

Our **size** is our strength

2021 was confirmation that our change process has generated results and we enter 2022 in stronger shape with improved profitability and higher operating profit. Efforts according to our strategic plan for a stable and sustainable profitability improvement had a favorable impact. We have added to our position as a broad Nordic company with a local presence, where we leverage our collective knowledge and expertise, have data-informed work methods and behaviors that drive change.



“We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.”

Tomas Carlsson
President and CEO

NCC continues to develop in a positive direction. Our determined and systematic work for a stable and sustainable profitability improvement has paid off. Our customers also value the fact that we work closely with them in our projects, in order to achieve the best possible end result.

We divested a number of units that had been unprofitable or were not a good strategic fit. We are keeping a stable course through better cost management, controls and clearer processes.

The turnaround has occurred in all business areas apart from Industry, despite the fact that the year involved challenges, not least due to the pandemic. We are now well positioned for continued improvement.

Net profit for the year

In 2021, the Group's operating profit improved 34 percent to SEK 1,825 M and the operating margin was 3.4 percent. The contracting operations developed well. Operating profit and operating margins improved in Infrastructure, Building Sweden and Building Nordics.

In the Industry business area, we sold the Finnish asphalt operations at the end of the year, and we took additional actions in the asphalt operations to improve profitability. Stone materials operations had a stable development with favorable earnings.

We continued to invest in the activities of our Property Development business area and we see a keen interest in our office projects in the letting market and among investors.

Orders received were favorable and we had a healthy order backlog for contracting operations in all business areas. NCC had a strong cash flow throughout the year and we have a solid financial position. Earnings per share amounted to SEK 14.02, well on the way to the target of increasing earnings per share to at least SEK 16 by 2023. We are focusing intently on the profit margins of contracting operations, on profit margins and the return on capital employed for the industrial business, and on the return on capital employed for the property development business.

Strategy implementation

NCC's core competency is to manage the complexity of the construction process to achieve a positive end result for all stakeholders. This is the point of departure for the Group's strategic focus and our Group-wide operating model.

Our work is based on a number of strategic initiatives that enable us to gain strength from being a large Nordic company with a breadth of operating areas. We combine the competencies, experience and expertise of a major company with local presence and decision-making power.

Knowledge-based company with a strong position

Our well-established position is based on having employees with solid competencies, wide-ranging experience and strong technological know-how.

Since the complexity of construction projects is increasing, greater demands are being placed on proactivity, leadership, cooperative ability and customer understanding.

Our ambition is to have the most knowledgeable and experienced employees in the industry, and we continuously develop our employees to ensure that they have relevant expertise. Our strategic initiatives specifically include skills enhancement through training in, for example, project management and leadership, but also through knowledge sharing in networks, manager involvement and mentorship.

We conducted comprehensive work to raise the employees' competencies. In addition to regular training programs, the focus was on leadership development, with around 250 employees participating in NCC Academy's manager-training programs in 2021.

Data-informed work methods

Knowledge sharing within and between teams, projects and business areas is a key factor in benefiting from being a large company. Greater digitization of processes facilitates knowledge sharing and the ability to take data-informed decisions, which adds value, increases productivity and improves our competitiveness.

Shared values and behaviors

To continue implementing the change we want to attain, high employee engagement is also essential, as are shared core values and a shared culture. The corporate culture is based on shared values and behaviors, and is also a cornerstone in NCC's strategic focus.

During 2021, we worked on implementing our Star behaviors among employees. About three quarters of the employees participated in workshops and we integrated the Star behaviors into our HR processes, which will contribute to driving improvements and changes.

Attractive employer

NCC is a large employer in the Nordic markets where we operate. We create employment both for our own employees and for a large number of employees of our subcontractors. We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.

Successful competency supply is another precondition for succeeding in our strategic plan.

Create value through sustainability

NCC supports the UN's Global Compact and its ten principles, which are integrated into our business strategy, culture and daily operations. We also work to make a positive contribution to and reduce the negative impact on the Sustainable Development Goals (SDGs). This is supported by our sustainability strategy and our sustainability work, and we prioritize the measures that make the greatest difference.

Strong safety culture

Health and safety has the highest priority at NCC. We conduct structured work to eliminate accidents, and focus on strict procedures, safe behaviors and the use of technology to ensure that our worksites are safe. An example is a virtual solution to support the onboarding of new employees, in order to ensure that everyone who passes the gate to a production worksite has the right competencies, has completed the right training and has received information about the worksite they are going to work at, which is synchronized with the employee's access cards.

In 2021, we launched a new focus for Health and Safety. NCC's goal is to eliminate serious incidents and accidents and we measure this by such activities as tracking and setting targets for total absence for serious accidents resulting in more than four days of absence. During 2021, the accident frequency rate was 3.7 and the target for 2022 is to achieve 3.0. Two business areas are already below this figure of 3.0. Our improvement work at both Group level and in the business areas will continue in 2022.

Climate transition

Climate change places clear demands on a transition, and it necessitates that both public and private players assume their responsibility. We shall be a driving force in this transition, and engagement and collaboration with our stakeholders is a prerequisite for achieving results.

We have many good examples of collaboration. In the Centralen project, part of the West Link in Gothenburg, NCC cooperated with Volvo Trucks in developing a digital service for optimizing loads when removing excavation material. The trucks' capacity can be used to nearly 100 percent, compared with an average of 85 percent of the permitted load volume that is usually used. This means about 8,000 fewer truck transports for NCC, corresponding to a reduction in carbon emissions of 1,000 tons.

We have set a target of being climate neutral by 2045, and are working determinedly and systematically to make the change. In 2021, emission intensity from our own operations was 3.5 CO₂e tons/SEK M, down 41 percent compared with 2015.

Our work to minimize climate impact does not only involve our

own operations; we look at the entire value chain. During the year, we analyzed the emissions from asphalt, concrete and steel, and initiated an analysis of emissions from transportation. Our aim is to halve emissions from asphalt, concrete, steel and transportation by 2030 compared with 2015.

We were one of the pioneers of, and are pursuing, a focused effort to implement climate calculations in construction projects, whereby the assessment process is becoming increasingly digitalized in order to ensure high quality.

We are convinced of our ability to contribute data that will enable better results both now and in the future.

Another central feature is to continue to increase the energy efficiency of processes and production, such as replacing fossil energy sources with renewable ones in our asphalt plants.

In 2021, NCC took additional steps to analyze and report climate risks and opportunities according to the Task Force on Climate-related Financial Disclosures (TCFD) framework's recommendations.

Coronavirus pandemic

During the year, the operations fared well throughout the pandemic. We worked to ensure that we could continue to operate projects efficiently and, thanks to comprehensive measures, succeeded in minimizing the spread of infection and maintaining a high level of safety at worksites. I am proud of how well the employees managed to cope with these challenges.

Cement

In Sweden, when the permit for the predominant manufacturer expired, uncertainty arose concerning the supply of cement during the year. The long-term uncertainty regarding cement supply remains. Within the company, we worked intensely to prepare for a potential cement shortage by engaging in close dialogue with suppliers and through internal actions. This case involving Cementa highlights the need for faster and more predictable procedures to manage permit issues that entail complex conflicting objectives.

Business environment and market

The construction industry tracks the general economic trend relatively well. Society has a fundamental need for infrastructure, offices and housing, and the underlying market is favorable.

As a major Nordic player with solid experience, NCC is able to plan, construct and lead construction projects that can contribute to solving social challenges and complex social problems. An relevant example is water and sewage infrastructure, which is underinvested and requires upgrading in Sweden and in other Nordic countries. This is a field in which NCC has specialist competence, and cooperation and knowledge sharing will be required to achieve improvements.

A stronger NCC

We worked systematically during the year to develop and enhance NCC and to gain value from being a major and broad-based company. I am proud of the change process we implemented, where our objective is to be Europe's benchmark company as an expert in the construction process.

I would like to express my deep gratitude to all employees, customers, business partners and shareholders for the past year. We now stand stronger and, simultaneously, we are well positioned to create stable and sustainable profitability and growth. We are investing for the future and creating long-term value for our shareholders, customers, business partners and employees, and making a positive contribution to society.

Solna, March 2022

Tomas Carlsson
President and CEO