and projects exceeding SEK 100 M accounted for more than half of the orders received for the year. The diagram reflects SEK 44 billion of the total orders received of SEK 61 billion. The Group's total orders received also include orders received by NCC Roads and NCC Housing.



<5 SEK M, **7** (5)%
5–10 SEK M, **5** (5)%
10–25 SEK M, **9** (10)%
25–50 SEK M, **11** (14)%
50–100 SEK M, **15** (17)%
100–300 SEK M, **28** (24)%
>300 SEK M, **25** (25)%

MAJOR ONGOING PROJECTS

Projects exceeding SEK 300 M		NCC's share of order value	Completion rate, Dec 31, 2014, %	Estimated year of completion
Campus, housing, offices and stores in Copenhagen	DK	1,918	48	2017
Norrström Tunnel, Stockholm	SE	1,729	97	2015
Tunnel construction, Sandvika-Wøyen	NO	1,226	0	2019
Shopping center and travel hub, Matinkylä	FI	1,216	40	2016
Subway depot, Stockholm	SE	1,192	29	2017
National Highway 4, Hadeland	NO	1,173	54	2016
Railway tunnel, Larvik	NO	1,069	75	2016
Tunnel construction, Gvammen-Aarhus	NO	1,068	1	2019
Offices, Stockholm	SE	1,041	72	2015
Svealandsbanan railway line, Strängnäs-Härad	SE	943	6	2018
E18, highway, Knapstad-Retvet	NO	879	18	2016
Housing project, Aarhus	DK	806	22	2016
Suspension bridge, Narvik	NO	720	63	2017
Multimedia building, Aarhus	DK	675	95	2015
University hospital, new construction and refurbishment, Linköping	SE	637	95	2015
Administrations building, Uppsala	SE	570	2	2017
Pulp mill, Värö	SE	500	10	2016
Refurbishment of housing units, Copenhagen	DK	498	1	2018
Retail and housing, Baerum	NO	474	94	2015
Traffic hub, Bergen	NO	471	45	2015
University, new construction, Tampere	FI	462	18	2016
Housing units and parking garage, Copenhagen	DK	458	70	2015
Offices, Lillehammer	NO	429	96	2015
Hospital, Copenhagen	DK	422	0	2017
E4 expressway, Rotebro, road bridges, Stockholm	SE	418	81	2015
Housing development project, Malmö	SE	416	1	2018
Energy facility, Copenhagen	DK	401	93	2017
Construction and excavation works, Copenhagen	DK	401	89	2015
Local hospital, new construction, Gothenburg	SE	399	88	2015
Tunnel, supplementary works on structure, Stockholm	SE	395	54	2016
Dam safety measures, Höljes	SE	394	80	2015
College of Music, Stockholm	SE	391	46	2016
Offices, Oslo	NO	350	67	2015
Healthcare center, Järvenpää	FI	347	2	2016
Public baths, Malmö	SE	341	64	2015
Energy facility, Copenhagen	DK	329	75	2017
Track maintenance depot, Stockholm	SE	310	33	2015
Logistics facility, Vänersborg	SE	307	42	2015

Significant risks and uncertainties

The global economy has entered a recovery phase, during which ever stronger economic indicators and growth forecast are emanating from the US, while the growth rate in debt-laden Europe is being impeded by the need of fiscal consolidation, which, for example, has led to a conflict between Greece and other members of the eurozone. The increase in geopolitical uncertainty deriving from the conflict in Ukraine also seems to be having an adverse impact on the climate for investment. However, since Europe's largest economy, Germany, has managed to get its export sector moving and to raise consumer confidence, this could fuel development in other European countries. In the event of increased uncertainty, future developments may have an impact on the measurement of certain items that are based on assessments and estimations. Values that may 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 risk that NCC fails to comply with its Code of Conduct is managed by the Compliance function within CSR.

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	The stagnation in price increases for building materials during recent years has gradually transformed into certain price hikes 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, or by increased efficiency. 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, where the largest input material is the oil product bitumen followed by aggregate products.	Since 2013, NCC has further centralized and enhanced its purchasing processes by establishing a Group-wide purchasing function that governs and coordinates all purchasing. The aim of this organization is to additionally increase efficiency, while reducing purchasing costs and improving profitability. A prerequisite for success in this effort is that the organization fully utilizes NCC-approved suppliers and ensures that cooperation between the purchasing organization and the projects is further improved. The number of NCC-approved suppliers is increasing. 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. The use of joint platforms is also a prerequisite for NCC Housing and NCC Property Development's ability to gain control over production costs. NCC Roads purchases bitumen from several international suppliers. Purchasing and logistics involving bitumen are coordinated between Sweden, Denmark, Finland and Norway. Agreements with customers normally include price clauses that reduce NCC Roads' exposure to risks. When entering into fixed-price agreements with customers, the price of bitumen is hedged with banks. In several markets, NCC Roads is self-sufficient in terms of aggregate products, in part through holdings of strategically located quarries.
SEASONAL EFFECTS	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.	To manage these risks, NCC Roads offers the entire value chain of road-related products and services. For example, running and maintenance operations and also the recycling initiative, the establishment of a network of recycling terminals for construction and civil engineering debris, supplement the paving operation during the year.
DEVELOPMENT	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.	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 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 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.

	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 tendering policy, 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 the Group's units are quality and environmentally certified. A shortage of labor and certain competencies may arise during certain periods due to competition, but also due to a growing generation shift. Consequently, it is vital that NCC works actively to recruit and retain the right personnel and to have an organization with broad competencies, in order to secure the company's ability to deliver.
BREACHES OF CODE OF CONDUCT	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. The construction industry has a poor reputation concerning its involvement in bribery and corruption.	For several years, NCC has provided training in NCC's core values and competition law. Procedures have been developed to identify and monitor employees who may be in a situation where they are exposed to the risk of collaboration with competitors. Since 2013, NCC has developed its compliance program in order to provide further guidance to enable its employees to act correctly and properly.
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 has capital tied up in fixed assets, quarries, crushing plants, asphalt plants, paving machinery and road services. 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 liquidity surplus. Industrial and development operations tie up capital in their individual operation. NCC Roads ties up capital in plants, gravel quarries and various types of equipment, while NCC Housing and NCC Property Development tie up capital in development projects (redevelopment, ongoing and completed projects). In NCC Roads, the seasonal variations in tied-up capital is extensive. The operations in the three capital-intensive business areas are controlled by imposing internal caps on 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'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 organization, finance activities are centralized to Corporate Finance, partly in order to monitor the Group's overall financial risk positions, partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. The Group's financial risks are managed by the Group's internal bank. Customer-credit risks are handled 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 percentage-of-completion profit recognition. This means that profit is recognized in parallel with completion, before the final result is established.	The risk that the final profit will deviate from percentage-of-completion is minimized through NCC's project-management model. The project management model, which is part of NCC's operational control, ensures on a continuous basis 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 are 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 ANALYSES

	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%	158	1.5	0.9	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	385	3.6	2.1	
NCC Roads					
Volume	+/–5%	47	0.4	0.3	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 affect on the margin is considerable.
Operating margin	+/–1 percentage point	122	1.1	0.7	
Capital rationalization	+/–10%	10	0.1	0.3	
NCC Housing					
Volume	+/–10%	146	1.4	0.8	For proprietary housing projects within NCC Housing, the major challenge is to have the right products in the market and to guide them through the planning process so they arrive in the market at the right time.
Operating margin	+/–1 percentage point	101	1.0	0.5	
NCC Property Development					
Sales volume, projects	+/–10%	30	0.3	0.2	NCC Property Development's earnings are predominantly determined by sales. Opportunities to sell property projects are largely affected by the leases signed with tenants, whereby an increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, which means that a change in the rent levels or operating economy of projects in progress could change the value of such projects.
Sales margin, projects	+/–1 percentage point	30	0.3	0.2	
Group					
Change in interest rate, net indebtedness*	+/–1 percentage point	19	0.5		The NCC Group had a healthy financial position in 2014. Net indebtedness was higher at the end of the year than in 2013, but on average over the year it was on par with 2013.
Volume change, net indebtedness	SEK M	13	0.1	0.4	
Change in equity/assets ratio	–5 percentage points		6.2		

* Excluding pension liability according to IAS 19.

NOMINATION WORK

Ahead of the 2015 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

The Board of Directors' motion concerning guidelines for determining salary and other remuneration of the Chief Executive Officer and other members of the company's management (Executive Management Group).

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 (Executive Management Group), as resolved by the 2014 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 Executive Management Group, the Board proposes that the 2015 AGM adopts the current guidelines for 2015. These guidelines encompass the Executive Management Group, including the CEO.

The objective of the guidelines for salary and other remuneration of the Executive Management Group is to enable NCC to offer market-based remuneration that facilitates the recruitment and retention of the best possible competencies within the NCC Group. The aim is that the total remuneration package will support NCC's long-term strategy. The amount payable to the Executive Management Group 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 2015 AGM, the short-term variable remuneration payable to the CEO will be maximized at 50 percent of fixed salary and the amount payable to other members of the Executive Management Group 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 17.8 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 60 percent of fixed salary and that for other members of the Executive Management Group will be maximized at 40–50 percent of fixed salary, which is equal to a maximum cost of SEK 22.4 M including social security fees.

Pensions and other benefits. NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's salary. Members of the Executive Management Group 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 2015 is SEK 58,100. Members of the Executive Management Group 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 the Executive Management Group at 65 years.

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

Periods of notice and severance pay. A member of the Executive Management Group 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 disapplied by the Board if there is special reason to do so in individual cases.

Long-term performance-based incentive plan

The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2015). The proposal essentially matches the long-term performance-based incentive programs earlier adopted for 2014, 2013 and 2012. A total of 148 employees are included in LTI 2014. 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 2015 encompass a total of approximately 200 participants within the NCC Group. More detailed information on the proposal and earlier long-term incentive programs is available at www.ncc.se. Also refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives.

PARENT COMPANY

Commission agreement

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 19,614 M (23,357). Profit after financial items was SEK 1,338 M (1,723). The change was mainly due to lower dividends from subsidiaries and to impairment losses from participations in Group companies. In the Parent Company, profit is recognized when projects are completed. The average number of employees was 6,610 (7,173).

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is included as a separate section of NCC's 2014 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pages 110–115.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On January 23, 2015, NCC announced the start of its own staffing company to manage work peaks. With its own company, NCC will gain full insight and control over agreements and be able to ensure compliance with rules, guidelines and NCC's Code of Conduct. The staffing company will be headquartered in Poland. The new company, NCC Montage, will commence operations in August 2015. The company will successively replace the capacity that NCC currently insources from external staffing companies. This corresponds to five to ten percent of the total number of blue-collar workers at NCC. The operations will be established in Poland and be used when needs arise in projects under way in the Nordic countries where NCC is active.

The operations that were previously performed by NCC Construction Finland and NCC Housing in St. Petersburg will be merged into a single unit. The new unit will be part of NCC Housing. The organizational changes apply from January 27, 2015. Financial reporting is being changed effective January 1, 2015. In 2014, the construction operations in St. Petersburg accounted for 6 percent of NCC Construction Finland's sales.

In conjunction with the Board meeting in January 2015, NCC's Board of Directors decided on an exception from NCC's policy for hedging exchange-rate risks. The policy entails that the financing of assets may occur in local currency. The approved exception from the policy entails that the CEO, within an established limit, is able to decide not to ruble-hedge assets in Russia. See also Note 39 Financial instruments and financial risk management

OUTLOOK

NCC expects that the Nordic construction market will grow slightly in 2015 and the strongest growth are expected in the Norwegian and Swedish markets. In Finland, the market is expected to remain weak in 2015.

NCC believes that an increase in construction, primarily residential construction, will boost demand for stone material. The asphalt market also has the potential for growth in 2015. Demand in road services is stable but the market is characterized by intense competition.

For 2015, NCC expects generally healthy demand in the housing market, primarily in Sweden and Germany. In Finland, demand is expected to be weak in 2015.

The transaction volume in NCC's property markets improved in the preceding year and volumes are expected to remain on par with 2014.

PROPOSED DIVIDEND

The Board proposes a dividend of SEK 12.00 (12.00) per share, divided into two payments. The proposed record date for the first payment of SEK 6.00 is March 26, 2015 and the proposed date for the second payment of SEK 6.00 is October 27, 2015. The dividend is in line with NCC's dividend policy and corresponds to 71 percent of profit after tax for the 2014 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 March 31, 2015 with the second payment on October 30, 2015. 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	2014	2013
	1, 19, 36		
Net sales	2, 3	56,867	57,823
Production costs	5, 6, 8, 15, 25	–51,176	–52,027
Gross profit		**5,691**	**5,796**
Selling and administrative expenses	5, 6, 7, 15	–3,117	–3,130
Result from sales of owner-occupied properties		20	6
Impairment losses and reversal of impairment losses, fixed assets	8, 15		7
Result from sales of Group companies	9	3	
Result from participations in associated companies and joint ventures		8	1
Operating profit	3, 10	**2,604**	**2,679**
Financial income		46	75
Financial expense	8	–416	–354
Net financial items	12	**–370**	**–279**
Profit after financial items		**2,234**	**2,400**
Tax on net profit for the year	24	–396	–411
NET PROFIT FOR THE YEAR	13	1,838	1,989
Attributable to:			
NCC's shareholders		1,835	1,986
Non-controlling interests		3	3
Net profit for the year		**1,838**	**1,989**
Earnings per share			
Before dilution			
Profit after tax, SEK		17.01	18.40
After full dilution			
Profit after tax, SEK		17.01	18.40
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before dilution during the year		107.8	107.9
Average number of shares after dilution		107.8	107.9
Total number of shares outstanding before dilution at year-end		107.8	107.8

Consolidated statement of comprehensive income *with comments*

SEK M	Note	2014	2013
Net profit for the year		**1,838**	**1,989**
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		138	
Hedging of exchange-rate risk in foreign operations		–85	–18
Tax attributable to hedging of exchange-rate risk in foreign operations	24	19	4
Fair value changes for the year in cash flow hedges		–41	6
Fair-value changes in cash flow hedges transferred to net profit for the year		–19	13
Tax attributable to cash flow hedges	24	13	–4
		24	1
Items that cannot be transferred profit for the year			
Revaluation of defined-benefit pension plans		–497	187
Tax attributable to items that cannot be transferred to profit for the year		109	–41
		–388	146
Other comprehensive income during the year		**–364**	**147**
Total comprehensive income for the year		**1,474**	**2,136**
Attributable to:			
NCC's shareholders		1,471	2,133
Non-controlling interests		3	3
Total comprehensive income for the year		**1,474**	**2,136**

1) Also refer to the specification of the item Reserves in shareholders' equity, p. 67.

NET SALES

Net sales amounted to SEK 56,867 M (57,823). The decline was due to lower sales in NCC Construction units in Sweden, Norway and Finland, and in NCC Property Development. During 2014, fewer projects were recognized in profit than in 2013, which explains the lower net sales in NCC Property Development. For NCC Roads, sales were higher than in 2013, primarily as a result of higher sales in stone material operations. The volumes of stone material rose year-on-year mainly as a result of strong performance in Sweden and Norway in the fourth quarter. An increased number of profit-recognized housing units for private customers resulted in higher net sales for NCC Housing compared with the preceding year. Exchange-rate changes increased sales by SEK 626 M compared with 2013.

GROSS PROFIT

Gross profit includes impairment losses and reversal of impairment losses in a combined amount of SEK 4 (17) M. In 2014, impairment losses on properties held for future development amounted to SEK 4 M (2). The preceding year included SEK 23 M of impairment losses on projects and land in NCC Housing, primarily in Denmark. Refer also to Note 8, Impairment losses and reversal of impairment losses.

OPERATING RESULTS

Operating profit amounted to SEK 2,604 M (2,679). All business areas reported higher earnings year-on-year, with the exception of NCC Property Development, which reported fewer and lower earnings from profit-recognized projects. The greatest earnings improvement was attributable to NCC Housing, which recognized more housing units in profit during the year. The total operating profit for NCC's Construction units was higher than in the preceding year because the operating margin was higher for all units. In 2013, impairment losses on projects in NCC Construction Norway had a negative impact on earnings. NCC Roads operating profit improved compared with 2013, primarily because of higher earnings within road services. Despite a rise in sales of stone material, earnings from stone material declined due to higher costs in Denmark and costs for developing recycling operations. The asphalt operations reported another strong year with a margin that matched the preceding year. NCC Housing's operating profit was higher than in 2013 as a result of an increase in the number of profit-recognized housing units for private customers, a higher margin on units sold to the investor market and sales of land. Earnings in the preceding year were negatively impacted by the sale of rental units and land, impairment of land and restructuring costs in Sweden. NCC Property Development's operating profit was lower than in the preceding year. During the year, seven (eleven) projects were recognized in profit. In 2013, projects were recognized in profit at a better margin. Changes in exchange rates had a positive impact on operating profit of SEK 30 M compared with previous year.

NET FINANCIAL ITEMS

Net financial items declined due to higher financial costs resulting from a higher interest-rate situation in Russia.

TAXATION

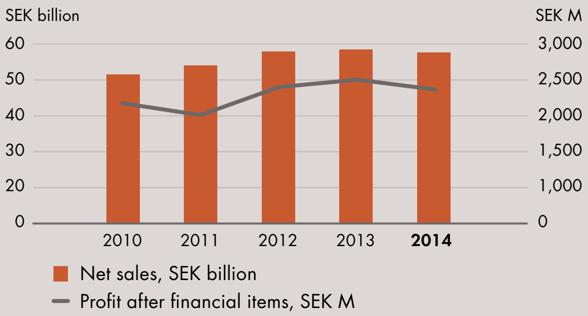
The effective tax rate for NCC, 18 (17) percent, was in line with prior years. Refer also to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities.

OTHER COMPREHENSIVE INCOME

The change in other comprehensive income derived mainly from net profit for the year and the revaluation of defined-benefit pension plans in which the actuarial gains were lower in 2014. 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 declined during 2014, due to lower sales in NCC Construction units in Sweden, Norway and Finland, and in NCC Property Development. Earnings were lower during 2014 because of lower earnings from NCC Property Development, while other business areas noted higher earnings.



Consolidated balance sheet *with comments*

SEK M	Note	2014	2013
	1, 19, 36		
ASSETS			
Fixed assets			
Goodwill	15	1,865	1,802
Other intangible assets	15	389	267
Owner-occupied properties	16	774	704
Machinery and equipment	16	2,487	2,502
Participations in associated companies	18	52	9
Other long-term holdings of securities	21	156	131
Long-term receivables	23	434	247
Deferred tax assets	24	237	249
Total fixed assets	39	**6,395**	**5,910**
Current assets			
Property projects	25	5,059	5,251
Housing projects	25	13,246	12,625
Materials and inventories	26	746	673
Tax receivables	24	35	92
Accounts receivable	39	7,178	7,377
Worked-up, non-invoiced revenues	27	1,066	918
Prepaid expenses and accrued income		1,415	1,325
Other receivables	23	1,013	932
Short-term investments	21	242	143
Cash and cash equivalents	38	2,592	3,548
Total current assets	39	**32,592**	**32,883**
TOTAL ASSETS		**38,987**	**38,793**
SHAREHOLDERS' EQUITY			
Share capital	28	867	867
Other capital contributions		1,844	1,844
Reserves		–182	–206
Earnings brought forward including profit for the year		6,318	6,152
Shareholders' equity		**8,847**	**8,658**
Non-controlling interests		20	17
Total shareholders' equity		**8,867**	**8,675**
LIABILITIES			
Long-term liabilities			
Long-term interest-bearing liabilities	29, 35	6,957	7,029
Other long-term liabilities	32	548	299
Provisions for pensions and similar obligations	30, 31	585	125
Deferred tax liabilities	24, 30	268	414
Other provisions	30	2,017	2,070
Total long-term liabilities	39	**10,376**	**9,937**
Current liabilities			
Current interest-bearing liabilities	29, 35	2,526	2,515
Accounts payable		3,960	4,096
Tax liabilities	24	117	58
Invoiced revenues, not worked up	27	4,408	4,264
Accrued expenses and deferred income	34	3,952	3,888
Other current liabilities	32	4,782	5,360
Total current liabilities	39	**19,745**	**20,181**
Total liabilities		**30,121**	**30,118**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**38,987**	**38,793**
Assets pledged	37	1,510	**1,482**
Contingent liabilities	37	**2,037**	**2,261**

FIXED ASSETS

Goodwill

NCC impairment tests goodwill annually or when indications of changes in value arise. No impairment losses were recognized during 2014. A minor acquisition was implemented in NCC Construction Finland and had an impact on goodwill; otherwise, the goodwill value was only impacted by exchange-rate fluctuations. Refer also to Note 4, Acquisition of operations, and Note 15, Intangible assets.

Other intangible assets

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

Machinery and equipment

Machinery and equipment were on par with the preceding year. Investments in machinery primarily occurred in NCC Roads and in NCC Construction Norway.

CURRENT ASSETS

Property projects

The value of property projects matched the preceding year. Refer also to Note 25, Properties classified as current assets.

Housing projects

Investments in ongoing housing projects increased compared with 2013, as a result of higher ongoing production in NCC Housing. Refer also to Note 25, Properties classified as current assets.

Materials and inventories

Volumes of asphalt and stone material in NCC Roads account for most of the materials and inventories and were higher than in the preceding year, which was primarily due to higher volumes of stone material.

Accounts receivable

Accounts receivable declined, primarily in NCC Construction Norway and NCC Roads.

LONG-TERM LIABILITIES

Provisions for pensions and similar obligations

Provisions for pensions increased during the year. When calculating the pension liability, the discount interest rate has been reduced, thus resulting in a higher liability.

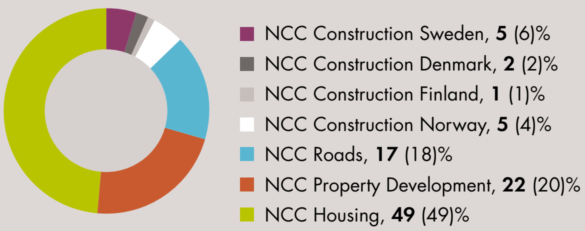
CURRENT LIABILITIES

Other current liabilities

Other current liabilities were lower because advances from customers were higher in the preceding year, primarily related to property sales. Refer also to Note 32, Other liabilities.

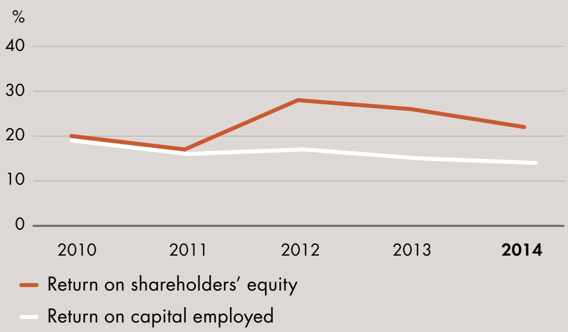
CAPITAL EMPLOYED, SHARE PER BUSINESS AREA

In the NCC Group, capital is tied up primarily by the development and industrial operations.



PROFITABILITY

During 2014, the return on equity declined due to lower earnings. The return on shareholders' equity fell from 2010 to 2011 due to lower profitability in the Construction units in Sweden, Finland and Norway, and in NCC Property Development.



Parent Company income statement *with comments*

SEK M	Note	2014	2013
	1		
Net sales	2, 33	19,614	23,357
Production costs	5, 6, 8	–17,728	–21,341
Gross profit		**1,886**	**2,016**
Selling and administrative expenses	5, 6, 7	–1,304	–1,464
Operating profit		**582**	**553**
Result from financial investments			
Result from participations in Group companies	8, 9	962	1,308
Result from participations in associated companies		22	–2
Result from other financial fixed assets		1	
Result from financial current assets		89	124
Interest expense and similar items	11	–318	–260
Profit after financial items		**1,338**	**1,723**
Appropriations	14	684	672
Tax on net profit for the year	24	–245	–240
NET PROFIT FOR THE YEAR		**1,777**	**2,155**

Parent Company statement of comprehensive income

SEK M	2014	2013
Net profit for the year	1,777	2,155
Total comprehensive income during the year	**1,777**	**2,155**

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 19,614 M (23,357). Profit after financial items was SEK 1,338 M (1,723). The change was mainly due to lower dividends from subsidiaries and to impairment losses from participations in Group companies. In the Parent Company, profit is recognized when projects are completed. The average number of employees was 6,610 (7,173).

Parent Company balance sheet *with comments*

SEK M	Note	2014	2013
	1, 36		
ASSETS			
Fixed assets			
Intangible fixed assets			
Development expenses	15	175	75
Total intangible fixed assets		**175**	**75**
Tangible fixed assets			
Owner-occupied properties and construction in progress		18	17
Machinery and equipment		84	74
Total tangible fixed assets	16	**103**	**91**
Financial fixed assets			
Participations in Group companies	17	5,909	6,112
Receivables from Group companies		10	10
Participations in associated companies	20	185	175
Receivables from associated companies		184	184
Other long-term holdings of securities		5	5
Deferred tax assets	24	87	83
Other long-term receivables		42	56
Total financial fixed assets	22, 39	**6,422**	**6,624**
Total fixed assets		**6,700**	**6,790**
Current assets			
Properties classed as current assets			
Housing projects		225	505
Total properties classified as current assets	25	**225**	**505**
Inventories, etc.			
Materials and inventories	26	59	52
Total inventories, etc.		**59**	**52**
Current receivables			
Accounts receivable		2,792	2,666
Receivables from Group companies		2,373	2,563
Receivables from associated companies		4	9
Other current receivables		273	282
Tax receivables			27
Prepaid expenses and accrued income		348	274
Total current receivables		**5,791**	**5,822**
Short-term investments	38	**6,400**	**7,100**
Cash and bank balances	38	**1,938**	**705**
Total current assets	39	**14,412**	**14,184**
TOTAL ASSETS	36	**21,112**	**20,974**

SEK M	Note	2014	2013
	1		
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital	28	867	867
Statutory reserve		174	174
Total restricted shareholders' equity		**1,041**	**1,041**
Unrestricted shareholders' equity			
Earnings brought forward		5,113	4,235
Net profit for the year		1,777	2,155
Total unrestricted shareholders' equity		**6,890**	**6,391**
Total shareholders' equity		**7,931**	**7,432**
Untaxed reserves	**14**	**348**	**392**
Provisions			
Provisions for pensions and similar obligations	31	2	2
Other provisions		616	686
Total provisions	30	**617**	**688**
Long-term liabilities			
Liabilities to credit institutions		1,700	1,500
Liabilities to Group companies		1,061	1,061
Other liabilities		29	9
Total long-term liabilities	29, 39	**2,790**	**2,571**
Current liabilities			
Advances from customers		176	78
Work in progress on another party's account	33	1,649	1,609
Accounts payable		2,092	1,756
Liabilities to Group companies		3,678	4,674
Liabilities to associated companies		4	6
Tax liabilities		45	
Other liabilities		573	448
Accrued expenses and deferred income	34	1,209	1,321
Total current liabilities	29, 39	**9,425**	**9,891**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	36	**21,112**	**20,974**
Contingent liabilities	37	**23,833**	**23,017**

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*

GROUP

SEK M	Share capital	Other capital contributions	Reserves	Earnings brought forward	Total	Non-controlling interests	Total share-holders' equity
	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS						
Opening balance, January 1, 2013	**867**	**1 844**	**–207**	**5,130**	**7,634**	**15**	**7,649**
Net profit for the year				1,989	1,989		1,989
Other comprehensive income				143	143	3	146
Total comprehensive income				**2,132**	**2,132**	**3**	**2,135**
Acquisition of non-controlling interests				–7	–7		–7
Transfer of depreciation of previously revalued assets			–1	1	0		0
Repurchase of treasury shares				–28	–28		–28
Performance-based incentive program				6	6		6
Dividend				–1,080	–1,080	–1	–1,081
Total transactions with the Group's shareholders			**–1**	**–1,108**	**–1,109**		**–1,109**
Shareholders' equity on December 31, 2013	**867**	**1 844**	**–206**	**6,152**	**8,658**	**17**	**8,675**
Net profit for the year				1,838	1,838		1,838
Other comprehensive income			24	–391	–367	3	–364
Total comprehensive income			**24**	**1,447**	**1,471**	**3**	**1,474**
Performance-based incentive program				12	12		12
Dividend				–1,294	–1,294	–1	–1,295
Total transactions with the Group's shareholders				**–1,282**	**–1,282**	**–1**	**–1,283**
Shareholders' equity on December 31, 2014	**867**	**1 844**	**–182**	**6,318**	**8,847**	**20**	**8,867**

If previous accounting policies for pensions according to IAS 19 had been applied, shareholders' equity would have been SEK 1,639 M higher and net indebtedness SEK 585 M lower at December 31, 2014.

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 for the year and dividends to shareholders.

SHARE CAPITAL

On December 31, 2014, the registered share capital amounted to 26,023,097 Series A shares and 82,412,725 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, acquisitions step by step meaning an increase in the fair value of previously owned share of net assets resulting from gradual acquisitions.

EARNINGS BROUGHT FORWARD INCLUDING NET PROFIT FOR THE YEAR

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

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY Share capital	Statutory reserves	UNRESTRICTED SHAREHOLDERS' EQUITY Earnings brought forward	Net profit for the year	Total share-holders' equity
Opening balance, January 1, 2013	**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**
Appropriations of profits			2,155	–2,155	
Total comprehensive income during the year				1,777	1,777
Dividend			–1,294		–1,294
Performance-based incentive program			16		16
Shareholders' equity on December 31, 2014	**867**	**174**	**5,113**	**1,777**	**7,931**

SPECIFICATION OF THE ITEM RESERVES IN SHAREHOLDERS' EQUITY

GROUP	**2014**	2013
Translation reserve		
Translation reserve, January 1	–175	–161
Translation differences during the year in translation of foreign operations	138	
Gain/loss on hedging of exchange-rate risk in foreign operations	–85	–18
Tax attributable to hedging of exchange-rate risk in foreign operations	19	4
Translation reserve, December 31	**–104**	**–175**
Fair value reserve		
Fair value reserve, January 1	5	5
Fair value reserve, December 31	**5**	**5**
Hedging reserve		
Hedging reserve, January 1	–38	–52
Fair value changes for the year in cash flow hedges	–41	6
Fair-value changes in cash flow hedges transferred to net profit for the year	–19	12
Tax attributable to cash flow hedges	13	-4
Hedging reserve, December 31	**–85**	**-38**
Revaluation reserve		
Revaluation reserve, January 1	2	3
Transfer to earnings brought forward		–1
Translation reserve, December 31	**2**	**2**
Total reserves		
Reserves, January 1	–206	–206
Change in reserves during the year		
– Translation reserve	71	–14
– Hedging reserve	–47	14
– Revaluation reserve		–1
Reserves, December 31	**–182**	**–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 2014:

- A return on equity after tax of 20 percent. In 2014, the return on equity was 22 percent.
- A debt/equity ratio of less than 1.5. At December 31, 2014, the debt/equity ratio was 0.8.

NCC's subsidiary, NCC Försäkrings AB, as an insurance company, must have investment assets that cover technical reserves for own account. In 2014 and 2013, these requirements were fulfilled. Beside no other Group companies were subject to external capital requirements.

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

Cash flow statements *with comments*

SEK M	Note	GROUP 2014	GROUP 2013	PARENT COMPANY 2014	PARENT COMPANY 2013
OPERATING ACTIVITIES					
Profit after financial items		**2,234**	**2,400**	**1,338**	**1,723**
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	621	621	44	66
– Impairment losses and reversal of impairment losses	8	–194	17	–64	81
– Exchange-rate differences		128	148		
– Result from sales of fixed assets		153	–38	172	–2
– Changes in provisions	30	–128	–429	–71	–188
– Group contributions				–639	–325
– Other		–175	40	20	9
Total items not included in cash flow		**406**	**359**	**–538**	**–358**
Tax paid		–367	–438	–177	–241
Cash flow from operating activities before changes in working capital		**2,273**	**2,321**	**624**	**1,124**
Cash flow from changes in working capital					
Sales of property projects		2,400	4,170		
Investments in property projects		–2,255	–3,890		
Sales of housing projects		8,951	7,067	1,526	2,027
Investments in housing projects		–9,712	–7,912	–1,328	–2,022
Other changes in working capital		–313	775	118	–417
Cash flow from changes in working capital		**–928**	**211**	**316**	**–412**
CASH FLOW FROM OPERATING ACTIVITIES		**1,345**	**2,532**	**940**	**713**
INVESTING ACTIVITIES					
Acquisition of subsidiaries and non-controlling interests	4, 38	–27	–8	–16	–258
Sale of subsidiaries	38	4		93	–9
Acquisition of buildings and land	16	–71	–58	–3	–3
Sale of buildings and land		25	9	2	
Acquisition of other financial fixed assets		–23	–28	–3	
Sale of other financial fixed assets				21	12
Acquisition of other fixed assets		–749	–863	–153	–85
Sale of other fixed assets		69	78	5	3
Cash flow from investing activities		**–771**	**–870**	**–54**	**–341**
Cash flow before financing		**574**	**1,661**	**887**	**372**
FINANCING ACTIVITIES					
Dividend paid		–1,294	–1,080	–1,294	–1,080
Repurchase of treasury shares			–28		–28
Group contributions paid				325	359
Loans raised		765	1,022		1,415
Amortization of loans		–810	–723	8	–91
Increase(–)/Decrease(+) in long-term interest-bearing receivables		–9	33	4	–6
Increase(–)/Decrease(+) in current interest-bearing receivables		–167	34	602	–120
Increase(+) in non-controlling interests, etc.			1		
Cash flow from financing activities		**–1,515**	**–741**	**–355**	**449**
Cash flow for the year		**–941**	**920**	**532**	**821**
Cash and cash equivalents, January 1	38	**3,548**	**2,634**	**7,805**	**6,984**
Exchange-rate difference in cash and cash equivalents		–14	–6		
Cash and cash equivalents, December 31	38	**2,592**	**3,548**	**8,337**	**7,805**
Short-term investments with a maturity exceeding three months		242	143		
Total cash and cash equivalents at year-end		**2,833**	**3,691**	**8,337**	**7,805**

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities was lower during the period compared to previous year SEK 1,345 M (2,532), primarily due to lower interest-free financing. Cash flow from property and housing projects matched the preceding year. Higher sales of housing projects during the year facilitated more starts, and thus increased investments. During the year, lower sales of property projects were offset by lower investments.

OTHER CHANGES IN WORKING CAPITAL

	GROUP		PARENT COMPANY	
SEK M	**2014**	2013	**2014**	2013
Increase(–)/Decrease(+) in inventories	–63	–19	76	–179
Increase(–)/Decrease(+) in receivables	97	189	–286	452
Increase(+)/Decrease(–) in liabilities	–348	606	288	–251
Increase(+)/Decrease(–) in net in work in progress			40	–439
Other changes in working capital	**–313**	**775**	**118**	**–417**

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to a negative SEK 771 M (neg: 870). Investments in machinery and equipment primarily occurred in NCC Roads and NCC Construction Norway.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing was a negative SEK 1,515 M (neg: 741). Dividends had a negative impact of SEK 1,294 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 2,833 M (3,691).

NET INDEBTEDNESS

Net indebtedness (interest-bearing liabilities less cash and cash equivalents less interest-bearing receivables) on December 31 amounted to SEK 6,836 M (5,656). The average 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 34 (36) months at the end of the quarter. In December 2014, the Group's syndicated loan facility was refinanced. The volume was increased from EUR 325 M to EUR 400 M and the maturity period extended from two to five years, with two one-year extension options. Accordingly, unutilized committed lines of credit amounted to SEK 4,774 M (3,869) and the remaining average maturity period on unutilized lines of credit was extended to 52 (33) months.

NET INDEBTEDNESS TREND

GROUP, SEK M	**2014 Jan–Dec**	2013 Jan–Dec
Net indebtedness, January 1	–5,656	–6,467
Cash flow before financing	574	1,661
Acquisition/sale of company shares		–28
Change in pension debt	–460	268
Dividend	–1,294	–1,080
Other changes in net indebtedness		–10
Net indebtedness, December 31	**–6,836**	**–5,656**

PARENT COMPANY

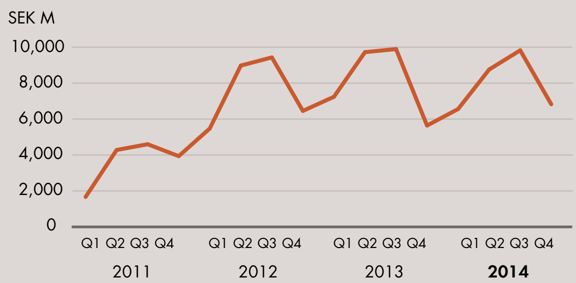
Cash flow from operating activities in Parent Company was higher than in the preceding year, SEK 940 M (713). The increase was attributable to a reduction in capital tied-up in the development business and to an improvement in other working capital. The changes in working capital were primarily influenced by higher debt, lower inventories and an increased balance in work in progress.

SPECIFICATION OF NET INDEBTEDNESS

GROUP, SEK M	**2014**	2013
Long-term interest-bearing receivables	235	230
Current interest-bearing receivables	406	237
Cash and cash equivalents	2,592	3,548
Total interest-bearing receivables and cash and cash equivalents	**3,232**	**4,014**
Long-term interest-bearing liabilities	6,957	7,029
Pensions and similar obligations	585	125
Current interest-bearing liabilities	2,526	2,515
Total interest-bearing liabilities	**10,068**	**9,670**
Net indebtedness	**6,836**	**5,656**
of which, net indebtedness in ongoing projects in Swedish tenant owner associations and Finnish housing companies		
Interest-bearing liabilities	2,056	1,750
Cash and cash equivalents	93	36
Net indebtedness	**1,963**	**1,714**

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 high activity in asphalt and stone material operations, as well as in parts of NCC's Construction units. The dividend to NCC's shareholders is divided into two payment occasions, during the second and the fourth quarter. Net indebtedness increased during 2014 due to a rise in tied-up capital, primarily in housing projects.



Notes

CONTENTS NOTES PAGE

NOTE 1 ACCOUNTING POLICIES

The NCC Group applies the International Financial Reporting Standards (IFRS) as 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 February 27, 2015. 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 March 24, 2015 for adoption.

NEW IFRS AND AMENDMENTS TO IFRS TO BE APPLIED FROM 2014

The following amendments to IFRS became effective as of the 2014 fiscal year:

- IFRS 11 Joint Arrangements is a new standard for recognition of joint ventures and joint operations. The new accounting policy entails that joint ventures are to be recognized according to the equity method instead of the previous proportional method. 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.

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

- 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
- Amendment to IAS 32 Financial Instruments: Presentation
- Amendment to IAS 39 Financial Instruments:

These amendments have had no or only a minor 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 2015 fiscal year and have not been applied in the preparation of these financial statements.

- Supplement to IAS 19, Employee Benefits. Defined benefit plans: Employee Contributions.
- IFRIC 21 Levies

These amendments are expected to have no or only a minor impact on NCC's financial statements.

IFRS 15 Revenue From Contracts with Customers, assuming it is approved by the EU, will be applied as of 2017 and is a new policy-based standard for recognition of income. According to IFRS 15, all performance obligations are to be identified on the basis of one or more combined agreements, a transaction price should be determined and subsequently the transaction price is to be allocated among every performance obligation. Thereafter, a performance obligations is to be recognized as revenue either over time or at one point in time. NCC is currently investigating the effects, apart from expanded disclosure requirements, that this standard could have on the consolidated financial statements.
Other amended standards that are to begin being applied from 2016 and thereafter, assuming EU approval, are as follows:

- IFRS 9 Financial Instruments is expected to have an impact on disclosures in NCC's financial statements.
- Amendment to IAS 16 and IAS 41: Bearer Plants
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendment to IAS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendment to IAS 11: Accounting of Acquisitions of Interests in Joint Operations
- Amendment to IAS 27: Equity Method on Separate Financial Statements.

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 2014) 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. For tax reasons, the Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must report certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from reporting certain financial instruments at fair value.

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

- Subsidiaries
- Associated companies
- Joint arrangements
- Construction contracts and similar assignments
- Leasing
- Income 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 arrangements 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 acquisitions achieved in stages) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognized directly in profit or loss.

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

Subsidiaries

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

Non-controlling interests

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

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

Associated companies

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

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

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

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

Joint arrangements

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

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

Elimination of intra-Group transactions

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

Internal pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

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

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, that is 2.5, in the accounts for Year 1. Income recognition on completion means that profit is not recognized until the end of Year 2, or the beginning of Year 3, depending on when the final financial settlement with the customer was agreed.

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

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

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

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

- Cost of installation materials, consumption materials and 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
Profit from sales of housing units to investors is 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	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 LOSSES

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

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

An impairment requirement arises when the recoverable amount is less than the carrying amount. The distribution of impairment losses in the income statement and balance sheet is described in comments to the income statement, Note 8, Impairment losses and reversal of 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.

Operating leases

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

Company, all leasing agreements are recognized according to the rule for operational leasing.

TAXES
Income 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 assets and liabilities 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 cost less accumulated impairment losses and amortization.

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

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

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

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

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

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

FINANCIAL FIXED ASSETS
Financial fixed assets are recognized at fair value or amortized cost. Impairment losses are posted if the fair value is less than the acquisition cost. Also see the "Financial instruments" section on page 74. For information on the value and type of assets, refer to Note 22 Financial fixed assets. The Parent Company recognizes shares in Group companies at acquisition cost and, where applicable, taking into account write-ups or impairment losses.

CURRENT ASSETS
Properties classed as current assets
Group property holdings recognized as property 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 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 within NCC Housing are divided between:
- Properties held for future development, housing
- Capitalized project development costs
- Ongoing proprietary housing projects
- Completed housing units

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 and Available-for-sale financial assets, Financial liabilities at fair value through profit or loss and Other financial liabilities. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion, as described below.

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

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

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

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

Accounts receivable are measured on an ongoing basis. As soon as it is doubtful that an invoice will be paid, a provision is made for the amount. Although each invoice is measured individually, provisions are noted for invoices that are more than 60 days overdue unless special circumstances apply. 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 category. Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value. Impairment losses are posted when testing shows that impairment is required.

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

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

Hedge accounting
NCC applies hedge accounting in the following categories: Hedging of exchange-rate risk in transaction flows, Hedging of net investments and Hedging of the Group's interest maturities.

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 meets the definition of a derivative, and

- the hybrid (combined) instrument is not measured at fair value in the balance sheet, apart from where changes in this 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.

EQUITY

Recognition of Group and shareholder contributions

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

Repurchase of shares

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

REMUNERATION TO EMPLOYEES

Share-based remuneration

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

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

Synthetic shares give rise to an undertaking 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 shares comprises the market price of the Series B NCC share at the particular financial report occasion adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

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

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

To satisfy NCC AB's undertakings in accordance with the option programs, NCC AB has 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 program, refer to Note 5 p. 80.

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. Swedish defined-benefit pension obligations are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed obligation. Changes in plan assets and obligations stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

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

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

Severance payments

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

PROVISIONS

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

Guarantee commitments

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

Other provisions

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

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

BORROWING COSTS
Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's acquisition value when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use, 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.

ASSETS PLEDGED
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
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 46.9 billion (45.4); 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, or 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 2014, impairment losses on properties classed as current assets amounted to SEK 4 M (25), which can be compared with their year-end carrying amount of SEK 18.3 billion (17.9).

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

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

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

Several assumptions and estimations are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and 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 7.5 billion (7.7); 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 1.4 billion (1.5); refer to Note 30 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 0.6 billion (0.1)

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	
	2014	2013	**2014**	2013
Construction and civil engineering	32,305	32,872	17,419	20,727
Industrial operations	11,370	11,177		
Housing development projects	10,134	9,026	2,194	2,618
Property development projects	2,962	4,649		
Other	96	99		12
Total	**56,867**	**57,823**	**19,614**	**23,357**
Sales distributed by business segment[1]				
NCC Construction Sweden			17,419	20,739
NCC Housing			2,194	2,618
Total			**19,614**	**23,357**

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 the Executive Management Group. Based on this reporting procedure, the following segments have been identified:

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 Sweden, Norway, Denmark and Finland.

All transactions between the various segments is conducted on a purely commercial basis. The segment report recognizes Swedish pension costs using Swedish accounting standards and adjustments to IFRS are made 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.

	NCC Construction									
GROUP, 2014	Sweden	Denmark	Finland	Norway	NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	18,408	3,488	4,227	6,181	11,370	10,134	3,058	56,867		56,867
Internal net sales	2,379	842	2,394	552	783	1	68	7,019	–7,019	
Total net sales	20,788	4,330	6,621	6,733	12,153	10,135	3,125	63,885	–7,019	56,867
Depreciation/amortization	–146	–23	–13	–110	–386	–21	–4	–703	–5	–708
Impairment losses and reversal of impairment losses							–4	–5		–5 1)
Share in associated company profits					11	–2		8		8
Operating profit	640	281	148	146	459	918	169	2,761	–157	2,604
Financial items										–370
Profit after financial items										2,234
Capital employed	991	421	287	1,013	3,619	10,508	4,784	21,622	–2,687	18,935

	NCC Construction									
GROUP, 2013	Sweden	Denmark	Finland	Norway	NCC Roads	NCC Housing	NCC Property Development	Total segments	Other and eliminations	Group
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 2)
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

1) 2014 includes impairment losses on property projects totaling SEK 5 M.
2) 2013 includes impairment losses of housing projects totaling SEK 23 M.

OTHER AND ELIMINATIONS

	2014		2013	
	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		–231	2	–215
Eliminations of inter-company gains		–18		66
Other Group adjustments (essentially comprising the difference in accounting policies pertaining to Swedish pensions between the segments and the Group)		93		127
Total		**–157**	**2**	**–21**

Note 3 Reporting by operating segments, cont'd

GEOGRAPHICAL AREAS[1)]

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT		NUMBER OF EMPLOYEES		CAPITAL EMPLOYED		FIXED ASSETS [2)]	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Sweden	32,023	27,560	26,429	22,366	26,831	30,547	1,252	1,648	9,517	9,988	8,348	7,382	2,171	2,027
Denmark	8,077	7,683	8,153	5,995	7,576	5,671	428	239	2,086	2,114	3,557	3,847	1,427	1,331
Finland	5,736	7,381	5,343	6,514	9,230	8,181	277	267	2,557	2,786	3,296	3,039	345	313
Norway	9,789	9,691	8,857	7,641	8,989	10,172	175	198	2,348	2,418	3,938	3,453	1,425	1,432
Germany	3,899	3,255	4,227	3,256	3,170	2,508	328	229	715	686	1,268	877	80	72
St. Petersburg	1,697	1,290	1,659	1,800	913	633	148	108	402	356	852	779	67	99
Estonia and Latvia	160	118	110	89	157	111	–4	–11	28	12	491	527		

1) Refer also to pages 22-23, 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.

NOTE 4 ACQUISITION OF OPERATIONS

Taltekon in Finland was acquired during the second quarter. Taltekon offers technical consulting services and will strengthen installation technology expertise within NCC Construction Finland.

During the second quarter, the assets of Namek were also acquired, thus strengthening NCC Construction Sweden's position in Gällivare in preparation for investments in urban transformation and mining that are occurring in Malmberget.

NCC Roads acquired Grenland in Sweden during the third quarter. The company conducts quarry operations and was acquired to further strengthen market positions.

From the effective date of the acquisitions until December 31, these operations contributed SEK 26 M to consolidated net sales and SEK 1 M to profit after tax. Had the acquisitions become effective on January 1, 2014, company management estimates that consolidated net sales would have been SEK 24 M higher and profit after tax SEK 3 M higher.

ACQUIRED OPERATIONS' NET ASSETS MEASURED AT FAIR VALUE AT ACQUISITION

SEK M	Acquisition within NCC Construction Finland	Acquisition within NCC Roads	Other	Total
Intangible assets		13	1	15
Tangible assets		1	1	2
Inventories		1		1
Accounts receivable and other receivables	4	1		5
Cash and cash equivalents	8	1		9
Accounts payable and other liabilities	3	3	2	8
Deferred tax liabilities		4		4
Net identifiable assets and liabilities	9	11		20
Consolidated goodwill	14		2	16
Purchase consideration including acquired cash and cash equivalents	23	11	2	36

CONSOLIDATED GOODWILL
Goodwill amounted to SEK 16 M and was attributable to strengthened market positions.

ACQUISITION-RELATED EXPENDITURE
Acquisition-related expenditure amounted to SEK 0 M. These expenses have been recognized as other operating expenses in the consolidated income statement.

PURCHASE CONSIDERATION

	SEK M
Cash and cash equivalents	27
Purchase consideration	36

The acquired cash balances amounted to SEK 9 M.

NOTE 5 NUMBER OF EMPLOYEES, PERSONNEL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

AVERAGE NUMBER OF EMPLOYEES

	2014		2013	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	6,610	5,868	7,173	6,411
Subsidiaries				
Sweden	2,922	2,718	2,793	2,578
Norway	2,349	2,152	2,440	2,251
Finland	2,507	2,040	2,714	2,244
Denmark	2,086	1,812	2,114	1,843
Germany	715	550	686	533
Russia	402	277	356	243
Estonia and Latvia	78	59	84	67
Total in subsidiaries	**11,059**	**9,608**	**11,188**	**9,759**
Group total	**17,669**	**15,476**	**18,360**	**16,170**

Percentage of women, %	2014	2013
Distribution of company management by gender		
Group total, including subsidiaries		
– Boards of Directors	23.7	17.5
– Other senior executives	12.5	10.6

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

	2014	2013
Parent Company		
– Board of Directors	30.0	22.2
– Other senior executives	28.6	28.6

WAGES, SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN MEMBERS OF THE BOARD AND SENIOR EXECUTIVES[1] AND OTHER EMPLOYEES

	2014			2013		
	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	45	3,073	3,118	42	3,157	3,199
Total in Parent Company	**45**	**3,073**	**3,118**	**42**	**3,157**	**3,199**
	(2.9)			(5.5)		
Social security expenses			1,369			1,366
– of which, pension costs	9	294	303	9	262	271
Pension commitment	19			37		
Group total	**96**	**8,860**	**8,956**	**82**	**8,863**	**8,945**
	(11.8)			(13.2)		
Social security expenses			2,815			2,803
– of which, pension costs			724			702
Pension commitment	37			55		

1) The senior executives category comprises 14 individuals (15) in the Parent Company, and 48 (47) in subsidiaries.

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 fee is paid to the Nomination Committee or Board committees.

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

Remuneration for the CEO and other senior executives consists of basic salary, variable remuneration, share-based payment, other benefits and pensions. The term “other senior executives” pertains to the senior executives who, together with the CEO, constitute the Executive Management Group, as well as those senior executives who are not members of the Executive Management Group but who report directly to the CEO. At the beginning of 2014, there were 13 other senior executives and 14 at the end. Of these, ten were employed by the Parent Company and four by subsidiaries.

VARIABLE REMUNERATION

The maximum variable remuneration payable to CEO Peter Wågström in 2014 amounted to 40 percent of his basic salary. The variable remuneration was based on financial targets established by the Board. The expensed amount pertaining to 2014 corresponded to 12 percent of his basic salary, meaning SEK 711,478. In 2013, SEK 1,762,497 was expensed. Variable remuneration for other senior executives in 2014 corresponded to a maximum of 30 to 40 percent of basic salary based on the outcome of established, primarily financial, targets. The above maximum percentage for the CEO and other senior executives are adjusted downwards by ten percentage points for participants in LTI 2014. The provision posted for variable remuneration payments to other senior executives during 2014 corresponded to 3–23 percent (12–37) of basic salary.

PENSION CONDITIONS FOR THE CEO

CEO Peter Wågström has a defined-contribution pension plan with the premium amounting to 30 percent of his basic 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 and, 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 basic 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.

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

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2014

SEK 000s	Total salary, remuneration and benefits 4)	of which, benefits	of which, variable remuneration 5)	of which, provision for share-based remuneration 6)	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	918					
Member of the Board Antonia Ax:son Johnson 1)	113					
Member of the Board Viveca Ax:son Johnson 1)	355					
Member of the Board Carina Edblad 1)	355					
Member of the Board Olof Johansson	469					
Member of the Board Sven-Olof Johansson	469					
Member of the Board Ulla Litzén	469					
Member of the Board Christoph Vitzthum	469					
President and CEO Peter Wågström	8,913	53	711	2,232	1,800	611
Other senior executives (ten individuals)	32,842	362	2,227	6,165	6,897	18,061
Total Parent Company	**45,372**	**415**	**2,938**	**8,397**	**8,697**	**18,672**
Other senior executives employed by subsidiaries (four individuals)	17,712	802	1,499	3,274	2,188	10,613
Total senior executives	**63,084**	**1,217**	**4,437**	**11,671**	**10,885**	**29,285**

REMUNERATION, PROVISIONS AND OTHER BENEFITS IN 2013

SEK 000s	Total salary, remuneration and benefits 4)	of which, benefits	of which, variable remuneration 5)	of which, provision for 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 2)	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 individuals) 3)	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 individuals)	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) Antonia Ax:son Johnson resigned and Viveca Ax:son Johnson and Carina Edblad were elected at the AGM on April 2, 2014.

2) Ulf Holmlund resigned at the Annual General Meeting on April 9, 2013.

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

4) 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 and 2014 AGMs. The amounts in the tables are subject to accrual accounting.

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

6) Amount reserved during the year for the ongoing LTI programs 2012, 2013 and 2014.

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.

SHARE-BASED REMUNERATION

In April 2014, the AGM resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive plan for senior executives and key personnel within the NCC Group ("LTI 2014"). The purpose of LTI 2014 is to ensure a focus on NCC's long-term return on equity and to provide prerequisites for retaining and recruiting key personnel.

LTI 2014 is a three-year performance-based plan under which the participants have been allotted, free of charge, performance-based share awards, that provide entitlement to Series B shares, and performance-based synthetic shares that provide entitlement to cash remuneration. In view of the introduction of LTI 2014, the maximum short-term variable remuneration payable to the participants have been adjusted downwards by five or ten percentage points of their basic salary. LTI 2014 will run parallel in all respects to the LTI program that was adopted by the 2013 AGM.

Performance targets

The number of shares and the cash amount that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved during the performance period (January 1, 2014 through December 31, 2016). The targets that have been set for LTI 2014 comprise the average return on equity in relation to seven benchmark companies during the vesting period, as well as a reduction in the number of worksite accidents at the end of 2016. For achievement of the first target, 100 percent will be allotted/disbursed if the return exceeds the second best benchmark company, while 25 percent will be allotted/disbursed if the return matches the median for the benchmark category. In between these figures, allotment/disbursement 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 2013, NCC's comparative figure was 10.6. Allotment/disbursement of 100 percent will occur if the ratio for 2016 is less than 5, while 25 percent will be allotted/disbursed if the ratio is less than 8.0. In between these figures, allotment/disbursement will occur linearly. For any disbursement from LTI 2014, a further requirement is that the NCC Group report a pretax profit.

Allotment
The participants are divided into three categories: CEO; members of the Executive Management Group and business area management and other key personnel. The allotment value is 50 percent of annual salary for the CEO, 30 percent of annual salary for members of the Executive Management Group and either 15 percent or 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 2014 AGM, a period when the share is traded ex-rights to dividends (SEK 225.66).

Scope and costs of the program
Assuming a share price of SEK 210 and the maximum outcome in accordance with LTI 2014 in terms of both shares and cash amount, it is estimated that the cost of LTI 2014, including costs for social security fees, will amount to SEK 57.0 M, corresponding to approximately 0.25 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 limited to 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 2014 AGM, a period when the share is traded ex-rights to dividends.

Repurchase of treasury shares
In order to cover commitments in accordance with LTI 2014, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees and payments on the basis of the synthetic shares, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 867,486 Series B shares. The shares are to be acquired on NASDAQ Stockholm and may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash.

Transfer of treasury shares
In order to secure delivery of Series B shares in accordance with LTI 2014, the AGM resolved to permit the transfer of no more than 303,620 Series B shares to the participants of LTI 2014. The prerequisites and conditions for allotment are listed below, according to which all share awards will be regulated through physical delivery of the shares.

LTI 2012
The performance period pertaining to LTI 2012 expired on December 31, 2014. The performance pertaining to the predetermined targets will be evaluated and reported in conjunction with the 2015 Annual General Meeting.

The prerequisites and conditions for allotment are listed below.

	GROUP		PARENT COMPANY	
	Share awards	Synthetic shares	Share awards	Synthetic shares
Outstanding at the beginning of the period	241,762	241,762	115,081	115,081
Allocated during the period	90,740	90,740	48,004	48,004
Transferred from Group companies	–	–	2,282	2,282
Forfeited during the period	–25,229	–25,229	–3,621	–3,621
Outstanding at the end of the period	**307,273**	**307,273**	**161,746**	**161,746**
Puttable at the end of the period	0	0	0	0

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

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

FAIR VALUE AND ASSUMPTIONS
SHARE AWARDS LTI 2012

	2014		2013	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	9,962	5,359	5,064	2,406
Share price, SEK	123.30	123.30	123.30	123.30
Redemption price, SEK	0	0	0	0
Options duration, year	0.5	0.5	1.5	1.5
Risk-free interest rate, %	2.20	2.20	3.95	3.95

SHARE AWARDS LTI 2013

	2014		2013	
	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	6,081	3,192	2,860	1,364
Share price, SEK	144.97	144.97	144.97	144.97
Redemption price, SEK	0	0	0	0
Options duration, year	1.5	1.5	2.5	2.5
Risk-free interest rate, %	2.20	2.20	3.95	3.95

SHARE AWARDS LTI 2014

	2014	
	Group	Parent Company
Fair value on valuation date, SEK 000s	3,691	2,038
Share price, SEK	225.66	225.66
Redemption price, SEK	0	0
Options duration, year	2.5	2.5
Risk-free interest rate, %	2.20	2.20

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

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

PERSONNEL EXPENSES FOR SHARE-BASED REMUNERATIONS

	2014		2013	
	Group	Parent Company	Group	Parent Company
Share awards	12	9	6	3
Synthetic shares	21	12	11	5
Social security expenses	9	6	5	3
Total personnel expenses for share-based remunerations	**42**	**27**	**22**	**11**
Total carrying amount pertaining to liability for synthetic shares	**34**	**18**	**13**	**6**
Total real value of the liability pertaining to vested benefits	**34**	**18**	**13**	**6**

NOTE 6 DEPRECIATION/AMORTIZATION

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Intangible assets	–44	–36	–12	–7
Owner-occupied properties	–26	–26	–1	–1
Machinery and equipment [1)]	–638	–641	–31	–58
Total depreciation/ amortization	**–708**	**–703**	**–44**	**–66**

1) of which, depreciation of leased equipment in the Group amounts to 87 (83).

NOTE 7 FEES AND REMUNERATION TO AUDIT FIRMS

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Audit firms				
PwC				
Auditing assignments	18	18	7	7
Audit in addition to the audit assignment	1			
Other assignments	1	1	1	
Other auditors				
Auditing assignments	2	2		
Total fees and remuneration to auditors and audit firms	**22**	**21**	**8**	**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 CEO, 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	
	2014	2013	**2014**	2013
Production costs				
Housing projects		–23		
Properties held for future development in NCC Property Development	–4	–2		
Result from participations in subsidiaries				
Shares in subsidiaries			63	–81
Impairment losses and reversal of impairment losses, fixed assets				
Owner-occupied properties		7		
Total	**–5**	**–17**	**63**	**–81**

NOTE 9 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Dividend			1,095	1,389
Capital gain/loss on sale	3		–197	
Impairment losses			–135	–81
Reversal of impairment losses			199	
Total	**3**		**962**	**1,308**

NOTE 10 OPERATING EXPENSES DISTRIBUTED BY TYPE OF COST

GROUP	**2014**	2013
Production-related goods and services, plus raw materials and supplies	41,846	42,915
Change in inventories	–72	–19
Personnel costs	11,807	11,541
Depreciation/amortization	708	703
Impairment losses	5	25
Reversal of impairment losses		–7
Total cost of production, and selling and administration costs	**54,293**	**55,157**

NOTE 11 INTEREST EXPENSE AND SIMILAR INCOME STATEMENT ITEMS

PARENT COMPANY	**2014**	2013
Interest expense, Group companies	–111	–121
Interest expense to credit institutions	–64	–65
Financial portion of pension cost	–108	–53
Interest expense, others	–8	–5
Exchange-rate differences	–53	–11
Other financial items	25	–5
Total	**–318**	**–260**

NOTE 12 NET FINANCIAL ITEMS

GROUP	**2014**	2013
Interest income on financial assets held for trading	11	52
Interest income on investments held to maturity	5	6
Interest income on loans and accounts receivable	17	6
Interest income on bank balances	10	8
Net profit on financial assets/liabilities available for sale	1	
Other financial income	2	2
Financial income	**46**	**75**
Interest expense on financial liabilities measured at amortized cost	–310	–286
Interest expense on financial liabilities held for trading	–21	–8
Net loss on financial assets/liabilities held for trading	–8	–4
Net exchange-rate changes	–6	–3
Other financial expenses	–71	–53
Financial expense	**–416**	**–354**
Net financial items	**–370**	**–279**
Of which, changes in value calculated using valuation techniques	–7	–4

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

GROUP	2014 exchange rates 2013[1)]	2014	Exchange-rate effect
Net sales	56,241	56,867	626
Operating profit	2,574	2,604	30
Profit after financial items	2,195	2,234	39
Net profit for the year	1,806	1,838	32

1) Figures for 2014 converted at 2013 exchange rates.

			AVERAGE EXCHANGE RATE JAN–DEC		YEAR-END RATE	
Country	SEK	Currency	2014	2013	2014	2013
Denmark	100	DKK	122.02	116.00	127.35	119.37
EU	1	EUR	9.10	8.65	9.48	8.90
Norway	100	NOK	108.89	110.94	105.04	105.85
Russia	1	RUR	0.18	0.22	0.13	0.21

NOTE 14 APPROPRIATIONS AND UNTAXED RESERVES

	APPROPRIATIONS		UNTAXED RESERVES	
PARENT COMPANY	2014	2013	2014	2013
Accumulated depreciation in excess of plan				
– machinery and equipment		13		
Tax allocation reserve		231		
Reserve in work in progress	44	103	348	392
Group contributions received	639	325		
Total	**684**	**672**	**348**	**392**

NOTE 15 INTANGIBLE ASSETS

	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				
2014	Goodwill	Usufructs	Other	Total other	Development expenses
Recognized acquisition value on January 1	**2,056**	**214**	**270**	**484**	**86**
Investments	16	23	136	158	111
Divestment and scrapp	–2	–5	–1	–6	
Reclassifications		13	–7	6	
Translation differences during the year	58	6	6	12	
Recognized acquisition value on December 31	**2,128**	**251**	**403**	**654**	**198**
Accumulated amortization on January 1	**0**	**–115**	**–100**	**–215**	**–11**
Divestment and scrappage		4		4	
Through company divestments			1	1	
Translation differences during the year	–2	–3	–5	–8	
Amortization according to plan during the year		–12	–32	–44	–12
Accumulated amortization on December 31	**–1**	**–127**	**–136**	**–263**	**–23**
Accumulated impairment losses on January 1	**–255**	**–2**	**0**	**–2**	**0**
Translation differences during the year	–6				
Accumulated impairment losses on December 31	**–261**	**–2**	**0**	**–2**	**0**
Residual value on January 1	**1,802**	**97**	**170**	**267**	**75**
Residual value on December 31	**1,865**	**123**	**266**	**389**	**175**

	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				
2013	Goodwill	Usufructs	Other	Total other	Development expenses
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 15 Intangible assets, cont'd

IMPAIRMENT TESTING OF GOODWILL IN CASH-GENERATING UNITS

Goodwill amounting to SEK 1,865 M is included in NCC's balance sheet. The item is distributed as follows among NCC's business areas:

Unit	2014	2013
NCC Construction Sweden	401	401
NCC Construction Denmark	117	109
NCC Construction Finland	70	52
NCC Construction Norway	263	265
NCC Roads	993	952
NCC Housing	22	22
NCC Group	**1,865**	**1,802**

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

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

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

Operating margin: The forecast operating margin has been assumed to equal the average for the most recent three years, except for NCC Construction Norway. During recent years, a number of acquisitions have taken place in NCC Construction Norway, which is why the operating margin has been established on the basis of the average for the past five years, to reflect the estimated margin.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2014, with a growth rate equal to the sustainable long-term growth rate.

Discount interest rate: The weighted average cost of capital, WACC, is calculated for the various units on the basis of beta value and local conditions in respect of market interest rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. The discount interest rates for the different cash-generating units vary between 5.4 and 11.9 percent before tax and 4.2 and 8.7 percent after tax. On the basis of NCC's scenario as a whole, the discount interest rate amounts to 8.3 (8.9) percent before tax and 6.5 (6.9) percent after tax.

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

As of January 1, 2014, NCC Roads was divided into three divisions with operations across country borders. This meant that the income statement, balance sheet and cash flow are not monitored by country. Since the balance sheet is not reported at division level, all goodwill was transferred from individual countries to NCC Roads' business area level. Accordingly, impairment testing for 2014 for NCC Roads was implemented at the business area level and shows no impairment requirements.

Risk analysis: The difference between the value in use and the carrying amount is lowest for NCC Construction Norway. The sensitivity analysis of the assumptions used in the impairment testing shows that a change in one of these by 0.5 percentage points independently would not necessitate any impairment.

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 item Other 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	
	2014	2013
Production costs	–32	–28
Selling and administrative expenses	–12	–7
Total	**–44**	**–36**

NOTE 16 TANGIBLE FIXED ASSETS

	GROUP				PARENT COMPANY		
2014	Owner-occupied properties	Construction in progress	Machinery and equipment	Total	Owner-occupied properties	Machinery and equipment	Total
Recognized acquisition value on January 1	**1,290**	**16**	**7,590**	**8,896**	**26**	**552**	**578**
Investments	53		751	804	3	43	46
Increase through acquisitions			1	1			
Divestment and scrappage	–18		–320	–338	–3	–15	–18
Decrease through company divestments	–7		–66	–73			
Reclassifications	–9	–4	–143	–155		–69	–69
Translation differences during the year	17		89	106			
Recognized acquisition value on December 31	**1,326**	**12**	**7,903**	**9,241**	**27**	**511**	**537**
Accumulated impairment losses and depreciation on January 1	**–602**		**–5,089**	**–5,691**	**–9**	**–478**	**–488**
Divestment and scrappage	14		251	265	2	14	16
Decrease through company divestments	2		46	48			
Reclassifications	63		86	149		69	69
Translation differences during the year	–16		–72	–88			
Depreciation during the year	–26		–638	–664	–1	–31	–32
Accumulated impairment losses and depreciation on December 31[1)]	**–564**		**–5,416**	**–5,980**	**–9**	**–426**	**–435**
Accumulated write-ups on January 1			**1**	**1**			
Accumulated write-ups on December 31			**1**	**1**			
Residual value on January 1	**688**	**16**	**2,502**	**3,206**	**17**	**74**	**91**
Residual value on December 31	**762**	**12**	**2,487**	**3,262**	**18**	**84**	**103**
Carrying amount of financial leasing			**298**	**298**			
1) Accumulated impairment losses on December 31	–12		–55	–67			

Note 16 Tangible fixed assets, cont'd

2013	GROUP: Owner-occupied properties	GROUP: Construction in progress	GROUP: Machinery and equipment	GROUP: Total	PARENT COMPANY: Owner-occupied properties	PARENT COMPANY: Machinery and equipment	PARENT COMPANY: Total
Recognized acquisition value on January 1	**1,245**	**5**	**7,197**	**8,447**	**22**	**519**	**541**
Investments	46	12	898	956	3	38	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**	**26**	**552**	**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 losses	7			7			
Depreciation during the year	–26		–641	–666	–1	–58	–59
Accumulated impairment losses and depreciation on December 31[1]	**–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**	**17**	**74**	**91**
Carrying amount of financial leasing			**279**	**279**			
1) Accumulated impairment losses on December 31	–30		–55	–85			

NOTE 17 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY

Name of company, Corp. Reg. No., Registered office	Ownership share, %[1]	No. of participations[2]	CARRYING AMOUNT 2014	CARRYING AMOUNT 2013
Real estate companies:				
NCC Property Development BV, 33.213.877, Netherlands	93		4	4
NCC Property Development Nordic AB, 556743-6232, Solna	100	1	961	960
Total participations in real estate companies			**965**	**965**
Other companies:				
Alsike Utvecklings AB, 556245-9452, Uppsala	100	16	2	2
Anjo Bygg AB, 556317-8515, Halmstad	100	9	29	29
Bergnäsets Ställningsmontage i Luleå AB, 556393-2838, Luleå	100	1		
Däldehög AB, 556268-5700, Gothenburg	100	9	1	1
Eeg-Henriksen AB, 556399-2642, Stockholm	100	5	1	1
Ekängens Handelsträdgård AB, 556188-6903, Solna	100	1	4	4
Elpolerna i Malmö AB, 556720-5934, Malmö	80	1		
Frösunda Exploaterings AB, 556430-1876, Solna	100	1		1
Frösunda Exploaterings KB, 916636-6451, Stockholm				1
Fågelbro Mark AB, 556234-0868, Stockholm	100	200	30	30
Hercules Grundläggning AB, 556129-9800, Stockholm	100	196	59	59
Jaktbacken AB, 556908-8932, Solna	100	1		
JCC Johnson Construction Company AB, 556113-5251, Solna	100	1		

PARENT COMPANY

Name of company, Corp. Reg. No., Registered office	Ownership share, %[1]	No. of participations[2]	CARRYING AMOUNT 2014	CARRYING AMOUNT 2013
Kallax Cargo AB, 556565-1147, Solna	100	2	1	1
Kungsplattan AB, 556713-0850, Solna	100	1	1	1
Kvarntorget Bostad AB, 556729-8541, Uppsala	100	1	1	1
LLC NCC Center, INN7841457408, Russia	100		5	
LLC NCC Ostland, INN7802379530, Russia	100			
LLC NCC Real Estate, INN7841322136, Russia	100		85	85
LLC NCC Village, INN7842398917, Russia	100		9	9
Luzern AB, 556336-4727, Lund	100	1	3	3
NCC Aktivt Boende AB, 556889-1393, Solna	100	1		
NCC Beckomberga nr 1 AB, 556617-6243, Stockholm	100	1	1	1
NCC Boende AB, 556726-4121, Solna	100		4	1
NCC Boende Holding 1 AB, 556761-3459, Solna	100	1		
NCC Boende Holding 2 AB, 556795-2089, Solna	100	1		
NCC Boende Holding 3 AB, 556795-2287, Solna	100	1		
NCC Boende Holding 4 AB, 556824-7901, Solna	100	1		
NCC Boende Holding 5 AB, 556824-7919, Solna	100	1	82	82
NCC Boende Holding 6 AB, 556824-7927, Solna	100	1		

Note 17 Participations in group companies, cont'd.

PARENT COMPANY

Name of company, Corp. Reg. No., Registered office	Ownership share, %1)	No. of participations2)	Carrying amount 2014	Carrying amount 2013
NCC Boende Holding 7 AB, 556824-8230, Solna	100	1		
NCC Boende Holding 8 AB, 556824-8248, Solna	100	1	65	65
NCC Boende Holding 9 AB, 556845-8797, Solna	100	1		
NCC Boende Holding 10 AB, 556845-8821, Solna	100	1		
NCC Boende Holding 11 AB, 556866-8692, Stockholm	100	1		
NCC Boende Holding 12 AB, 556887-7079, Solna	100	1	60	60
NCC Boende Holding 13 AB, 556966-2835, Solna	100	1		
NCC Boende Holding 14 AB, 556973-2273, Solna	100	1		
NCC Boende Holding 15 AB, 556987-3770, Solna	100	1		
NCC Bolig AS, 32 65 55 05, Denmark	100	5	456	456
NCC Bolig AS, 997 671 783, Norway	100	8	41	41
NCC Construction Danmark A/S, 69 89 40 11, Denmark	100	400	116	115
NCC Construction Norge AS, 911 274 426, Norway	100	17,500	161	160
NCC Construction Sverige AB, 556613-4929, Solna	100	500	55	52
NCC Deutschland GmbH, HRB 8906 FF, Germany	100		410	410
NCC Elamuarendus, 11398856, Estonia	100		6	6
NCC Försäkrings AB, 516401-8151, Solna	100	500	78	78
NCC Hyresboende AB, 556889-1401, Solna	100	1		
NCC Hällevik AB, 556749-6251, Solna	100	1		
NCC Industries AB, 556001-8276, Stockholm	100	15	22	22
NCC International AB, 556033-5100, Solna	100	1,000	41	258
NCC International Danmark A/S, 26 708 621, Denmark				
NCC Kaninen Projekt AB, 556740-3638, Solna	30[3]			
NCC Komponent AB, 556627-4360, Solna	100	1		
NCC Nordic Construction Company AB, 556065-8949, Solna	100	3,809	1,018	1,018
NCC Purchasing Group AB, 556104-9932, Solna	100	2	1	1
NCC Rakennus Oy, 1765514-2, Finland	100	4	392	392
NCC Roads Holding AB, 556144-6732, Solna	100	275	1,637	1,635
NCC Södra Ekkällan AB, 556679-8780, Solna	100	1	1	1
NCC Treasury AB, 556030-7091, Solna	100	120	16	16
NCC Utvikling AS, 980 390 020, Norway	100	8	3	3
Nils P Lundh AB, 556062-7795, Solna	100	1		
Norrströmstunneln AB, 556733-7034, Solna	100	1		
Nybergs Entreprenad AB, 556222-1845, Gotland	100	10	11	11
Samset AB, 556931-8644, Stockholm				
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 Industritjänst i Södra Norrland AB, 556195-2226, Solna	100	2		
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
Tipton Ylva AB, 556617-6326, Stockholm	100	1	1	1
Total participations in other companies			**4,944**	**5,146**
Total participations in Group companies			**5,909**	**6,112**

1) The ownership share corresponds to the shareholding.
2) Number of shares in thousands.
3) Remaining 70 percent of the company owned by NCC Property Development AB.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the acquisition method. NCC's assessment is that there is no controlling influence in holdings in which the ownership share amounts to 50 percent or less. The amended control concept in IFRS 10 has not resulted in any change in this assessment.

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 is specified. The number of indirectly owned subsidiaries is 184 (188).

NOTE 18 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

GROUP	2014	2013
Carrying amount on January 1	9	9
Adjustment for amended accounting policies, IFRS 11	45	
Divestment of associated companies	–3	
Share in associated company profits[1]	1	–1
Carrying amount on December 31	**52**	**9**

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

GROUP			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Owner-ship share, %[1]	No. of participa-tions[2]	2014	2013
Agder Bygg Gjennvinnings 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	1
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	1	
Kalati SIA, 40003783689, Riga	50		7	
PULS-ISAB Relining i Skandinavien AB, 556813-5890, Mölndal	25		3	3
PULS Planerad Underhållsservice AB, 556379-1259, Malmö	50	15	23	
Oraser AB, 556293-2722, Stockholm	50	1	6	
Sjaellands Emulsionsfabrik I/S,18004968, Roskilde	50		4	
SHH Hyresproduktion AB, 556889-3746, Stockholm	50	1	3	
Östhammarkrossen KB, 916673-1365, Uppsala	50		2	2
Other NCC-owned associated companies 12 (12)			1	1
Total			**52**	**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 ASSOCIATED COMPANIES AND JOINT OPERATIONS

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

GROUP	2014	2013
Revenue	75	254
Expenses	–69	–226
Profit	**6**	**28**
Fixed assets	17	62
Current assets	755	634
Total assets	**772**	**696**
Long-term liabilities	195	270
Current liabilities	351	231
Total liabilities	**546**	**501**
Net assets	**226**	**195**

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

SPECIFICATION OF JOINT OPERATIONS

GROUP	Shareholding, %
Arandur OY	33
ARC konsortiet	50
Bolig Interessentskabet Tuborg Nord	50
Entreprise 23 konsortiet	50
Entreprise 26 konsortiet	50
Fløng-2 Konsortiet	50
Fortis DPR, konsortie	50
GR2012 Konsortiet I/S	50
Holding Big Apple Housing Oy	50
Milman Miljömuddring	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Langebro 2	50
M11-Entreprenør	50
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
NCC-SMET konsortiet	50
Polaris Business Park Oy	50
Stora Ursvik KB	50
Tipton Brown AB	33
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			CARRYING AMOUNT	
Name of company, Corp. Reg. No., Registered office	Ownership share, %1)3)	No. of participations2)	2014	2013
Fastighets AB Strömstaden, 556051-7202, Norrköping				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, 969679-3182 Stockholm	50		156	144
Tipton Brown AB, 556615-8159, Stockholm	33	125	15	15
Other 6 (9)			1	1
Total			**185**	**175**

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

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

NOTE 21 FINANCIAL INVESTMENTS

GROUP	2014	2013
Financial investments classified as fixed assets		
Available-for-sale financial assets		
Unlisted securities	40	23
Investments held to maturity		
Interest-bearing securities	115	109
Total	**156**	**131**
Short-term investments classified as current assets		
Financial assets at fair value through profit or loss		
Interest-bearing securities	115	21
Investments held to maturity		
Interest-bearing securities	127	122
Total	**242**	**143**

Investments held to maturity have an established interest rate ranging from 1.0 (1.6) percent to 4.0 (4.0) percent, and have due dates ranging from 2 (1) years to 3 (3) years.

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

NOTE 22 FINANCIAL FIXED ASSETS

PARENT COMPANY, 2014	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	14,766	10	473	185	11	141	15,586
Assets added	23		12				35
Reclassifications	–136		–265				–401
Assets removed	–290		–2			–10	–302
Recognized acquisition value on December 31	14,363	10	217	185	11	131	14,918
Accumulated write-ups on January 1	268						268
Accumulated write-ups on December 31	268						268
Accumulated impairment losses on January 1	8,922		–297	–1	–6	–2	–9,228
Reversal of impairment losses	199						199
Reclassifications	136		265				401
Impairment losses for the year	–135						–135
Accumulated impairment losses on December 31	8,723		–33	–1	–6	–2	–8,764
Residual value on December 31	5,909	10	185	184	5	129	6,422

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

NOTE 23 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

GROUP	2014	2013
Long-term receivables classified as fixed assets		
Receivables from associated companies and joint ventures	94	92
Receivables from divested property and housing projects		17
Derivative instruments held for hedging purposes	223	23
Other long-term receivables	117	114
Long-term receivables classified as fixed assets	**434**	**247**
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	70	41
Receivables from divested property and housing projects	129	139
Advance payments to suppliers	4	6
Derivative instruments held for hedging purposes	221	87
Other current receivables	589	659
Other receivables classified as current assets	**1,013**	**932**

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

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Tax on net profit for the year				
Current tax cost	–420	–364	–249	–192
Deferred tax revenue/cost	24	-47	4	–48
Total recognized tax on net profit for the year	**–396**	**–411**	**–245**	**–240**

	GROUP				PARENT COMPANY			
	2014		2013		**2014**		2013	
Effective tax	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		2,234		2,400		2,022		2,395
Tax according to company's current tax rate	–22%	–492	–22%	–528	–22%	–445	–22%	–527
Effect of other tax rates for non-Swedish companies	–1%	–29	–1%	–33				
Changed tax rates in Denmark 2015 and in Finland, Norway and Denmark 2014		5	–1%	–15				
Other non-tax-deductible costs	–1%	–22	–2%	–36	–1%	–46	–1%	–23
Non-taxable revenues	5%	110	7%	148	11%	248	12%	288
Tax effect resulting from utilization of non-capitalized tax loss carryforwards		–1		–1				
Tax effect resulting from previous non-capitalized tax loss carryforwards	1%	28	2%	36				
Tax attributable to prior years			1%	20		–5	1%	22
Other		5				4		
Average tax rate/recognized tax	**–18%**	**–396**	**–17%**	**–411**	**–12%**	**–245**	**–10%**	**–240**

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

TAX ITEMS RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

	GROUP	
	2014	2013
Current tax in hedging instruments	19	4
Deferred tax on cash flow hedging	13	–4
Deferred tax attributable to the revaluation of defined-benefit pension plans	109	–41
Total	**141**	**–41**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX LOSS CARRYFORWARDS

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Opening carrying amount	–165	–51	83	131
Recognized tax on net profit for the year	19	–32	4	–48
Changed tax rates in Denmark 2015 and in Finland, Norway and Denmark 2014	5	–15		
Tax items recognized in other comprehensive income	13			
Tax item attributable to revaluation of defined-benefit pension plans recognized in Other comprehensive income	109	–45		
Translation differences	–12	–7		
Other		–14		
Closing carrying amount	**–31**	**–165**	**86**	**83**

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

	ASSETS		LIABILITIES		NET	
GROUP	2014	2013	2014	2013	2014	2013
Tangible fixed assets			–28	–14	–28	–14
Financial fixed assets	27	33			27	33
Non-completed projects			–595	–511	–595	–511
Properties held for future development			–38	–53	–38	–53
Untaxed reserves			–166	–174	–166	–174
Provisions	173	126			173	126
Personnel benefits/pension provisions	133	34			133	34
Tax loss carryforwards	365	304			365	304
Other	117	104	–20	–12	97	92
Deferred tax asset/deferred tax liability	**816**	**600**	**–847**	**–764**	**–31**	**–165**
Offsetting	–382	–351	382	351		
Net deferred tax asset/tax liability	**434**	**249**	**–465**	**–414**	**–31**	**–165**

	ASSETS		LIABILITIES		NET	
PARENT COMPANY	2014	2013	2014	2013	2014	2013
Provisions	81	77			81	77
Personnel benefits/pension provisions	5	6			5	6
Net deferred tax asset/tax liability	**86**	**83**			**86**	**83**

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 0.1 billion (0.2). These mainly derive from operations conducted outside Sweden, primarily in Germany. During the year, it was possible to capitalize a portion of previously non-capitalized loss carryforwards.

NOTE 25 PROPERTIES CLASSIFIED AS CURRENT ASSETS

GROUP, 2014	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects2)	Properties held for future development, housing	Housing units in production	Completed housing units	Total housing projects3)	Total
Recognized acquisition value on January 1	**2,276**	**1,996**	**1,065**	**5,337**	**6,556**	**5,315**	**1,286**	**13,157**	**18,494**
Investments	364	1,615	38	2,017	2,068	7,300	284	9,652	11,669
Increase through acquisitions					95			95	95
Divestment and scrappage	–97	–1,208	–878	–2,183	–118	–6,854	–1,599	–8,571	–10,754
Decrease through divestments					–390			–390	–390
Reclassifications	–511	–200	519	–192	–1,685	586	1,169	70	–122
Translation differences during the year	76	53	37	166	–222	–101	–21	–344	–178
Recognized acquisition value on December 31	**2,108**	**2,256**	**781**	**5,145**	**6,304**	**6,246**	**1,119**	**13,669**	**18,814**
Accumulated impairment losses on January 1	**–51**	**0**	**–34**	**–85**	**–370**	**–12**	**–150**	**–532**	**–617**
Divestment and scrappage	11			11	4			4	15
Decrease through divestments					9			9	9
Reclassifications	–1			–1	112	1		113	112
Translation differences during the year	3		–3	–6	–9	–1	–5	–15	–21
Impairment losses for the year1)			–4	–4					–4
Accumulated impairment losses on December 31	**44**	**0**	**–41**	**–85**	**–255**	**–12**	**–155**	**–422**	**–507**
Residual value on January 1	**2,224**	**1,996**	**1,031**	**5,251**	**6,186**	**5,303**	**1,136**	**12,625**	**17,876**
Residual value on December 31	**2,064**	**2,256**	**740**	**5,059**	**6,049**	**6,234**	**963**	**13,246**	**18,305**

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

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

GROUP, 2013	Properties held for future devel-opment	Ongoing property projects	Completed property projects	Total property projects[2)]	Properties held for future devel-opment, housing	Housing units in production	Completed housing units	Total housing projects[3)]	Total
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 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**	**18,493**
Accumulated impairment losses on January 1	**-48**	**0**	**-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 for the year[1)]	–2			–2	–21		–2	–23	–25
Accumulated impairment losses on December 31	**-51**	**0**	**-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 primarily to properties classified as current assets recognized in NCC Housing.

	2014				2013			
PARENT COMPANY	Properties held for future devel-opment	Completed housing units	Participa-tions in ten-ant-owner associations	Total housing projects	Properties held for future devel-opment	Completed housing units	Participa-tions in ten-ant-owner associations	Total housing projects
Recognized acquisition value on January 1	**101**	**258**	**161**	**520**	**119**	**214**		**333**
Investments	39	28		67	11	281	161	453
Divestment and scrappage	–24	–263	–83	–370	–29	–237		–266
Reclassifications	2	19		21				
Recognized acquisition value on December 31	**118**	**42**	**79**	**239**	**101**	**258**	**161**	**520**
Accumulated impairment losses on January 1	**-9**	**-6**	**0**	**-15**	**-9**	**-9**	**0**	**-18**
Divestment and scrappage						3		3
Accumulated impairment losses on December 31	**-9**	**-6**	**0**	**-15**	**-9**	**-6**	**0**	**-15**
Residual value on January 1	**92**	**252**	**161**	**505**	**110**	**205**	**0**	**315**
Residual value on December 31	**109**	**36**	**79**	**225**	**92**	**252**	**161**	**505**

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

NOTE 26 MATERIALS AND INVENTORIES

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Stone material	421	376		
Building materials	169	152	59	52
Other	156	146		
Total	**746**	**673**	**59**	**52**

NOTE 27 CONSTRUCTION CONTRACTS

WORKED-UP, NON-INVOICED REVENUES

GROUP	2014	2013
Worked-up revenues from ongoing contracts	14,560	16,040
Invoicing for ongoing contracts	–13,494	–15,123
Total	**1,066**	**918**

INVOICED REVENUES, NOT WORKED UP

GROUP	2014	2013
Invoicing for ongoing contracts	36,730	33,658
Worked-up revenues from ongoing contracts	–32,322	–29,394
Total	**4,408**	**4,264**

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 46,882 M (45,434). Advanced payments received amounted to SEK 2,603 M (2,932). Amounts withheld by the customer amounted to SEK 752 M (749).

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 acquisition of minority-held NK shares	1,838,437	46
1994	New issue	19,841,991	496
	Conversions of debentures	13,394,804	335
1997	Directed placements, in connection with the acquisition of Siab	28,303,097	708
2004	Reduction of share capital[1]		–1,844
2014	**End of year**	**108,435,822**	**867**

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

Holding of Series B shares		Number of shares
2000	Repurchases	2,775,289
2001	Repurchases	699,300
2002	Repurchases	2,560,800
2003	Repurchases	3
2005	Sales	–4,840,998
2006	Sales	–843,005
2007	Sales	–330,251
2011	Sales	–21,138
2012	Repurchases	415,500
2013	Repurchases	177,000
2014	**End of year**	**592,500**

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8.00 each. During the year, 1,685,025 (2,425,764) Series A shares were converted to Series B shares.

The shares are distributed into the following classes:

	Series A	Series B	Total
Number	26,023,097	82,412,725	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. 66. The Board of Directors proposes an ordinary dividend of SEK 12.00 per share, making a total of SEK 1,294,119,864 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 2000–2013	–35,403,560	35,403,560	
Share repurchase 2000–2013		–6,627,892	–6,627,892
Sale of treasury shares 2005–2013		6,035,392	6,035,392
No. of shares on Dec. 31, 2013	**27,708,122**	**80,135,200**	**107,843,322**
Conversion of Series A to Series B shares 2014	–1,685,025	1,685,025	
No. of shares on Dec. 31, 2014	**26,023,097**	**81,820,225**	**107,843,322**
Number of voting rights	260,230,970	81,820,225	342,051,195
Percentage of voting rights	76	24	100
Percentage of share capital	24	76	100
Closing price Dec. 31, 2014	245.20	246.80	
Market capitalization, SEK M	6,381	20,193	26,574

NOTE 29 INTEREST-BEARING LIABILITIES

GROUP	2014	2013
Long-term liabilities		
Liabilities to credit institutions and investors[1]	5,381	5,690
Financial lease liabilities	193	179
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,032	745
Liabilities to associated companies	85	85
Other long-term loans	266	330
Total	**6,957**	**7,029**
Current liabilities		
Current portion of liabilities to credit institutions and investors	1,140	1,095
Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies	1,239	1,291
Liabilities to associated companies	40	30
Financial leasing, current portion	104	98
Other current liabilities	3	1
Total	**2,526**	**2,515**
Total interest-bearing liabilities	**9,483**	**9,544**

1) Including reloaning of SEK 1,700 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	2014	2013
Long-term liabilities		
Reloaning from the NCC Group's Pension Foundation	1,700	1,500
Total	**1,700**	**1,500**
Current liabilities		
Group companies	3,296	4,161
Other current liabilities		1
Total	**3,296**	**4,162**
Total interest-bearing liabilities	**4,996**	**5,662**

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

NOTE 30 OTHER PROVISIONS

GROUP, 2014	Guarantees	Other	Total
On January 1	**1,535**	**535**	**2,070**
Provisions during the year	401	219	620
Reclassification	1	–9	–8
Amount utilized during the year	–456	–190	–646
Reversed, unutilized provisions	–56	–5	–61
Reclassifications	–91	91	0
Translation differences	32	10	42
On December 31	**1,366**	**651**	**2,017**

Note 30 Other provisions, cont'd.

GROUP, 2013	Guaran-tees	Other	Total
On January 1	**1,722**	**713**	**2,435**
Provisions during the year	367	158	525
Reclassification	1	–1	0
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**	**2,070**

PARENT COMPANY, 2014	Guaran-tees	Other	Total
On January 1	**631**	**56**	**686**
Provisions during the year	141	–30	111
Amount utilized during the year	–155	–27	–182
Reclassifications	–67	67	
On December 31	**549**	**66**	**616**

PARENT COMPANY, 2013	Guaran-tees	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**

SPECIFICATION OF OTHER PROVISIONS AND GUARANTEES

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Restoration reserve	149	144		
Other	502	391	66	56
Other provisions	**651**	**535**	**66**	**56**
Guarantee commitments	1,366	1,536	549	631
Total	**2,017**	**2,070**	**616**	**686**

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 aggregates and stone. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration occurs.

OTHER
The provisions comprise additional costs plus uncertainty in projects as well as outstanding disputes and legal matters. Part of the provisions is intended to cover losses arising in operations and is utilized gradually as the project is worked up. 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. The Oslo District Court issued its verdict on February 19, 2014, according to which the competition-infringement fee was reduced from NOK 140 M as handed down earlier by the Norwegian Competition Authority to NOK 40 M (SEK 43 M). This verdict has been 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 several 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. There are no minimum funding requirements for the IPT2 plan.

The risks associated with the Swedish pension plans are:
- Interest-rate risks; with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk; the debt will increase with higher salary increases.
- Volatility of assets; the portfolio mostly contains 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 where no new vesting occurs. Since the plans are small, with no new earning capacity, the risks in these plans are significantly smaller than described above. In 2013, the defined-benefit plans were redeemed in Norway and were replaced by defined-contribution plans.

PENSION COST

GROUP	**2014**	2013
Defined-benefit plans:		
Current service cost	127	133
Interest expense	175	147
Estimated return on plan assets	–175	–140
Total cost of defined-benefit plans	**127**	**140**
Total cost of defined-contribution plans	597	562
Payroll taxes and yield tax	47	81
Total cost of post-employment remuneration	**771**	**783**

Current service cost is recognized in 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 multi-employer defined-benefit plan. For the 2014 fiscal year, NCC did not have access to the type of information required for reporting its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to report these plans as defined-benefit plans. Accordingly, the ITP (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.32 percent (0.18).

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 2014, Alecta's surplus in the form of its collective solvency rate was 144 percent (129).

Note 31 Pensions, cont'd.

DEFINED-BENEFIT OBLIGATIONS AND THE VALUE OF PLAN ASSETS

GROUP	2014	2013
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	5,220	4,314
Fair value of plan assets	4,748	4,380
Net value of obligations funded in full or in part	**472**	**–66**
Payroll tax/employer contributions	112	189
Net amount in balance sheet (obligation +, asset –)	**585**	**125**
Net amount is recognized in the following balance-sheet items:		
Fixed assets	1	
Provisions for pensions and similar obligations	583	125
Net amount in balance sheet (obligation +, asset –)	**585**	**125**
Net amount is distributed among plans in the following countries:		
Sweden	572	111
Norway	12	13
Net amount in balance sheet (obligation +, asset –)	**585**	**125**

CHANGE IN OBLIGATION FOR DEFINED BENEFIT PLANS

GROUP	2014	2013
Obligation for defined benefit plans on January 1	**4,314**	**5,097**
Benefits paid	–154	–142
Current service cost plus interest expense	303	279
Settlements	–16	–932
Actuarial gains and losses on changed demographic assumptions	31	61
Actuarial gains and losses on changed financial assumptions	742	1
Exchange-rate differences		–50
Obligation for defined benefit plans on December 31	**5,220**	**4,314**

Weighted average maturity for the plans is 27 years (27).

CHANGE IN PLAN ASSETS

GROUP	2014	2013
Fair value of plan assets on January 1	**4,380**	**4,901**
Contribution by employer	6	21
Benefits paid	–8	–8
Compensation	–12	–33
Estimated return	175	140
Settlements		–857
Actuarial gains and losses	207	267
Exchange-rate differences		–50
Fair value of plan assets on December 31	**4,748**	**4,380**
The plan assets comprise:		
Swedish stock market, listed	724	630
International stock market, listed	1,209	932
Hedge funds, listed	559	514
Interest-bearing securities, listed	556	804
Interest-bearing securities, unlisted	1,700	1,500
Fair value of plan assets on December 31	**4,748**	**4,380**

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

ACTUARIAL ASSUMPTIONS, WEIGHTED AVERAGE VALUE, %

GROUP	2014	2013
Discount interest rates, %	2.85	4.0
Future salary increases, %	3.0	3.0
Anticipated inflation, %	1.5	1.5
Useful life assumption at 65 years, years	20.8	23.4

SENSITIVITY ANALYSIS, PERCENTAGE IMPACT ON THE SIZE OF THE OBLIGATION AT DECEMBER 31, 2014

GROUP	Increase, %	Decrease, %
Discount interest rate, 0.5 percentage points change	–8.2	10.2
Future salary increases, 0.5 percentage points change	4.2	–3.0
Anticipated inflation, 0.5 percentage points change	7.6	–6.1
Useful life assumption at 65 years, 1 year change	3.9	–3.1

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

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

The Group estimates that approximately SEK 5 M will be paid in 2015 to funded and unfunded defined-benefit plans.

PENSION COSTS

PARENT COMPANY	2014	2013
Proprietary pension payments		
Proprietary costs, excluding interest expense	171	204
Interest expense	108	52
Cost of proprietary pension payments	**279**	**256**
Pension payments through insurance		
Insurance premiums	141	153
Subtotal	**420**	**409**
Payroll tax on pension costs	67	61
Pension costs during the year	**487**	**470**

CAPITAL VALUE OF PENSION OBLIGATIONS

PARENT COMPANY	2014	2013
Capital value of pension obligations pertaining to proprietary pension payments on January 1	3,025	2,908
Cost, excluding interest expense, charged against profit	171	204
Interest expense	108	53
Pension payments	–128	–140
Capital value of pension obligations pertaining to proprietary pension on December 31	**3,176**	**3,025**

FAIR VALUE OF ESPECIALLY DETACHED ASSETS

PARENT COMPANY	2014	2013
Fair value of especially detached assets on January 1	3,807	3,464
Return on especially detached assets	340	373
Payment to/from pension foundations		–30
Fair value of especially detached assets on December 31	**4,147**	**3,807**
Fair value of especially detached assets distributed as:		
Shares	1,551	1,252
Funds	448	411
Interest-bearing receivables	2,148	2,144
Fair value of especially detached assets on December 31	**4,147**	**3,807**

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 1,700 M (1,500) from NCC AB.

Otherwise, the pension foundation has no financial instruments issued by the company or assets used by the company.

Note 31 Pensions, cont'd.

NET PENSION OBLIGATION

PARENT COMPANY	2014	2013
Capital value of pension obligations pertaining to proprietary pension on December 31	3,176	3,025
Fair value of especially detached assets on December 31	4,147	3,807
Surplus on especially detached assets	973	784
Net recognized pension obligation	**2**	**2**

ASSUMPTIONS FOR DEFINED-BENEFIT OBLIGATIONS

PARENT COMPANY	2014	2013
Discount interest rate on December 31	3.84	3.84

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

NOTE 32 OTHER LIABILITIES

GROUP	2014	2013
Other long-term liabilities		
Liabilities to associated companies	7	5
Derivative instruments held for hedging	98	51
Liabilities, property acquisitions	215	185
Other long-term liabilities	228	59
Total	**548**	**299**
Other current liabilities		
Advances from customers	2,603	2,932
Liabilities to associated companies		2
Derivative instruments held for hedging	161	35
Liabilities, property acquisitions	545	930
Other current liabilities	1,472	1,460
Total	**4,782**	**5,360**

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

PARENT COMPANY	2014	2013
Invoicing excluding withheld amount	19,664	19,143
Withheld amount	260	237
Total invoicing	**19,924**	**19,380**
Costs incurred excluding reserve for losses	–18,428	–17,867
Reserve for losses	153	96
Total costs incurred	**–18,275**	**–17,771**
Total work in progress on another party's account	**1,649**	**1,609**
Profit-recognized invoicing		
Invoicing during the year	20,158	20,819
Invoiced but not recognized as profit on January 1	19,380	21,918
Less: Invoiced but not recognized as profit on December 31	–19,924	–19,380
Total revenues	**19,614**	**23,357**

NOTE 34 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Payroll-related costs	2,165	2,110	910	930
Financial expenses	22	36		
Prepaid rental revenues	11	10	1	1
Prepaid revenues from rental guarantees	94	219		
Project-related costs	1,213	1,195	218	365
Administrative costs	99	64	6	5
Operating and sales costs	221	176		
Other expenses	127	77	74	19
Total	**3,952**	**3,888**	**1,209**	**1,321**

NOTE 35 LEASING

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

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

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	2014	2013
Financial lessee		
Leasing contracts that expire:		
Within one year	35	38
Later than one year but earlier than five years	263	241
Future minimum leasing fees:		
Within one year	99	99
Later than one year but earlier than five years	202	181
Present value of future minimum leasing fees:		
Within one year	98	96
Later than one year but earlier than five years	199	178
Reconciliation of future leasing fees and their present value:		
Future minimum leasing fees	301	280
Less interest charge	–4	–6
Present value of future minimum leasing fees	**297**	**274**
Variable fees included in net profit for the year:		
Interest on leased machinery and equipment	5	6
Total	**5**	**6**

Note 35 Leasing, cont'd.

OPERATING LEASES

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Operational lessor				
Future minimum leasing fees – lessor (leased premises)				
Distributed by maturity period:				
Within one year	26	4	11	10
Later than one year but earlier than five years	61	15	28	35
Later than five years	5	3		
Operational lessee				
Future minimum leasing fees – lessee				
Leasing contracts that expire:				
Within one year	369	337	62	63
Later than one year but earlier than five years	773	710	144	205
Later than five years	463	427		
The year's cost for operational leasing amounts to	751	599	62	63

NOTE 36 TRANSACTIONS WITH RELATED COMPANIES

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

The Parent Company has a close relationship with its subsidiaries; refer to Note 17, Participations in Group companies. For information on NCC's senior executives, refer to Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions pertaining to NCC Group's Pension Foundation, refer to Notes 31 and 39.

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

GROUP	**2014**	2013
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	371	120
Purchases from associated companies and joint arrangements	45	64
Dividend from associated companies		1
Long-term receivables from associated companies and joint arrangements	94	92
Current receivables from associated companies and joint arrangements	78	60
Interest-bearing liabilities to associated companies and joint arrangements	125	115
Operating liabilities to associated companies and joint arrangements	12	12
Contingent liabilities to associated companies and joint arrangements	11	21
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	10	2
Purchases from the Nordstjernan Group	688	593
Current receivables from the Nordstjernan Group	1	
Operating liabilities to the Nordstjernan Group	70	52
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	6	5

Note 36 Transactions with related companies, cont'd.

PARENT COMPANY	**2014**	2013
Transactions with Group companies		
Sales to Group companies	2,065	2,862
Purchases from Group companies	920	1,057
Interest income from Group companies	79	116
Interest expense to Group companies	111	121
Dividend from Group companies	1,095	1,389
Long-term receivables from Group companies	10	10
Current receivables from Group companies	10,703	10,339
Interest-bearing liabilities to Group companies	3,296	4,161
Operating liabilities to Group companies	1,423	1,574
Contingent liabilities for Group companies	21,922	20,818
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	8	14
Purchases from associated companies and joint arrangements	24	46
Dividend from associated companies and joint arrangements		5
Long-term receivables from associated companies and joint arrangements	184	184
Current receivables from associated companies and joint arrangements	4	9
Operating liabilities to associated companies and joint arrangements	4	6
Contingent liabilities to associated companies and joint arrangements	54	8
Transactions with the Nordstjernan Group		
Sales to the Nordstjernan Group	8	1
Purchases from the Nordstjernan Group	467	394
Current receivables from the Nordstjernan Group	1	
Operating liabilities to the Nordstjernan Group	59	40
Transactions with the Axel Johnson Group		
Purchases from the Axel Johnson Group	3	1

NOTE 37 PLEDGED ASSETS, CONTINGENT LIABILITIES AND GUARANTEE OBLIGATIONS

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Assets pledged				
For own liabilities:				
Property mortgages	1,112	1,095		
Chattel mortgages		6		
Assets subject to liens, etc.	298	279		
Restricted bank funds	43	30		
Total	**1,452**	**1,410**	**0**	**0**
Other assets pledged:				
Other	58	72		
Total	**58**	**72**	**0**	**0**
Total assets pledged	**1,510**	**1,482**	**0**	**0**
Contingent liabilities				
Own contingent liabilities:				
Guarantees on behalf of Group companies			21,922	20,818
Deposits and concession fees	1,839	2,081	1,839	2,081
Other guarantees and contingent liabilities	69	112	69	112
Held jointly with other companies:				
Liabilities in consortiums, trading companies and limited partnerships	129	68	2	6

Note 37 Pledged assets, contingent liabilities and guarantee obligations, cont'd.

	GROUP		PARENT COMPANY	
	2014	2013	**2014**	2013
Total guarantees and guarantee obligations	**2,037**	**2,261**	**23,833**	**23,017**

ASSETS SUBJECT TO LIENS
Pertains to leased equipment in the form of vehicles and trucks.

GUARANTEES ON BEHALF OF GROUP COMPANIES
Sureties on behalf of Group companies have mainly been issued as collateral for:
- utilized guarantee limits with banks and insurance companies,
- NCC Treasury AB's borrowing,
- construction period financing for tenant-owner associations formed by NCC and
- 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.

NOTE 38 CASH FLOW STATEMENT

CASH AND CASH EQUIVALENTS

GROUP	**2014**	2013
Cash and bank balances	2,591	2,775
Short-term investments		773
Total according to balance sheet and cash flow statement	**2,592**	**3,548**

PARENT COMPANY	**2014**	2013
Cash and bank balances	1,938	705
Short-term investments	6,400	7,100
Total according to cash flow statement	**8,337**	**7,805**

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	**2014**	2013
Goodwill	16	
Intangible fixed assets	15	
Tangible fixed assets	2	
Inventories	1	
Accounts receivable and other current receivables	5	
Cash and cash equivalents	9	
Long-term liabilities	–1	
Accounts payable and other current liabilities	–7	
Non-controlling interests		8
Deferred tax liability	–4	
Purchase considerations	**36**	**8**
Acquired cash and cash equivalents	–9	
Impact on the Group's cash and cash equivalents	**27**	**8**

Note 38 Cash flow statement, cont'd.

ACQUISITION OF FIXED ASSETS
Group
Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 820 M (923), of which SEK 0 M (0) was financed through loans.

Acquisition of subsidiaries and non-controlling interests total SEK 27 M (8), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 0 M (0), 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 155 M (88), 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 44 M (71). Interest paid during the year amounted to SEK 371 M (383).

Parent Company
Interest received during the period amounted to SEK 84 M (124). Interest paid during the period amounted to SEK 286 M (242).

CASH FLOW ATTRIBUTABLE TO PARTICIPATIONS IN JOINT OPERATIONS

GROUP	**2014**	2013
Operating activities	66	49
Change in working capital	–51	–77
Investing activities	21	–21
Financing activities	–54	13
Total cash flow	**–18**	**–36**

CASH AND CASH EQUIVALENTS UNAVAILABLE FOR USE

GROUP	**2014**	2013
Restricted bank funds	43	30
Cash and cash equivalents in joint ventures	93	120
Total cash and cash equivalents unavailable for use	**136**	**150**

TRANSACTIONS THAT HAD NO EFFECT ON PAYMENTS

GROUP	**2014**	2013
Acquisition of assets through financial leasing	131	132

NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)

Through its business operations, the Group is exposed to financial risks. These financial risks are defined as refinancing, liquidity, interest-rate, exchange-rate, credit, counterparty risks and guarantee capacity risks. NCC's finance policy for managing financial risks has been decided by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities.

Within the NCC Group's decentralized organization, finance activities are centralized to NCC Group Treasury, partly in order to monitor the Group's overall financial risk positions, partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's interest and exchange rates, credit, refinancing, counterparty and liquidity are managed by NCC's internal bank, NCC Treasury AB. Customer-credit risks are handled within each business area.

CONTRACTUAL CONDITIONS

NCC is subject to a financial covenant in the form of the debt/equity ratio that is associated with the syndicated credit facility that was signed with a group of banks. In December, the Group's syndicated loan facility was refinanced. The volume increased from EUR 325 M to EUR 400 M and the maturity period extended from two to five years, with two one-year extension options. NCC satisfies the financial covenants.

REFINANCING RISK

The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. NCC strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the Group's long-term access to borrowed capital.

NCC's policy for its refinancing risk is to ensure that the 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, capital was tied up for 31 months (32) for total interest-bearing liabilities less pension obligations according to IAS 19. Financing of SEK 2,271 M (2,036) pertaining to construction by Finnish housing companies and Swedish tenant-owners' associations is linked to each particular housing development project and capital was tied up for 22 months (18), in financing reflects this relationship. Excluding loans in Finnish housing companies and Swedish tenant-owners' associations, as well as pension obligations according to IAS 19, the capital is tied up for 34 months (36).

Note 39 Financial instruments and financial risk management, cont'd.

MATURITY STRUCTURE, TIED-UP CAPITAL, 2014[1]

	INTEREST-BEARING LIABILITIES	
Matures	Amount	Proportion, %
2015	2,526	27
2016	2,749	29
2017	829	9
2018	834	9
2019[2]	2,316	24
2020	9	
2021–	219	2
Total	**9,483**	**100**

1) Excluding pension obligations according to IAS 19.
2) Of which, reloaning from the NCC Group's Pension Foundation accounted for SEK 1,700 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	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	50
Medium Term Note (MTN) in Sweden[1]	SEK 5,000 M	4,308
Total		**4,358**

1) Of which a nominal amount of SEK 2,950 M listed on Nasdaq Stockholm.

Of NCC's total interest-bearing liability, excluding pension obligations according to IAS 19, investor-related loans accounted for 46 percent (48).

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. At the end of the year, the volume of unutilized committed lines of credit amounted to SEK 4,774 M (3,869), with a remaining average maturity of 4.4 years (2.8). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good credit ratings and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 2,833 M (3,691). Payment capacity on December 31, corresponded to 13 percent (13) of sales.

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance-sheet date has been used. Amounts in foreign currency have been translated to SEK based on the exchange rate applying on the balance-sheet date. The amounts in the tables are the contractual undiscounted cash flows.

ANALYSIS OF MATURITIES (AMOUNTS INCLUDING INTEREST)[1]

	2014						2013					
	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	1,904		41	82	1,781		1,793		59	64	1,670	
Interest-bearing liabilities	5,501	77	1,228	2,732	1,450	14	6,183	195	1,091	3,248	1,525	124
Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owners' associations[2]	2,343	96	1,176	832	8	231	2,109	285	1,046	600	6	172
Financial lease liabilities	308	1	108	165	34		289	2	103	138	46	
Interest-rate swaps	116	6	36	63	11		99	1	25	56	17	
Accounts payable	3,960	3,960					4,096	4,096				
Total	**14,132**	**4,140**	**2,589**	**3,874**	**3,284**	**245**	**14,569**	**4,579**	**2,324**	**4,106**	**3,264**	**296**

1) Excluding pension obligations according to IAS 19.

2) The due obligations 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.

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)

	2014						2013					
	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	–11,420	–6,378	–4,451	–379	–212		–11,199	–9,857	–959	–158	–225	
– inflow	11,518	6,395	4,432	407	284		11,216	9,904	944	141	227	
Net flow from gross settled derivatives	**98**	**17**	**–19**	**28**	**72**		**17**	**47**	**–15**	**–17**	**2**	

INTEREST-RATE RISKS

The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. Interest-bearing borrowing exposes the Group to an interest-rate risk. NCC's finance policy for the interest-rate risk is that the weighted average remaining maturity of borrowing 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 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 13 months (14), including interest-rate swaps linked to the borrowing portfolio. Cash and cash equivalents2) amounted to SEK 2,740 M (3,623) and the average interest-rate maturity for these assets was 2 months (1).

At the end of 2014, NCC's interest-bearing gross debt excluding pension obligations according to IAS 19 amounted to SEK 9,483 M (9,544) and the average interest-rate maturity was 11 months (11). Excluding loans in Finnish housing companies and Swedish tenant-owners' associations, as well as the pension obligations according to IAS 19, the gross liability amounted to SEK 7,213 M (7,508) and the average interest-rate maturity was 13 months (14), including interest-rate swaps linked to the borrowing portfolio.

On December 31, 2014, NCC had interest-rate swaps linked to the borrowing portfolio with a nominal value of SEK 1,771 M (1,800). Other interest-rate swaps, intended for the hedging of the interest-rate risk in a leasing contract, had a nominal value of SEK 332 M (312). At the same date, the interest-rate swaps (linked to the borrowing portfolio) had a negative fair value of SEK 77 M (neg: 26) net, comprising assets of SEK 0 M (0) and liabilities of SEK 77 M (26). The other interest-rate swaps had a negative fair value of SEK 33 M (neg: 36) net, comprising liabilities of SEK 33 M (36). The interest-rate swaps linked to the borrowing portfolio have expiration dates ranging from 1.4 (0.7) to 5.0 years (4.7). The other interest-rate swaps have expiration dates of 2.5 years (3.5). An increase in interest rates by one percentage point would result in a negative change of SEK 14 M (neg: 8) in net profit for the year, assuming the interest-bearing assets and liabilities that existed on the balance-sheet date, excluding the pension obligations according to IAS 19. Other components in net profit for the year would have been SEK 6 M (7) higher and shareholders' equity SEK 31 M (37) higher as an effect of an increase in the fair value of the Group's interest-rate swaps.

1) Corporate borrowing portfolio: Interest-bearing liabilities excluding the Finnish 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 2014[1)]

	INTEREST-BEARING LIABILITIES, INCL. INTEREST-RATE SWAPS	
Matures	Amount	Proportion, %
2015	7,146	75
2016	1,000	11
2017	550	6
2018	608	6
2019	121	1
2020		
2021–	58	1
Total	**9,483**	**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.

TRANSACTION EXPOSURE

In accordance with the finance policy, transaction exposure must be eliminated as soon as it becomes known. Contracted and probable forecast flows are hedged, mainly by using currency forward contracts. Contracted 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.

The table below shows the Group's net outflows of various currencies, and the hedged portion, during the year.

COUNTER-VALUE IN SEK M	2014			2013		
Currency	Net outflow	Of which, hedged	Hedged portion, %	Net outflow	Of which, hedged	Hedged portion, %
EUR	910	742	82	902	733	81
Other	166	46	28	142	88	62
Total	**1,076**	**788**	**73**	**1,044**	**821**	**79**

During 2014, no cash-flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

Transaction exposure has been 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 SEK 11 M (7). Of this amount, assets of SEK 15 M

The table below shows forecast currency flows during 2015–2016, the outstanding hedge position at year-end and the hedged portion.

COUNTER-VALUE IN SEK M	Q1 2015			Q2 2015			Q3 2015			Q4 2015			Q1 2016-			TOTAL		
Currency	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %	Net outflow	Hedge position	Hedged portion, %
EUR	141	129	91	132	92	70	150	75	50	130	39	30	107	11	10	659	346	52
Target value %			**90**			**70**			**50**			**30**			**10**			

The outstanding hedge position (nominal volume) at year-end in terms of contracted net currency flows had a value of SEK 14 M (117), of which SEK 11 M (66) will fall due within three months.

Note 39 Financial instruments and financial risk management, cont'd.

(9) and liabilities of SEK 4 M (2) have been recognized in the balance sheet.

The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. Should the SEK depreciate 5 percent in relation to the EUR, with all other variables remaining constant, the result would be a negative change of SEK 14 M (neg: 14) in net profit for the year, due to losses arising when translating accounts payable in EUR.

According to NCC's finance policy, the Group's assets are to be matched in local currency. 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. In January 2015, the Board of Directors resolved to grant exception from this policy entailing that the CEO, within an established limit, is able to decide not to ruble-hedge assets in Russia. Refer also to Note 41, Events after balance-sheet date.

The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying capital amounts.

INTEREST-BEARING LIABILITIES 2014 1)

Counter-value in SEK M	Amount	Proportion, %
EUR	1,661	17
NOK	448	5
SEK	7,374	78
Total	**9,483**	**100**

1) Excluding pension obligations according to IAS 19.

FINANCING VIA CURRENCY DERIVATIVES1) 2014

Counter-value in SEK M	
Sell DKK	–851
Sell EUR	–2,856
Sell NOK	–2,696
Sell RUB	–829
Buy PLN	15
Net	**–7,217**

1) Currency swaps and cross-currency swaps

TRANSLATION EXPOSURE

The main rule of NCC's finance policy is that the Group's translation exposure should not be hedged. 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 guidelines.

The table below shows the Group's 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	2014					2013				
Currency	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %	Net investment	Hedge position before tax	Hedged portion before tax %	Hedge position after tax	Hedged portion after tax %
DKK	567	481	85	375	66	502	445	89	347	69
EUR	1,322	1,123	85	876	66	1,099	939	85	732	67
NOK	233	200	86	156	67	258	219	85	171	66
RUB	23	24	107	19	83	12				
LVL						44	41	91	32	71
Total	**2,145**	**1,828**	**85**	**1,426**	**67**	**1,915**	**1,644**	**86**	**1,282**	**67**

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 1,828 M (1,644), of which SEK 569 M (534) for loans and SEK 1,260 M (1,110) for currency forward contracts. Hedge accounting is applied when the criteria for hedge accounting are met. An exchange-rate loss of SEK 85 M (loss: 18) before tax has been recognized in other comprehensive income. For more information on hedge accounting, refer to Note 1 Accounting policies, Hedging of net investments. The hedges fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. At December 31, 2014, a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 108 M (94) in shareholders' equity and a change of SEK 0 M (0) in net profit for the year in respect of unhedged translation exposure.

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, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 493 M (191) at the end of 2014. 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 2,833 M (3,691).

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their obligations, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. For major accounts receivable, the risk of credit losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, Parent Company guarantees and other payment guarantees.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE INCLUDING RECEIVABLES FOR DIVESTED PROPERTY PROJECTS

	2014		2013	
	Gross	Provision for doubtful receivables	Gross	Provision for doubtful receivables
Not due accounts receivable	6,128		6,204	
Past-due accounts receivable 1–30 days	598		691	
Past-due accounts receivable 31–60 days	83		190	1
Past-due accounts receivable 61–180 days	132	14	230	20
Past-due accounts receivable > 180 days	584	203	398	158
Total	**7,525**	**217**	**7,712**	**180**

Collateral for accounts receivable was received in an amount of SEK 0 M (0).

Note 39 Financial instruments and financial risk management, cont'd.

PROVISION FOR DOUBTFUL RECEIVABLES

	2014	2013
On January 1	180	214
Provision for the year	101	77
Reversal of previously posted impairment losses	–66	–110
Translation differences	3	–2
On December 31	**217**	**180**

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 are 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 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, 2014	Financial assets measured at fair value through profit or loss1)	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 or loss1)	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities				115	40			156	160
Long-term receivables	223		127					350	350
Accounts receivable			7,178					7,178	7,178
Prepaid expenses and accrued income			2					2	2
Other receivables	194	27	324					545	545
Short-term investments	115			127				242	243
Cash and cash equivalents			2,592					2,592	2,592
Total assets	**532**	**27**	**10,223**	**242**	**40**	**0**	**0**	**11,065**	**11,070**
Long-term interest-bearing liabilities2)							6,957	6,957	7,059
Other long-term liabilities		86				12	450	548	548
Provisions for pensions and similar obligations							585	585	585
Current interest-bearing liabilities							2,526	2,526	2,531
Accounts payable							3,960	3,960	3,960
Accrued expenses and deferred income							22	22	22
Other current liabilities		55				106	546	707	707
Total liabilities	**0**	**141**	**0**	**0**	**0**	**118**	**15,046**	**15,305**	**15,412**

GROUP, 2013	Financial assets measured at fair value through profit or loss1)	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 or loss1)	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**	**0**	**0**	**11,706**	**11,709**
Long-term interest-bearing liabilities2)							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	**0**	**67**	**0**	**0**	**0**	**28**	**14,981**	**15,076**	**15,189**

1) Held for resale.

2) Reloaning of SEK 1,700 M (1,500) from NCC's Pension Foundation is included.

Note 39 Financial instruments and financial risk management, cont'd.

PARENT COMPANY, 2014	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		20			20	20
Accounts receivable		2,792			2,792	2,792
Current receivables from Group companies	4	2,369			2,373	2,373
Current receivables from associated companies		4			4	4
Other current receivables		116			116	116
Short-term investments		6,400			6,400	6,400
Cash and bank balances		1,938			1,938	1,938
Total assets	**4**	**13,823**	**5**	**0**	**13,832**	**13,832**
Long-term liabilities to credit institutions[1)]				1,700	1,700	1,700
Long-term liabilities to Group companies				1,061	1,061	1,061
Other long-term liabilities				29	29	29
Accounts payable				2,092	2,092	2,092
Current liabilities to Group companies	31			3,648	3,678	3,678
Current liabilities to associated companies				4	4	4
Total liabilities	**31**	**0**	**0**	**8,533**	**8,564**	**8,564**

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**	**0**	**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**	**0**	**0**	**8,997**	**9,007**	**9,007**

1) Reloaning of SEK 1,700 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 reclassification of financial assets and liabilities among the above categories was effected during the year.

In the following tables, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not recognized at fair value in NCC's balance sheet. When determining fair value, assets have been divided into the following three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for the Parent Company.
Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1.
Level 3: on the basis of input data that is not observable in the market (which is not applicable for NCC).

Note 39 Financial instruments and financial risk management, cont'd.

GROUP	2014 Level 1	2014 Level 2*	2014 Total	2013 Level 1	2013 Level 2	2013 Total
Financial assets measured at fair value						
Financial assets measured at fair value through profit or loss						
– Derivative instruments held for trading		417	417		93	93
– Securities held for trading	115		115	21		21
Derivative instruments used for hedging purposes		27	27		14	14
Available-for-sale financial assets		40	40		23	23
Financial assets not recognized at fair value						
Investments held to maturity	247		247	234		234
Total assets	**362**	**484**	**846**	**255**	**130**	**385**
Financial liabilities measured at fair value						
Financial liabilities measured at fair value through profit and loss						
– Derivative instruments held for trading		118	118		28	28
Derivative instruments used for hedging purposes		141	141		67	67
Financial liabilities not recognized at fair value						
Other liabilities (interest-bearing liabilities)	3,015	6,575	9,590	3,116	6,541	9,657
Total liabilities	**3,015**	**6,834**	**9,849**	**3,116**	**6,636**	**9,752**

PARENT COMPANY	2014 Level 1	2014 Level 2*	2014 Total	2013 Level 1	2013 Level 2	2013 Total
Financial assets measured at fair value						
Derivative instruments used for hedging purposes		4	4		3	3
Total assets	**0**	**4**	**4**	**0**	**3**	**3**
Financial liabilities measured at fair value						
Derivative instruments used for hedging purposes		31	31		10	10
Total liabilities	**0**	**31**	**31**	**0**	**10**	**10**

*Trading with cross-currency swaps and currency forward contracts in ruble is deemed to occur in an active market and will therefore remain in Level 2. On December 31, 2014, NCC had cross-currency swaps and currency forward contracts in ruble with a negative nominal value of SEK 829 M. On December 31, 2014, the fair value of the cross-currency swaps and the currency forward contracts was a positive SEK 334 M (pos: 24).

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	2014 Financial assets	2014 Financial liabilities	2013 Financial assets	2013 Financial liabilities
Recognized gross amount[1)]	444	259	107	95
Amount included in an offset agreement	–179	–179	–61	–61
Net amount after offset agreement	**265**	**80**	**46**	**34**

1) The recognized gross amount of financial assets includes SEK 223 M for derivatives measured at fair value through profit or loss in long-term receivables, SEK 194 M in other receivables and SEK 27 M in derivatives used in hedge accounting for other receivables.

The recognized gross amount of financial liabilities includes SEK 12 M for derivatives measured at fair value through profit or loss for other long-term liabilities, SEK 106 M for other current liabilities, SEK 86 M for derivatives used in hedge accounting for other long-term liabilities and SEK 55 M in other current liabilities.

The Parent Company's derivatives pertain to holding in the Group's internal bank, NCC Treasury AB, that is offsettable.

PARENT COMPANY	2014 Financial assets	2014 Financial liabilities	2013 Financial assets	2013 Financial liabilities
Recognized gross amount	4	31	3	10
Amounts possible for offsetting	–4	–4	–3	–3
Net amount	**0**	**27**	**0**	**7**

NOTE 40 INFORMATION ABOUT THE PARENT COMPANY

NCC AB, Corporation Registration Number 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC AB's shares are listed on the Stockholm Exchange (Nasdaq Exchange Stockholm/Large Cap List).

The address to the Head Office is NCC AB, Vallgatan 3, SE-170 80 Solna, Sweden.

The consolidated financial statements for 2014 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 21.4 percent of the share capital and 65.2 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Registration Number 556000-1421, has its registered Head Office in Stockholm.

NOTE 41 EVENTS AFTER BALANCE SHEET DATE

On January 23, 2015, it was announced that NCC will start its own staffing company to manage work peaks. With its own company, NCC will gain full insight and control over agreements and be able to ensure compliance with rules, guidelines and NCC's Code of Conduct. The staffing company will be headquartered in Poland. The new company, NCC Montage, will commence operations in August 2015. The company will successively replace the capacity that NCC currently insources from external staffing companies. This corresponds to between 5–10 percent of the total number of blue-collar workers at NCC. The operations will be established in Poland and used when needs arise in projects under way in the Nordic countries where NCC is active.

The operations that were previously performed by NCC Construction Finland and NCC Housing in St. Petersburg will be merged into a single unit. The new unit will be part of NCC Housing. The organizational changes apply from January 27, 2015. Financial reporting is being changed from January 1, 2015. In 2014, the construction operations in St. Petersburg accounted for six percent of NCC Construction Finland's sales.

In conjunction with the Board meeting in January 2015, NCC's Board of Directors decided on an exception from NCC's policy for hedging exchange-rate risks. The policy entails that the financing of assets occurs in local currency. The approved exception from the policy entails that the CEO, within an established limit, is able to decide not to ruble-hedge assets in Russia. See also Note 39, Financial instruments and financial risk management.

Appropriations of profits

The Board of Directors proposes that the available funds	6,890,226,184
be appropriated as follows:	
Ordinary dividend to shareholders of SEK 12.00 per share	1,294,119,864
To be carried forward	5,596,106,320
Total, SEK	**6,890,226,184**

The total amount of the proposed dividend is calculated based on the number of outstanding shares on February 27, 2015.

The Board of Directors and the CEO hereby give their assurance that the Annual Report and the consolidated financial statements have been compiled in compliance with the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated July 19, 2002 regarding the application of international accounting standards and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on February 27, 2015. 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 March 24, 2015 for adoption.

Solna, February 27, 2015

Tomas Billing
Chairman of the Board

Viveca Ax: son Johnson
Board member

Carina Edblad
Board member

Olof Johansson
Board member

Sven-Olof Johansson
Board member

Ulla Litzén
Board member

Christoph Vitzthum
Board member

Karl-Johan Andersson
Board member
Employee representative

Lars Bergqvist
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Peter Wågström
President and CEO

Our audit report was submitted on February 27, 2015

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of NCC AB (publ), 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 (publ) for the year 2014. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 52–104.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board and the CEO 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 CEO 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 judgement, 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 CEO, 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, 2014 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, 2014 and of their 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 CEO of NCC AB for the year 2014.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board and the CEO 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO 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 CEO be discharged from liability for the financial year.

Stockholm, February 27, 2015

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2005	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014
Net sales	49,506	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823	56,867
Production costs	–45,158	–50,729	–52,572	–52,005	–46,544	–50,263	–44,487	–47,721	–51,724	–51,731	–52,027	–51,176
Gross profit	**4,347**	**5,147**	**5,825**	**5,460**	**5,273**	**5,742**	**4,933**	**4,814**	**5,503**	**5,495**	**5,796**	**5,691**
Selling and administrative expenses	–2,677	–2,795	–3,059	–3,197	–3,035	–3,035	–2,682	–2,774	–2,978	–2,988	–3,130	–3,117
Result from property management	17	–5										
Result from sales of managed properties	92	9										
Result from sales of owner-occupied properties	19	22	19	15	10	10	2	7	3	3	6	20
Impairment losses on fixed assets	–94	–22	–245	–76	–7	–7	–2	–38	–2	–2	7	
Result from sales of Group companies	–5	7	415	8	5	5		3	6	6		3
Competition-infringement fee			–175		–95	–95						
Result from participations in associated companies	49	29	11	9	–1	–1	4	5	5	5	1	8
Operating profit	**1,748**	**2,392**	**2,790**	**2,219**	**2,150**	**2,619**	**2,254**	**2,017**	**2,537**	**2,519**	**2,679**	**2,604**
Financial income	116	116	131	615	70	78	99	76	74	74	75	46
Financial expense	–284	–245	–313	–449	–526	–592	–345	–284	–348	–315	–354	–416
Net financial items	**–168**	**–129**	**–182**	**166**	**–456**	**–514**	**–246**	**–208**	**–274**	**–241**	**–279**	**–370**
Profit after financial items	**1,580**	**2,263**	**2,608**	**2,385**	**1,694**	**2,105**	**2,008**	**1,808**	**2,263**	**2,277**	**2,400**	**2,234**
Tax on profit for the period	–393	–555	–357	–565	–432	–449	–481	–496	–364	–367	–411	–396
Profit for the period	**1,187**	**1,708**	**2,252**	**1,820**	**1,262**	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**
Attributable to:												
NCC's shareholders	1,178	1,706	2,247	1,809	1,261	1,654	1,524	1,310	1,894	1,905	1,986	1,835
Non-controlling interests	9	1	4	11	1	1	4	2	5	5	3	3
Profit for the period	**1,187**	**1,708**	**2,252**	**1,820**	**1,262**	**1,656**	**1,527**	**1,312**	**1,899**	**1,910**	**1,989**	**1,838**

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 high 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 material 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 totalling 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. 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.
2014: Operating profit for the year was strong. Continued favorable housing sales in NCC Housing, higher earnings in all Construction units and NCC Roads were offset by fewer projects recognized in profit in NCC Property Development. However, activity was lower in the commercial property development operations, particularly compared with 2013, which was somewhat of a record year with several major completed 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, wherby actuarial gains and losses arising must be recognized directly in Other comprehensive income in the period they arise. Furthermore, the return on plan assets must be calculated using the same rate as the discount rate for the pension commitment. The interest-rate component in the pension commitment and the anticipated return on plan assets are now recognized in net financial items.

BALANCE SHEET, SEK M	2005	2006	2007	2008	IFRIC 15 2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014
ASSETS													
Fixed assets													
Goodwill	1,772	1,700	1,651	1,772	1,772	1,750	1,750	1,613	1,607	1,827	1,827	1,802	1,865
Other intangible assets	61	113	96	122	122	120	120	115	167	204	204	267	389
Managed properties	71	65	21	12	12								
Owner-occupied properties	865	796	640	682	682	647	647	576	596	662	662	704	774
Machinery and equipment	1,937	1,940	1,774	1,975	1,975	1,910	1,910	1,816	2,209	2,395	2,395	2,502	2,487
Participations in associated companies	44	47	25	10	10	9	9	7	8	9	9	9	52
Other long-term holdings of securities	265	242	250	227	227	203	203	182	173	158	158	131	156
Long-term receivables	1,246	2,739	1,968	1,338	1,366	1,378	1,397	1,431	1,750	1,859	615	496	671
Total fixed assets	**6,263**	**7,642**	**6,424**	**6,139**	**6,166**	**6,016**	**6,035**	**5,739**	**6,511**	**7,114**	**5,870**	**5,910**	**6,395**
Current assets													
Property projects	2,005	1,955	2,145	3,439	4,018	2,835	2,835	2,931	4,475	5,321	5,321	5,251	5,059
Housing projects	4,395	5,979	8,553	11,377	15,060	8,363	10,137	8,745	9,860	11,738	11,738	12,625	13,246
Materials and inventories	502	443	474	624	624	514	514	537	557	655	655	673	746
Accounts receivable	7,137	7,934	8,323	7,820	7,794	6,355	6,340	6,481	7,265	7,725	7,725	7,377	7,178
Worked-up, non-invoiced revenues	2,737	2,840	2,956	1,854	841	1,459	777	804	910	782	782	918	1,066
Prepaid expenses and accrued income	638	852	1,048	1,169	1,119	844	982	988	1,114	1,544	1,544	1,325	1,415
Other receivables	1,361	1,532	1,979	1,778	1,602	1,472	1,747	1,425	1,151	1,277	1,277	1,024	1,048
Short-term investments	153	173	483	215	215	286	286	741	285	168	168	143	242
Cash and cash equivalents	1,919	1,253	1,685	1,832	1,919	1,831	2,317	2,713	796	2,634	2,634	3,548	2,592
Total current assets	**20,848**	**22,961**	**27,645**	**30,108**	**33,193**	**23,959**	**25,935**	**25,366**	**26,414**	**31,844**	**31,844**	**32,883**	**32,592**
TOTAL ASSETS	**27,110**	**30,603**	**34,069**	**36,247**	**39,359**	**29,976**	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**
SHAREHOLDERS' EQUITY													
Shareholders' equity	6,785	6,796	7,207	6,840	6,243	7,667	7,470	8,111	8,286	8,974	7,634	8,658	8,847
Non-controlling interests	94	75	30	25	25	18	18	21	11	15	15	17	20
Total shareholders' equity	**6,879**	**6,870**	**7,237**	**6,865**	**6,268**	**7,685**	**7,488**	**8,132**	**8,297**	**8,988**	**7,649**	**8,675**	**8,867**
LIABILITIES													
Long-term liabilities													
Long-term interest-bearing liabilities	2,004	2,023	1,590	2,620	2,721	2,941	2,972	2,712	3,850	7,102	7,102	7,029	6,957
Other long-term liabilities	392	561	816	837	837	558	558	921	643	841	841	299	548
Deferred tax liabilities	199	461	431	492	436	710	641	439	669	725	436	414	268
Provisions for pensions and similar obligations	143	119	112	42	42	18	18	1	6	9	393	125	585
Other provisions	1,611	2,157	2,729	3,190	3,029	3,023	2,932	2,722	2,619	2,435	2,435	2,070	2,017
Total long-term liabilities	**4,348**	**5,321**	**5,678**	**7,180**	**7,065**	**7,250**	**7,121**	**6,796**	**7,788**	**11,113**	**11,208**	**9,937**	**10,376**
Current liabilities													
Current interest-bearing liabilities	1,052	552	1,701	2,929	7,036	391	1,739	1,546	1,585	2,141	2,141	2,515	2,526
Accounts payable	4,520	4,874	4,974	4,356	4,356	3,545	3,536	3,414	4,131	4,659	4,659	4,096	3,960
Tax liabilities	137	170	101	140	140	38	38	449	60	122	122	58	117
Invoiced revenues, not worked up	4,367	4,823	4,971	5,300	4,784	4,516	4,250	4,092	4,176	4,241	4,241	4,264	4,408
Accrued expenses and deferred income	3,271	4,592	5,177	4,371	4,234	3,598	3,682	3,336	3,277	3,748	3,748	3,888	3,952
Other current liabilities	2,535	3,400	4,231	5,106	5,474	2,954	4,117	3,341	3,611	3,945	3,945	5,360	4,782
Total current liabilities	**15,883**	**18,411**	**21,154**	**22,202**	**26,026**	**15,041**	**17,361**	**16,177**	**16,839**	**18,855**	**18,856**	**20,181**	**19,745**
Total liabilities	**20,231**	**23,732**	**26,832**	**29,382**	**33,090**	**22,291**	**24,482**	**22,973**	**24,627**	**29,968**	**30,063**	**30,118**	**30,120**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,110**	**30,603**	**34,069**	**36,247**	**39,359**	**29,976**	**31,970**	**31,104**	**32,924**	**38,958**	**37,713**	**38,793**	**38,987**

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: Sales of property projects within NCC Property Development resulted in the increase in long-term receivables from sales of property projects. 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 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 healthy cash flow in the fourth quarter.

2014: Total assets were slightly higher than in 2013. Tied-up capital continued to increase in housing operations through investments in housing projects within NCC Housing. The financial targets were achieved, the return on equity was 22 percent and the debt/equity ratio was 0.8.

Multi-year review, cont.

KEY DATA	2005	2006	2007	2008	2009	IFRIC 15 2009	2010	2011	2012	IAS 19 2012	2013	2014
Financial statements, SEK M												
Net sales	49,506	55,876	58,397	57,465	51,817	56,005	49,420	52,535	57,227	57,227	57,823	56,867
Operating profit	1,748	2,392	2,790	2,219	2,150	2,619	2,254	2,017	2,537	2,519	2,679	2,604
Profit after financial items	1,580	2,263	2,608	2,385	1,694	2,105	2,008	1,808	2,263	2,277	2,400	2,234
Profit for the year	1,187	1,708	2,252	1,820	1,262	1,656	1,527	1,312	1,899	1,910	1,989	1,838
Investments in fixed assets	901	798	780	983	584	584	667	1,257	1,345	1,345	1,055	987
Investments in property projects	626	1,049	1,493	2,210	1,054	1,215	1,533	2,333	2,692	2,692	3,890	2,255
Investments in housing projects[1]	2,140	3,908	5,392	5,010	1,262	3,193	3,171	7,529	8,997	8,997	7,912	9,712
Cash flow, SEK M												
Cash flow from operating activities	2,046	2,171	1,031	128	3,318	6,440	2,423	1,547	–26	–26	2,532	1,345
Cash flow from investing activities	69	–514	134	–306	–481	–481	–489	–857	–906	–906	–870	–771
Cash flow before financing	2,115	1,657	1,165	–178	2,837	5,960	1,935	2,404	–932	–932	1,661	574
Cash flow from financing activities	2,745	2,307	–763	298	2,827	5,549	1,504	491	2,774	2,774	–741	1,515
Change in cash and cash equivalents	–596	–666	432	147	–1	399	396	1,916	1,838	1,838	914	–956
Profitability ratios												
Return on shareholders' equity, %	18	27	34	27	18	25	20	17	23	28	26	22
Return on capital employed, %	17	24	28	23	17	17	19	16	15	17	15	14
Financial ratios at year-end, SEK M												
Interest-coverage ratio, times	6.9	11.5	10.2	7.0	4.5	5.0	6.9	7.4	7.0	7.5	7.8	6.4
Equity/assets ratio, %	25	22	21	19	26	23	26	25	23	20	22	23
Interest-bearing liabilities/total assets, %	12	9	10	15	11	15	14	17	24	26	25	26
Net indebtedness	496	430	744	3,207	754	1,784	431	3,960	6,061	6,467	5,656	6,836
Debt/equity ratio, times	0.1	0.1	0.1	0.5	0.1	0.2	0.1	0.5	0.7	0.8	0.7	0.8
Capital employed at year-end	10,032	9,565	10,639	12,456	11,034	12,217	12,390	13,739	18,241	17,285	18,345	18,935
Capital employed, average	10,930	10,198	10,521	11,990	12,659	15,389	12,033	13,101	16,632	15,755	18,005	18,531
Capital turnover rate, times	4.5	5.5	5.6	4.8	4.1	3.6	4.1	4.0	3.4	3.6	3.2	3.1
Share of risk-bearing capital, %	26	24	23	20	28	25	28	27	25	21	23	23
Closing interest rate, %[2]	4.8	4.8	5.2	5.9	4.5	4.5	4.6	4.2	3.6	3.6	3.3	2.8
Average period of fixed interest, years[2]	1.1	2.6	1.8	1.6	1.8	1.8	1.5	0.8	1.1	1.1	1.2	1.1
Closing interest rate, %[3]							2.3	2.7	2.4	2.4	2.7	1.8
Average period of fixed interest, years[3]							0.1	0.1	0.1	0.1	0.1	0.1
Order status, SEK M												
Orders received	52,413	57,213	63,344	51,864	45,957	46,475	54,942	57,867	55,759	55,759	56,979	61,379
Order backlog	32,607	36,292	44,740	40,426	34,084	35,951	40,426	46,314	45,833	45,833	47,638	54,777
Per share data, SEK												
Profit after taxes, before dilution	11.07	15.80	20.75	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40	17.01
Profit after taxes, after dilution	10.86	15.74	20.73	16.69	11.63	15.26	14.05	12.08	17.51	17.62	18.40	17.01
Cash flow from operating activities, after dilution	18.88	20.03	9.51	1.18	30.60	59.39	22.35	–14.27	–0.24	–0.24	23.46	12.47
Cash flow before financing, after dilution	19.52	15.29	10.75	–1.64	26.17	54.96	17.84	–22.17	–8.61	–8.61	15.40	5.32
P/E ratio, before dilution	13	12	7	3	10	8	11	10	8	8	11	15
Dividend, ordinary	5.50	8.00	11.00	4.00	6.00	6.00	10.00	10.00	10.00	10.00	12.00	12.00[4]
Extraordinary dividend	10.00	10.00	10.00									
Dividend yield, %	10.9	9.6	15.1	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9
Dividend yield excl. extraordinary dividend, %	3.9	4.3	7.9	8.1	5.1	5.1	6.8	8.3	7.3	7.3	5.7	4.9
Shareholders' equity before dilution	63.30	62.86	66.48	63.10	70.72	68.91	74.81	76.41	82.97	70.58	80.24	82.04
Shareholders' equity after dilution	62.60	62.69	66.48	63.10	70.70	68.90	74.80	76.41	82.97	70.58	80.24	82.04
Share price/shareholders' equity, %	225	298	209	78	167	172	198	158	164	193	262	301
Share price at year-end, NCC B	142.50	187.50	139.00	49.50	118.25	118.25	147.80	121.00	136.20	136.20	209.90	246.80
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
Treasury shares at year-end	1.2	0.3							0.4	0.4	0.6	0.6
Total number of shares outstanding before dilution at year-end	107.2	108.1	108.4	108.4	108.4	108.4	108.4	108.4	108.0	108.0	107.8	107.8
Average number of shares outstanding before dilution for the period	106.4	108.0	108.3	108.4	108.4	108.4	108.4	108.4	108.2	108.2	107.9	107.8
Market capitalization before dilution, SEK M	15,282	20,242	14,999	5,209	12,809	12,809	16,005	13,136	14,706	14,706	22,625	26,574
Personnel												
Average number of employees	21,001	21,784	21,047	19,942	17,745	17,745	16,731	17,459	18,175	18,175	18,360	17,669

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 attributable to Swedish tenant-owner associations and Finnish housing companies and pension obligations in accordance with IAS 19.

3) Pertains to liabilities of Swedish tenant-owner associations and Finnish housing companies.

4) Dividend for 2014 pertains to the Board of Directors' motion to the AGM.

5) All shares issued by NCC are common shares.

Figures for 2005 to 2008 are not IFRIC 15 adjusted.

Figures for 2005 to 2011 are not IAS 19 adjusted, Employee benefits.

For definitions of key figures, see page 121.

Quarterly data

SEK M	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Full year 2013
Group										
Orders received	13,223	17,303	12,383	18,469	61,379	12,348	18,108	12,160	14,363	56,979
Order backlog	50,798	56,657	54,609	54,777	54,777	46,917	52,079	51,065	47,638	47,638
Net sales	9,832	13,479	14,796	18,760	56,867	10,084	13,535	13,129	21,073	57,823
Operating profit/loss	–162	677	989	1,101	2,604	–217	526	823	1,547	2,679
Operating margin, %	–1.7	5.0	6.7	5.9	4.6	–2.2	3.9	6.3	7.3	4.6
Profit/loss after financial items	–239	576	881	1,017	2,234	–276	457	748	1,472	2,400
Profit/loss for the period attributable to NCC's Shareholders:	–185	447	695	877	1,835	–215	362	611	1,229	1,986
Cash flow before financing	–960	1,267	–627	3,428	574	–950	1,402	–227	4,240	1,661
Net indebtedness	–6,572	–8,760	–9,823	–6,836	–6,836	–7,250	–9,722	–9,893	–5,656	–5,656
Earnings per share after dilution, SEK	–1.71	4.14	6.45	8.13	17.01	–1.99	3.35	5.67	11.39	18.40
Average number of shares outstanding after dilution during the period, million	107.8	107.8	107.8	107.8	107.8	108.0	107.9	107.8	107.8	107.9
NCC Construction Sweden										
Orders received	4,935	7,758	5,233	6,974	24,899	3,535	6,893	4,715	5,205	20,348
Order backlog	16,947	19,562	19,941	20,321	20,321	16,271	17,570	17,334	16,211	16,211
Net sales	4,195	5,145	4,854	6,594	20,788	4,659	5,592	4,947	6,332	21,530
Operating profit	49	146	182	263	640	57	145	192	243	637
Operating margin, %	1.2	2.8	3.8	4.0	3.1	1.2	2.6	3.9	3.8	3.0
Capital employed	348	384	472	991	991	573	642	767	1,250	1,250
NCC Construction Denmark										
Orders received	820	1,803	1,212	1,752	5,587	2,128	859	571	1,370	4,929
Order backlog	4,401	5,384	5,482	6,056	6,056	4,179	4,443	4,167	4,447	4,447
Net sales	883	963	1,094	1,390	4,330	759	806	784	1,196	3,546
Operating profit	50	65	67	99	281	39	47	55	67	208
Operating margin, %	5.7	6.8	6.1	7.1	6.5	5.2	5.8	7.1	5.6	5.9
Capital employed	349	275	327	421	421	310	214	251	309	309
NCC Construction Finland										
Orders received	1,180	2,229	831	1,558	5,799	1,090	2,717	739	1,945	6,491
Order backlog	5,454	6,082	5,166	4,927	4,927	5,164	6,404	5,353	5,630	5,630
Net sales	1,350	1,790	1,664	1,817	6,621	1,423	1,752	1,698	1,808	6,680
Operating profit	27	41	39	41	148	19	25	38	45	127
Operating margin, %	2.0	2.3	2.3	2.2	2.2	1.3	1.4	2.2	2.5	1.9
Capital employed	295	249	281	287	287	265	234	260	271	271
NCC Construction Norway										
Orders received	1,770	1,038	1,055	3,790	7,653	1,758	2,013	1,701	1,626	7,098
Order backlog	6,792	6,287	5,865	7,258	7,258	6,993	7,235	6,968	6,364	6,364
Net sales	1,498	1,587	1,659	1,989	6,733	1,703	1,780	1,671	2,253	7,408
Operating profit/loss	4	24	75	44	146	13	–115	28	77	3
Operating margin, %	0.3	1.5	4.6	2.2	2.2	0.8	–6.4	1.7	3.4	0.0
Capital employed	996	915	1,104	1,013	1,013	930	957	808	803	803
NCC Roads										
Orders received	3,045	3,082	2,291	2,108	10,526	2,645	3,865	2,801	3,001	12,311
Order backlog	6,715	7,894	6,155	4,608	4,608	5,067	5,507	5,003	4,598	4,598
Net sales	1,217	3,271	4,044	3,620	12,153	1,156	3,185	4,242	3,416	11,999
Operating profit/loss	–389	255	407	186	459	–468	230	538	106	406
Operating margin, %	–32.0	7.8	10.1	5.1	3.8	–40.5	7.1	12.6	3.1	3.4
Capital employed	3,337	4,313	4,510	3,619	3,619	2,801	3,777	3,806	3,557	3,557
NCC Housing										
Orders received	2,568	3,030	3,041	3,842	12,480	1,794	3,252	2,628	3,247	10,921
Order backlog	15,172	16,572	17,292	16,575	16,575	12,264	14,357	15,440	14,200	14,200
Net sales	1,342	2,032	2,236	4,524	10,135	1,329	1,524	1,506	4,670	9,030
Operating profit	46	156	237	480	918	61	45	15	483	605
Operating margin, %	3.4	7.7	10.6	10.6	9.1	4.6	3.0	1.0	10.3	6.7
Capital employed	10,885	11,181	11,360	10,508	10,508	10,215	10,619	10,537	9,856	9,856
NCC Property Development										
Net sales	738	579	645	1,164	3,125	609	656	102	3,443	4,811
Operating profit	49	40	36	43	169	78	152	8	475	713
Capital employed	3,653	4,118	4,518	4,784	4,784	5,097	5,552	6,085	3,991	3,991

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 quarter is normally weaker than the rest of the year.

Corporate governance report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and the regulations of Nasdaq 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 Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the company prior notice of this.

SHARE STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see p. 18–19. 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 2014

GENERAL SHAREHOLDER MEETINGS
(43,524 SHAREHOLDERS)

BOARD OF DIRECTORS
7 elected members
3 employee representatives

CEO
Executive Management Group (13 members)
STAFF UNITS

BUSINESS AREAS

NCC Construction Sweden | NCC Construction Denmark | NCC Construction Finland | NCC Construction Norway

NCC Roads | NCC Housing | NCC Property Development

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 2014, seven 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. 116–117.

CHAIRMAN OF THE BOARD

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, education, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 117). 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.

EXECUTIVE MANAGEMENT GROUP

In 2014, NCC's Executive Management Group 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 CFO and the Senior Vice Presidents for Corporate Communications, Human Resources and Corporate Legal Affairs. For information on the members of the Executive Management Group, see pp.118–119.

The Executive Management Group mainly focuses on strategic and other Group-wide matters and generally meets once per month.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and CEO of the company is Peter Wågström (for details concerning the CEO's age, education, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 119). The Board has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to "Board of Directors' report on internal control," pp. 114–115).

DEPUTY CHIEF EXECUTIVE OFFICERS

The company has not appointed any Deputy Chief Executive Officers.

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 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.

NOMINATION COMMITTEE
Election and remuneration of the Board of Directors and auditors

EXTERNAL AUDIT
(Audit 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 managed by a business area head and has a Board of Directors, of which, among others, NCC AB's CEO, CFO and Senior Legal Counsel are members. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function. 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. The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO, the AGM appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. Auditors are currently appointed for a period of one year. Until the close of the AGM in 2015, 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 pp. 117.

INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide decision-making procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide control documents govern communication, finance, code of conduct, the environment and work environment.

The number of ongoing projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the CEO, CFO and the Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary housing and property projects representing an investment exceeding SEK 50 M must be approved by the CEO and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments corresponding to less than SEK 50 M are the responsibility of the particular business area.

CODE OF CONDUCT

A comprehensive program to formulate and implement the values that are to hallmark NCC's operations has been under way in recent years. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These rules are summarized in a Code of Conduct, which describes the requirements that NCC – the Board, management and all employees – 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.

In 2014, NCC continued to refine its compliance program since a new Group-wide, needs-adapted process was launched in 2013. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. NCC Compass is available via NCC's intranet (Starnet) and via a special mobile application. This enables all NCC employees to make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to about 45 employees in all business areas in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. NCC has also introduced advanced system support for the internal and external 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 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 that started in the form of training programs and discussions with NCC employees continued in 2014. All NCC's employees are included in the training programs and to date, about 7,500 salaried employees and 700 blue-collar workers have completed the training.

Employees who suspect unethical behavior or improper action should firstly report this to the immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information will result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of Nasdaq 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 2014

ANNUAL GENERAL MEETING 2014

The 2014 Annual General Meeting (AGM) was held in Stockholm on April 2. 513 shareholders were present representing 56 percent of the share capital and 79 percent of the total number of votes. The minutes of the 2014 AGM and from previous AGMs are available at www.ncc.se/bolagsstyrning. The 2014 AGM passed the following resolutions, among others:

Payment of a cash dividend of SEK 12.00 (12.00) per share for the 2013 fiscal year, distributed in two payments of SEK 6.00 each.

Tomas Billing, Ulla Litzén, Olof Johansson, Sven-Olof Johansson and Christoph Vitzthum were reelected Members of the Board. Carina Edblad and Viveca Ax:son Johnson were elected new Board members. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees be paid in a total amount of SEK 3,800,000, distributed in the amount of SEK 950,000 to the Chairman of the Board and SEK 475,000 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 2014" on p. 113).

Guiding principles were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. The introduction of a long-term performance-based incentive plan (LTI 2014) for senior executives and key personnel was also resolved (see "Remuneration," p. 58).

To cover the commitment according to LTI 2014, 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 2014. The Board had no reason to utilize this mandate during 2014.

Income statements and balance sheets for 2013 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2014, NCC's Board held seven scheduled meetings, one non-scheduled meeting and the statutory meeting held directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. Reporting on the progress of the company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

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 audit-related and remuneration issues within the framework of ordinary Board work (also see "Board of Directors' report on internal control" on pp. 114–115).

BUYBACK OF COMPANY SHARES

NCC did not buy back any shares in 2014. NCC AB holds 592,500 Series B treasury shares to meet its obligations pursuant to long-term incentive programs.

BOARD OF DIRECTORS 2014

					BOARD MEETINGS AND ATTENDANCE 2014								
	Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fee, SEK 000s	Jan. 29	Apr. 2	Apr. 2[1]	Apr. 28	Jun. 24	Jul. 17	Sep. 18	Oct. 23	Dec. 9
Board Members elected by the AGM													
Tomas Billing	1999	yes	no	918	✓	✓	✓	✓	✓	✓	✓	✓	✓
Antonia Ax:son Johnson[3]	1999	yes	no	113	–	✓	–	–	–	–	–	–	–
Viveca Ax:son Johnson[2]	2014	yes	no	355	–	–	✓	✓	✓	✓	✓	✓	✓
Carina Edblad[2]	2014	yes	yes	355	–	–	✓	✓	✓	✓	✓	✓	✓
Olof Johansson	2012	yes	yes	469	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sven-Olof Johansson	2012	yes	yes	469	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	469	✓	✓	✓	✓	✓	✓	✓	✓	✓
Christoph Vitzthum	2010	yes	yes	469	✓	✓	✓	✓	✓	✓	✓	✓	✓
Regular employee representatives													
Lars Bergqvist	1991			–	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			–	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–	✓	✓	✓	✓	✓	✓	✓	✓	✓

1) Statutory Board meeting.
2) Elected at the AGM on April 2, 2014.
3) Stepped down at the AGM on April 2, 2014.

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 may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the company's senior executives are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. In the 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 follows up and evaluates application of the remuneration program applicable for senior executives. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise the Executive Management Group. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, p. 79.

NOMINATION COMMITTEE 2014

At the AGM on April 2, 2014, Viveca Ax:son Johnson (Chairman of Nordstjernan AB), Marianne Nilsson (Executive Vice President of Swedbank Robur AB), and Johan Strandberg (Analyst at SEB Fonder), were elected members of the Nomination Committee, with Viveca Ax:son Johnson as Committee Chairman. 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

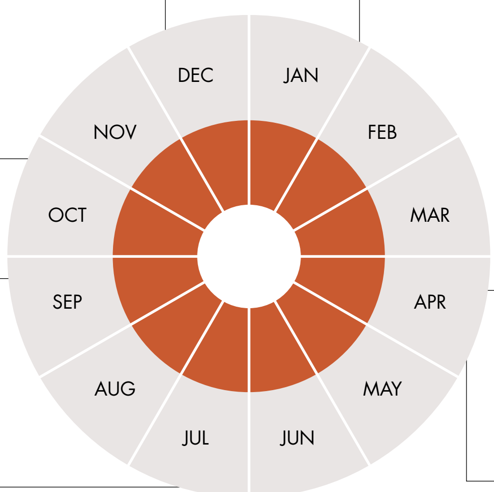
The Nomination Committee proposes reelection of the current Board members: Tomas Billing, Ulla Litzén, Christoph Vitzthum, Olof Johansson, Sven-Olof Johansson, Carina Edblad and Viveca Ax:son Johnson. The Nomination Committee proposes reelection of Tomas Billing as Chairman.

A report on the Nomination Committee's work and proposals ahead of the 2015 AGM is presented on NCC's website www.ncc.se under the "Corporate Governance" tab.

AWARDS

During 2014, NCC AB's Chairman of the Board Tomas Billing was awarded the Golden Gavel by The Swedish Academy of Board Directors for his 13 years of value-generating chairmanship in NCC. The Swedish Academy of Board Directors is a non-profit association devoted to promoting better board work in Swedish companies.

THE BOARD OF DIRECTORS' WORKING YEAR 2014 – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING



BOARD MEETING JANUARY 29
- Year-end accounts 2013
- Annual Report
- Proposed distribution of profits
- Motions to the AGM
- Guidelines for salary and other remuneration
- Corporate Governance Report
- Definitive audit report

BOARD MEETING APRIL 2
- Information prior to the AGM

ANNUAL GENERAL MEETING APRIL 2

STATUTORY MEETING APRIL 2
- Company signatories appointed
- Rules of procedure
- Decision-making regulations
- Instructions for the CEO

BOARD MEETING APRIL 28
- Quarterly report
- Forecast for the year
- Insider Policy and logbook instructions

BOARD MEETING JUNE 24
- Review of quarterly report
- Accounting and conditions underlying budget 2015
- Workplace visit, Stockholm

BOARD MEETING JULY 17
- Semi-annual report

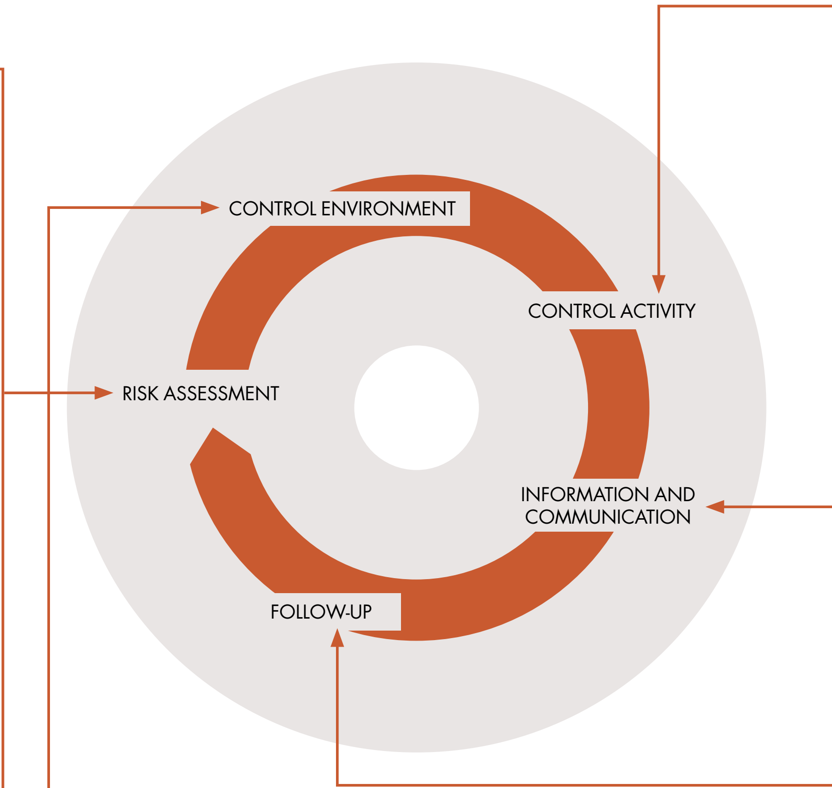
UNSCHEDULED BOARD MEETING SEPTEMBER 18
- Investment and divestment cases

BOARD MEETING OCTOBER 23
- Quarterly report
- Forecast for the year
- Strategy

BOARD MEETING DECEMBER 9
- Strategy
- Evaluation of the CEO's work
- Audit
- Budget for 2015
- Workplace visit, Berlin

Board of Directors' report on *internal* control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal control and risk-management systems in connection with financial reporting and the preparation of the consolidated financial statements. Information on this is provided in this section.



1 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.

At NCC, risks are followed up in several different ways, including via:

- **Regular status checks** with the Business Area Manager and financial manager of each particular business area. Representing NCC AB, these meetings are always attended by the CEO and the CFO. The status checks address such matters as orders received, earnings, major ongoing and problematical projects, cash flow and outstanding accounts receivable. The meetings also address tenders and major investments, in accordance with the decision-making regulations.
- Minuted **Board meetings** in the various business areas, which are held at least five times per year. The members of each particular board include NCC AB's CEO and CFO, 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, or 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 properties exceeding SEK 150 M must be approved by NCC AB's Board. All investments exceeding SEK 50 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board. Projects exceeding SEK 300 M are also monitored via the NCC Project Trend Report (PTR) system.
- NCC AB's Board receives monthly **financial reports** and NCC's current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Finance. NCC's **finance policy** stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and shortcoming in insurance coverage. These risks are monitored by the Compliance and Insurance function.

For more information on control and governance at NCC, see the Group's website www.ncc.se. The information also includes such documents as the Articles of Association and the Code of Conduct.

2 CONTROL ENVIRONMENT

The Board has overall responsibility for the internal control of financial reporting. At NCC, a good control environment is characterized by the existence of and compliance with policies, guidelines, manuals and the documentation of work descriptions and accessibility to those to whom they pertain. For NCC, this means that the Board establishes rules of procedure for the Board's work each year. The Board also prepares an instruction concerning the division of work between the Board and the CEO. According to this instruction, the CEO is responsible for 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 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 company law rules for the governance of companies. 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. Major emphasis is placed on determining the policies that are to be Group-wide and those that are to be local.

3 CONTROL ACTIVITIES

At NCC, the management of risks is 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 important stages in the business operations, such as investment decisions, assessment of tenders and permission to start up projects. These 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 project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting. For a number of years, NCC has had several Shared Service Centers (SSC), in part NCC Business Services (NBS), which manages most of the transactions of the Nordic operations, and in part the Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Group IT, which has central responsibility for the significant IT systems in NCC. All these functions require that their processes must include control activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. These units systematically and continuously develop their processes, by using control target matrixes that connect risks, control and measurement of efficiency, ensure that the control is documented and have proof of control being implemented (automatically or manually prepared) and that it works. SSC has considerable potential to reach a high level of maturity in internal control by monitoring that testing of the existing controls is efficient instead of being informal, meaning that controls exist but are not always documented or controls in standardized environment are documented but not tested.

4 INFORMATION AND COMMUNICATION

Information and communication of policies, guidelines and manuals that are significant to NCC are available on NCC's intranet (Starnet). The information under Starnet/Economy contains the financial reporting and also methodology, instructions and supporting documentation in the form of checklists etc. as well as overall time schedules. Starnet Economy is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and Nasdaq Stockholm. NCC's CFO has principal responsibility for Starnet/Economy. Starnet Economy includes the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- The organization of the financial control function.
- Time schedules for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions

All financial reporting must comply with the rules and regulations found on Starnet/Economy.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with specially formulated templates. Instructions and regulations concerning both written and figure-based reporting are available on Starnet/Economy. The rules and regulations are updated regularly under the auspices of the CFO. Regular training programs and conferences are also 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 CFO'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.

5 FOLLOW-UP

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component for the Board's assessment of 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 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 reviewed the company's nine-month report.

AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the AGM of NCC AB, Corp. Reg. No. 556034-5174

It is the Board of Directors that is responsible for the 2014 Corporate Governance Report on pp. 110–115 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, February 27, 2015

PricewaterhouseCoopers AB

Håkan Malmström
Authorized Public Accountant

Board of Directors and *Auditors*

1. TOMAS BILLING

Chairman. Born 1963.
Board member since 1999 and Chairman since 2001. President of Nordstjernan AB. Board member of BiJaKa AB and Parkinson Research Foundation. Previous experience includes President of Hufvudstaden AB and Monark Bodyguard AB.
Shareholding in NCC AB: 20,600 Series A shares and 75,400 Series B shares.

2. VIVECA AX:SON JOHNSON

Born 1963.
Board member since 2014.
Viveca Ax:son Johnson has been Chairman of Nordstjernan AB since 2007. She has 17 years of experience from various positions in the Nordstjernan Group. Viveca is also Board member of Rosti AB and Antti Ahlström Perilliset Oy.
Shareholding in NCC AB: 74,000 Series B shares, as well as 25,000 Series A shares and 44,000 Series B shares via private companies.

3. OLOF JOHANSSON

Born 1960.
Board member since 2012. Partner and COO of SveaNor Fastigheter AB. Chairman of Pangea Property Partners. Previously active in the Skanska Group for 16 years including in charge of Skanska's project-development operations, 1996–2002.
Shareholding in NCC AB: 4,000 Series B shares.

4. 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.
Shareholding in NCC AB: 100,000 Series B shares via companies.

5. 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).
Shareholding in NCC AB: 3,400 Series B shares

6. CHRISTOPH VITZTHUM

Born 1969.
Board member since 2010. President and CEO of Oy Karl Fazer AB. Previous experience: VP Wärtsilä Services 2009–2013, Wärtsilä Power Plants (2006–2009), President of Wärtsilä Propulsion (2002–2006) and CFO at Wärtsilä Oyj Abp, Ship Power (1999–2002).
Shareholding in NCC AB: 0

7. CARINA EDBLAD

Born 1963.
Board member since 2014.
Since 2011, she has been President of Färdig Betong AB. Carina has 25 years of experience from Skanska AB and she has worked in all phases of the construction process. She has been Line Manager and Chief of Staff in various operations in the Nordic region.
Shareholding in NCC AB: 0 shares

EMPLOYEE REPRESENTATIVES

8. 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).

9. LIS KARLEHEM

Born 1963. Team leader Group IT.
Deputy Board member since 2009. Employed since 1999. Employee representative of Unionen (formerly SIF, Swedish Industrial Salaried Employees' Association).
Shareholding in NCC AB: 0

10. KARL G. SIVERTSSON

Born 1961. Carpenter.
Board member since 2010. 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

11. 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.

12. 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

AUDITORS – PRICEWATERHOUSECOOPERS AB

HÅKAN MALMSTRÖM

Auditor-in-charge. Born 1965.
Other significant assignments: auditor of Axel Johnson AB, Karo Bio AB, Nordstjernan 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.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2014. For updated information about shareholdings, see the Group's www.ncc.se website, under investor relations, which includes information from the Swedish Financial Supervisory Authority's insider register.

Executive Management Group

1. PETER WÅGSTRÖM

Born 1964.
President and CEO since 2011. Business Area Manager of NCC Housing (2009–2010). Employed by NCC since 2004. Previous experience includes: Business Area Manager 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).
Shareholding in NCC AB: 20,223 Series B shares (including related-party holdings) and 10,239 call options on Series B shares.

2. ANN-SOFIE DANIELSSON

Born 1959.
Chief Financial Officier since 2007 and Financial Director since 2003. Employed by NCC since 1996. Previous experience includes: 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).
Other assignments: Member of the Board of RNB Retail and Brands, as well as Bulten AB.
Shareholding in NCC AB: 3,000 Series B shares.

3. HÅKAN BROMAN

Born 1962.
General Counsel in NCC AB since 2009. Employed by NCC since 2000. Previous experience includes: corporate lawyer at NCC International Projects and NCC Property Development (2000– 2008), corporate lawyer at ABB/Daimler Chrysler Transportation (1996– 2000), lawyer at Ekelunds advokatbyrå (1993–1996), positions in Swedish court system (1991–1993), active in the European International Contractors (EIC) (2001–2010) and Member of the Board (2008–2010).
Shareholding in NCC AB: 500 Series B shares.

4. SVANTE HAGMAN

Born 1961.
Business Area Manager NCC Construction Sweden since 2012. Employed by NCC since 1987. Previous experience includes: Business Area Manager NCC Housing (2011–2012), Head of Stockholm/Mälardalen Region at NCC Construction Sweden and Head of Market and Business Development at NCC Construction Sweden.
Other assignments: Board member of Swedish Construction Federation.
Shareholding in NCC AB: 2,000 Series B shares and 3,839 call options on Series B shares.

5. JOACHIM HALLENGREN

Born 1964.
Business Area Manager NCC Housing since 2012. Employed by NCC since 1995. Previous experience includes: Business Area Manager 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).
Shareholding in NCC AB: 0

6. KLAUS KAAE

Born 1959.
Business Area Manager NCC Construction Denmark since 2012. Employed by NCC since 1985. Previous experience includes: Vice President of NCC Construction Denmark (2009–2012). Executive Director of NCC Construction Denmark 2002–2009. Member of the Board of Dansk Byggeri.
Shareholding in NCC AB: 0

7. CAROLA LAVÉN

Born 1972.
Business Area Manager NCC Property Development since 2013. Employed by NCC since 2013. Previous experience includes Business Development Director at Atrium Ljungberg (2006–2013), Business Development Director at Ljungberg-Gruppen (2003–2006) and Property Manager for Stockholm/ Uppsala at Drott (1998–2003).
Other assignments: Board member of BRIS.
Shareholding in NCC AB: 0

8. ANN LINDELL SAEBY

Born 1962.
Senior Vice President Corporate Communications since 2012. Employed by NCC since 2012. Previous experience includes Senior Vice President Corporate Communications at Fortum (2004–2012) and communications consultant and partner at Kreab Gavin Anderson (1998–2004).
Shareholding in NCC AB: 0

9. CHRISTINA LINDBÄCK

Born 1963.
Senior Vice President Corporate Sustainability, since 2013. Previous experience includes 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).
Other assignments: Chairman of the Board of Miljömärkning Sweden AB, Nordic Swan Ecolabel.
Shareholding in NCC AB: 0

10. JYRI SALONEN

Born 1965.
Business Area Manager NCC Roads since February 1, 2015. Employed by NCC since 2007. Previous experience includes Division Manager of NCC Roads Services 2014, Business Unit Manager of NCC Roads in Finland 2009–2013, various positions at ExxonMobil and Esso in Finland.
Shareholding in NCC AB: 0

11. JACOB BLOM

Born 1970.
Senior Vice President Human Resources since March 12, 2014. Employed by NCC since 2013. Previous experience includes Head of Business Support NCC Construction Denmark 2013–2014, Human Resources Director TDC Business & TDC Nordic 2009–2013, Human Resources Director NCC Construction Denmark 2008–2009, Human Resources Director at Merck Sharp & Dohme in Denmark and later in Sweden 2000–2005.
Shareholding in NCC AB: 266 Series A shares.

12. HARRI SAVOLAINEN

Born 1971.
Business Area Manager NCC Construction Finland since 2012. Employed by NCC since 2001. Previous experience includes 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.

13. HÅKAN TJOMSLAND

Born 1964.
Business Area Manager NCC Construction Norway since 2013. Employed by NCC since 1992. Previous experience includes Regional Head of NCC's civil-engineering operations in Norway (2009–2013). 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

CHANGES IN EXECUTIVE MANAGEMENT GROUP 2015:
Göran Landgren was Business Area Manager of NCC Roads until February 1, 2015 when he was succeeded by Jyri Salonen. Göran is now responsible for special initiatives and projects in NCC AB.

The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2014. For updated information about shareholdings, see the Group's www.ncc.se website, under investor relations, which includes information from the Swedish Financial Supervisory Authority's insider register.

Financial information/*contact*

NCC will publish financial information regarding the 2015 fiscal year on the following dates:

March 24	Annual General Meeting
April 29	Interim report January–March
July 17	Six-month report January–June
November 6	Interim report January–September
January 2016	Year-end report 2015

NCC's interim reports are downloadable from the NCC Group's website, www.ncc.se, where all information regarding the NCC Group is organized in English and Swedish versions. The website also includes an archive of interim reports dating back to 2009 and annual reports dating back to 1996. NCC does not print or distribute its interim reports. The printed Annual Report is sent to those who request it.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are relevant financial figures. 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 at the NCC Group responsible for shareholder-related issues and financial information is Johan Bergman, Head of IR (Tel: +46 8 585 523 53; e-mail: ir@ncc.se).

ANNUAL GENERAL MEETING

The AGM will be held on March 24, at 4: 30 p.m.

Location: Grand Hôtel, Vinterträdgården, Royals entrance, Stallgatan 6, Stockholm. Notification can be made by post to the following address: NCC AB, Att: Agneta Hammarbäck, SE-170 80, Solna; via the Group's website at www.ncc.se, by telephoning +46 8 585 521 10; or e-mailing agneta.hammarback@ncc.se. Notification should include name, personal identification number or corporate registration number, address, telephone number and registered shareholding.

Registration at the AGM will begin at 3: 30 p.m. The official notification of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- and Inrikestidningar on February 17, 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 to the companies in the NCC Group are available at www.ncc.se.

SHAREHOLDER INFORMATION ON NCC.SE

All financial information concerning the NCC Group and everything that concerns you as a NCC shareholder is available on NCC's website under the Investor Relations tab.

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.

Johan Bergman
Head of IR
Tel: +46 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 rewards are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

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 shareholders' 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: Sum 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.

Production: NCC and Solberg.

Photographers: Felix Gerlach p.9. Sten Jansin p.5, 116–118. Heath Korvola/Getty Images p.6. Krullfoto.dk p.27. Micke Lundström p.33. Erik Mårtensson p.3, 6, 7, 10, 14, 15, 20–30, 36, 42, 46, 47, front cover and back. Joanna Redman p.34. Tenjin Visuals p. 41. Per Pixel Petterson p.45. Pekka Stålnacke/bsmart p.51.

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Print: Göteborgstryckeriet

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NCC is one of the leading construction and property development companies in Northern Europe, with sales of SEK 57 billion and 18,000 employees. With the Nordic region as its home market, NCC is active throughout the 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.

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