

CEO Peter Wågström's address at NCC's Annual General Meeting on April 4, 2012

Mr. Chairman, esteemed shareholders, ladies and gentlemen,

It has been a year now since I took over the baton and was given the privilege to manage the Nordic region's foremost construction and property company.

I will summarize my impressions of my first year at the helm, but also look to the future, when we will further sharpen our customer focus and achieve even greater profitable growth.

I will start by addressing the NCC brand. NCC is – *and will continue to be* – a socially responsible and innovative company that contributes to the sustainable development of society. During my presentation, I will show how we lead development and work in areas such as green asphalt and environmental classifications of everything from infrastructure projects to private housing. And how we are driving the industry forward with our green tenders.

I will also talk more about our new environmental strategy. I will also describe our efforts to reduce the number of accidents at our worksites and how we are taking new initiatives to avoid violations of our Code of Conduct.

Year 2011 in brief

2011 was a good year with a high level of earnings, particularly during the fourth quarter. We had a strong order backlog and market conditions made it possible to start new housing and property-development projects. I should also add that we had a stable financial position, which we are now taking into 2012.

Our return on equity was 17 percent, which is good, but below our objective of 20 percent – and so, naturally, I am not completely satisfied. The reason for this performance is found back in early 2011, in a winter that refused to release its grip, weak results from projects undertaken during the recession and impairment losses on land. However, despite a few setbacks and uncertainty in the market, NCC performed very well during 2011.

Much of the success is attributable to our efforts over several years to reduce our debt, improve our cash flow, prioritize profitability over volume and strive to maintain high margins. Thanks to these efforts, we have been able to increase our investments in new development projects. You can see from this slide that we increased our net indebtedness somewhat during 2011 – but it is still below our target level.

Earnings per share after tax amounted to 12 kronor and 8 öre. The dividend policy states that at least 50 percent of after-tax profit should be distributed to shareholders. The Board of Directors has proposed to the Annual General Meeting a dividend of SEK 10 per share, which amounts to 83 percent of after-tax profit.

The stock market was characterized by uncertainty and major fluctuation during 2011. NCC's total return for 2011, defined as share performance and dividend, was minus 11 percent. The average return for the Stockholm Stock Exchange was minus 14 percent. During 2012 to today's date, the price of NCC's Series B share has risen by 17 percent.

NCC's operations

I will now continue by showing you how we contribute to building cities and society – every day, all-year round. I also want to show you how NCC is contributing to changing the industry – and society.

Our industrial operations generated revenues totaling SEK 12 billion and laid out 6.9 million tons of asphalt last year. That corresponds to 1,500 kilometers of roadways, or 7,000 football fields. We also produced 30.6 tons of aggregates. That's more than one ton per person living in the Nordic region. Our initiatives involving green asphalt and asphalt recycling are important in efforts to reduce our carbon footprint.

During 2011, our construction and civil engineering operations were conducting about 4,000 construction projects simultaneously. Since our footprint on modern society is large, we have a major responsibility to work with sustainability issues. This is a role that we are pleased to shoulder.

We all need a roof over our heads – somewhere to live and work. Last year, NCC had 5,400 residential units under construction. We also started 12 commercial property projects during 2011, its amounts to 23 of ongoing projects.

To enhance the efficiency of the construction process, we work on a broad front with industrial construction processes, virtual construction and smarter international purchasing. By keeping costs down, NCC strengthens its competitiveness and market position. This slide shows the City Line, a project for which we are building a new station under the subway line – 40 meters beneath Stockholm Central Station. Virtual Design and Construction, also known as VDC, means that we design, plan and build projects digitally in advance. We conduct calculations of both volume and cost that enable us to implement projects more efficiently in terms of time, costs and quality.

Another interesting example is the large-scale renovation of the Rådhus property block in Kristianstad for the Skåne region. VDC has played an important role in the planning and implementation of this highly complicated renovation and new construction project, which is valued at half a billion Swedish kronor. Here you see a slide of the project right now – only the building façade remains to be built. Soon this shell will be filled with new content.

Sustainability issues are becoming increasingly important – both for us and our customers. NCC introduced a green tenders as early as 2010, becoming the first company in the construction industry with an active offering of greener projects than the customers themselves requested.

One of many projects for which we have submitted a Green tender is called “the bridges of Rotebro.” Through an innovative technological solution, we lowered the environmental impact, increased accessibility during the long construction

period and offered a lower price to the customer – and by that I mean the taxpayers.

Rotebro is the first civil engineering project to be classified right from the start in accordance with CEEQUAL, an environmental classification system for civil engineering projects.

Green tenders have favorable effects since they apply pressure on us to offer eco-friendly projects across a broad front, and it is self-evident today that our construction sites must reduce their environmental impact in accordance with the Green Building program.

Orders received were very favorable during 2011 – rising to a historically high level. We are especially proud of a project in Luleå, where we are building an enormous server hall for the well-known company Facebook. The first stage will be the size of 18 ice hockey rinks. And Facebook is considering two more.

Here, we can see the facility under construction in Luleå. Luleå, in fact Northern Sweden in its entirety, is naturally cold for a large part of the year. In addition, electricity supply is reliable and eco-friendly. These are a few of the factors that appealed to Facebook. One result of Facebook's establishment in the region has been that several other large IT companies have opened their eyes to NCC and Sweden when they consider establishing new server halls.

In the construction part of Group operations, NCC's profitability in Sweden was healthy, although somewhat lower than the level we achieved in 2010. In Norway and Finland, we were forced to make substantial impairment losses in a few projects that were faced with problems. We implemented comprehensive measures to correct their project financing, but they still had a negative impact on our margins in 2011. In Denmark, NCC can demonstrate the industry's best civil engineering margins following several years of structured work focused on risk management and project control. We have also contributed to the creation of a beautiful new landmark in Copenhagen – the Bella Sky Hotel, with 812 rooms and a spectacular design.

Our industrial leg – NCC Roads, which produces aggregates and asphalt – reported strong full-year earnings. Within NCC Roads, we are making target-oriented investments to develop green products that use less energy. On the E4 expressway in Enånger outside Hudiksvall, we have laid 150,000 tons of Green asphalt. Green asphalt is laid at lower temperatures, thus radically reducing carbon emissions. In Enånger, we reduced carbon emissions by 1,000 tons. This corresponds to annual emissions from 400 cars. That's what I call a real environmental gain.

NCC Recycling is another example of how we are positioning our Roads operation on the basis of sustainable products. We recently decided to establish 30 new recycling stations for used construction and civil-engineering materials. Our ambition is to be the Nordic region's leader in this area, and the investment is an important part of our efforts to reduce our environmental impact and manage natural resources.

NCC is the Nordic region's leading residential construction company, building houses for sale directly to private customers, housing companies and investors.

During 2011, we increased the number of new starts of housing projects. Toward the end of the year, we completed many projects and delivered a very large number of apartments and small private homes to expectant customers. Sales of new housing units were at a consistent and steady level throughout 2011. In some markets, the sales process took a little more time, and we are carefully monitoring signs of greater caution among private households.

NCC offers housing under various forms of occupancy rights, including tenant ownership, private ownership, tenant owner associations and tenancy rights. Since we have noted growing interest in tenancy rights in several markets, we are adapting our operations by offering customized package solutions to investors.

Supported by our operations in eight different countries, we have been able to learn from each other. In Germany, we have successfully developed an industrial construction system that has enabled other parts of the Group to learn valuable lessons. And for the customers, it's all about having attractive homes. Just look at these examples. The buildings are very different – but have one thing in common – the same basic construction system. This results in low production costs and high quality.

This slide shows the effects of our standardization and industrialization work. Through industrialization and its repetitive effects, we have been able to reduce costs by 40 percent. Another example is how we in Sweden have developed an industrialized construction system characterized by high quality standards and attractive design, which also enables us to build rental apartments. We call this the P303. The slide shows one such project in Uppsala.

In St. Petersburg, there is an underlying need for more than 60,000 new housing units every year. One of our projects – called “Öland” – is focused on the middle class in St. Petersburg. The first stage of construction with 482 apartments is scheduled for completion in 2013. We consider this an interesting market, and we started construction on more than 600 apartments there in 2011.

In our commercial property development operations, we started 12 new projects during the year and noted a very strong leasing trend. NCC has attractive projects with distinctive sustainability profiles, which both tenants and investor values highly.

Sustainable community development

Sustainability covers a broad range of considerations. Such as environmental issues, taking care of employees and also taking social responsibility, for example in terms of international purchasing. Since 2010, NCC has been a member of the UN's Global Compact and has thus undertaken to actively pursue issues involving human rights, working conditions and labor law, environmental considerations and sound business ethics in its own operations and in relation to partners.

NCC's sustainability work is based on the values of honesty, respect and trust. We work on sustainability issues from a broad front and, today, we are a leader in several areas. During 2011, we formulated a new environmental strategy for the Group in which our explicitly defined ambition is to serve as pioneer in the

development of new technological solutions, as well as work methods. We will prioritize four main areas during the period up to 2020:

- Climate and energy
- Chemicals and sustainable selection of materials
- Environmental classification systems for buildings and civil-engineering structures
- Waste management and recycling

We have already made a great deal of progress and have achieved a lot in the environmental area. By using innovative technology, we can create sustainable solutions. A very good example is illustrated by how we take care of massive amounts of snow in Oslo. Swedish Television visited the plant and produced this feature presentation.

As you saw, we melt and clean the snow that is then fed into the Oslo Fjord – even cleaner than the water that is already in there today. I encourage you take the opportunity to speak with our Vice President Corporate Environmental Affairs, Christine Lindbäck, who is here today. She will be standing by the sustainability exhibition following the AGM.

We have a zero vision when it comes to workplace accidents. For the Group, safety at worksites is paramount. Well-conceived procedures, knowledge, systematic behavior and good leadership are parameters that NCC focuses on continuously. In 2011, we introduced a day of reflection throughout the entire Group. We call it Awareness Day. During this day, all employees discuss safety issues and submit improvement proposals. The day was highly successful and it's something we will continue with. All members of Group Management participated – I myself was in Ekerö and met the paving team we see on this slide.

We have also initiated an internal training program that will extend over the next few years with the aim of increasing the skills of our employees and raising their awareness of safety issues. It has a great deal to do with attitudes – and it will take a little time. As you may have noticed, there are some representatives here today dressed in yellow high-visibility clothing. They are Lars-Gunnar Larsson, the Group's Work Environment Manager, and Robert Bennerheim, who is in charge of the purchasing of safety equipment. Don't hesitate to speak with them today about safety!

The factor that controls how we behave every day, in every business contact and every decision – is our values. During 2011, we got a reminder that violations can occur when employees act in conflict with our values – and the law: One such case involved unlawful collaboration in the Trondheim area of Norway from 2005 to 2008. The issue is still not resolved, but NCC has further strengthened its work on values and decided to refine our Compliance program, which controls compliance with our values and regulations. We have very concise rules and regulations that simply may not be misunderstood, and we have trained more than 3,000 managers in competition law and business ethics. I will do everything in my power to ensure that no violations occur in the future.

Strategy for profitable growth

When I presented NCC's full-year results in February, I also presented a strategy for profitable growth during the period 2012 to 2015. I want to conclude my

presentation here today by mentioning some of the main elements of the strategy and how it will lead us forward into the future. You can also read more about the strategy at our website or in the Annual Report. I have envisioned our roadmap as follows.

The overall objective is to create value for our customers and shareholders. We aim to be a leading player in our existing markets, offer sustainable solutions and always be the customer's first choice.

We will dig where we stand and create a more solid foundation for growth in the markets where we already conduct business operations. By leading, I am referring to volume and profitability and growth is to primarily be achieved organically – but may be supplemented through acquisitions.

Basically, NCC has three different businesses. They are industrial operations, the construction and civil engineering business and the development operation. We have established growth targets for each of these business areas during the strategy period. The industrial business and construction and the civil engineering operations will strive for sales growth that is double GDP. Two goals have been set for the development operations: To have at least 7,000 housing units under construction. That the commercial property development portfolio maintains the same level as today.

Three regions and markets will be prioritized in order to achieve our growth aspirations. These are Norway, Finland and the housing development business.

The first is growth in Norway. In all areas of the operations. Norway has a large construction and property market – larger than the Swedish market – but it is more fragmented. We believe NCC has excellent growth prospects in the Norwegian market.

In Finland, NCC has strong positions in housing and office construction, and in the asphalt sector. However, we lack the synergism that a strong civil engineering and infrastructure operation could provide – and for this reason, we have initiated efforts to build up a civil engineering presence in Finland.

The third area lies in increasing our housing production. As a result of the underlying need for more housing in most of our eight markets, a broadening of our product mix and the need for more rental apartments, we are establishing the goal for housing development operations that at least 7,000 residential units are to be under ongoing production.

NCC has a stable and sound business with a strong financial position. We also have a clear impression of how we, by keeping the focus on the customer, will develop and grow the NCC Group in the years ahead.

Despite the turbulence in our world, I have strong confidence that we will succeed.

And, therefore, I invite you to join us on a journey of profitable growth.

Thank you for your attention!