President and CEO Peter Wågström’s speech at NCC’s Annual Generell Meeting on March 24, 2015

Mr. Chairman, honorable shareholders, ladies and gentlemen. Today, I can put yet another favorable year in the history of NCC behind me. It has been the result of a focused effort to which all employees have shown great commitment.

We reported the strongest orders received for our construction operations since 2008. We are among the more profitable companies in the industry and it would currently appear as though we will achieve the objectives in the strategy that was established in 2012 and that ends this year. Sales increased in Norway, we carried out initiatives in order to establish a position in the civil engineering market in Finland and the housing development business was expanded.

Looking specifically at our housing development business, we can be pleased with the record-strong level of sales. We also noted our highest ever sales figure more than 6,000 housing units. However, as usual, there is scope for improvement.

Despite the progress made in our Danish operations and the recovery in the margin for the Swedish operations. The profitability of the construction operations remains an area for improvement. Improvement potential also exists in the purchasing area. Work is ongoing in this area aimed at coordinating purchasing and increasing the share of international procurement. Work to continue the development and use of platforms and concepts is another area that offers cost advantages. Furthermore, collaboration with the customer early on in a project means that we can realize efficiency gains – gains that will benefit both the customer and NCC.

However, improvement is more than simply focusing on finances. I said this last year and I’ll say it again. It is about our efforts to ensure satisfied customers about working safely at our worksites and about taking the issue of sustainability seriously. I am convinced that these elements are just as important for our business and that they contribute to our profitability.

Last year, we launched our new vision; To renew our industry and provide superior sustainable solutions. Our vision serves as the foundation as we now work on our new strategy that is to apply from 2016 until 2020. I am pleased to say that the results from the annual NCC human capital survey are highly favorable in terms of achieving our vision. After only one year, we have noted good results in both awareness and commitment. For us, our vision and values are something tangible. I want them to be used every day in the company and not just be something that was developed because we needed to have them in the annual report.

Our ambition is to renew and lead development in the industry. We are already doing this in many different areas. Each day, small and large-scale innovations are being created in the operations. I will discuss a few of these later. Firstly, I would like to give a brief resumé of 2014. Orders received improved 8 percent and were the strongest since 2008. Sales declined by a few percent and
operating profit by 3 percent. Earnings in the housing development business increased in 2014. Earnings were lower for the commercial property development business due to the fact that we did not have any major projects to recognize in profit. Operating margins improved in all Construction units. And the performance of the road services segment in the Roads business area was positive.

Earnings per share after tax were SEK 17. The Board of Directors’ proposes that the Annual General Meeting approve a dividend of SEK 12 per share, equal to 71 percent of profit after tax. The dividend will be distributed on two occasions SEK 6 in March and SEK 6 in October. This is well in excess of the dividend policy, which states that not less than 50 percent of profit is to be distributed.

NCC’s total return for 2014 meaning the share price plus dividends was 24 percent. The average for the Nasdaq Stockholm was 16 percent. Looking at the trend over a period of five years 2010 to 2014 the total return has amounted to a full 183 percent. The average for the Nasdaq Stockholm exchange was 89 percent.

What is the status in terms of our target fulfillment? Our financial position is strong and we noted a 22-percent return on equity, thus surpassing the objective of 20 percent this year again. Net indebtedness is below 1.5 times shareholders’ equity.

We also have long-term sustainability targets. To supplement these, we have established intermediate goals for 2015. In relation to climate and energy, total carbon dioxide emissions have to be gradually reduced and there should be a transition to renewable energy. Carbon dioxide emissions were reduced in 2014, and we are thus making good progress toward meeting our target for 2015. In the area of chemicals and sustainable choices of materials, the aim is to minimize the use of hazardous materials. The target for 2015 is to have at least 400 housing units in production that meet the Nordic Swan Ecolabel criteria. This target was attained in 2014. The target established for waste and recycling for 2015 has also been met. This target is to reduce the volume of waste from construction sites and increase the share of recycled asphalt.

Safety is another area in which we have clear goals but also a zero vision. Our work to ensure safer worksites is yielding results. We have reduced worksite accidents by 45 percent since 2011. Unfortunately, an accident occurred last year that had a fatal outcome. Therefore, we must work even harder on attitudes and behaviors. I and all of us want all of our employees and those working for us to return home safely after every working day. We take a long-term approach and base our work on our values and Code of Conduct. The NCC Compass is part of this work and was introduced a few years ago. To date, nearly 8,000 people have completed the training course and the remainder of the employees will receive training in the Compass during the current year. The NCC Compass offers employees the possibility to “Ask me” or “Tell me” if they feel that certain actions do not seem ethically correct. As of 2014, there is also the opportunity to use the “Tell Me” function externally.

We are now entering the final year of our current strategy period. The aim for our industrial business and construction and civil engineering is that these should grow at a rate of at least double the Nordic GDP growth rate at
the end of the strategy period in 2015. I can state that we are lagging behind this target, but because orders received in the construction operations have been strong, there is the potential to achieve the growth objective. In our third business Development the objective is to have at least 7,000 housing units in production. We surpassed this objective during the year.

One of the projects we started during 2014 is the new head office of SCA Hygien in Mölndal, which will be completed in 2016. It will be certified in accordance with BREEAM. The round shape and floor space comprising nearly 4,000 square meters will facilitate space-efficient office solutions that encourage close communication between employees. Mölndal’s new city center will be renewed during the 2014-2018 period. NCC is the primary operator and the starting point was the SCA building.

Let me continue by looking at our performance during the strategy period: The strategy contains three prioritized areas. The first is expansion in Norway in all business areas. We have increased sales in Norway and secured several major projects including the Bjørnegård Tunnel on the E16 Expressway between Sandvika and Wøyen for SEK 1.3 billion.

Now let me take you to Narvik in Norway, where we are constructing two connecting bridges and two 175-meter-high concrete pylons or bridge pillars for the Hålogaland Bridge. To successfully carry out the advanced and extensive concrete works in an extreme ocean environment, we have created a new way to form cast the cofferdams on which the bridge pillars stand. The concrete is poured above the water surface and as the weight increases, the cofferdams sink into the water. [Movie Hålogaland Bridge]

The second priority area is establishing a position for us in the civil engineering market in Finland. This is a long-term initiative and we are gradually building competency and competitiveness. One of the ways we are doing this is through the transfer of expertise in the field of wind farms from Sweden to Finland. We now have a framework agreement in place for laying foundations and pouring the concrete slab for wind turbines in Finland.

The third prioritized area is to grow the housing development business. We have succeeded in doing this despite fluctuating market conditions. As I mentioned initially, we noted our highest sales ever last year, 6,047 housing units! This is something we can really be proud of.

Two strategic initiatives that may be worth mentioning include our recycling program and the establishment of our own staffing company. This is also about renewing our business. NCC has a Nordic recycling concept – NCC Recycling. We are now further developing this concept to enable the recycling terminals to receive additional types of construction waste. The concept involves the recycling and refinement of waste, enabling the resulting products to be sold onward. We have a total of three facilities in operation today, and a further two will be inaugurated during the year.

The other strategic initiative is our decision to start our own staffing company in Poland; NCC Montage. It feels right and important for us to establish our own company over which we will have full insight and control. In doing so, we reduce the operational risk at the same time as the solution is more competitive than
using an external staffing agency. It ensures more jobs in NCC in the long term. We currently have 9,500 permanent, highly skilled blue-collar workers in the Nordic countries. These workers form the foundation of our operations. In connection with work peaks and to ensure access to specific competencies, we need to insource additional resources.

To continue on the innovation theme, I think that we already have a high level of everyday innovation at NCC. For those of us who are engineers, intelligent technical solutions are possibly what come to mind in the first instance and there are many of these innovations at NCC that can be highlighted.

But to an equal extent innovation and renewal also involve other aspects. About safety, about new ways of working, about collaboration and inviting others to participate, creating dialog and driving important social issues. In fact, one way to drive renewal is to also discuss how we will live and work in the future. How will the climate challenges we face shape what is important to develop in society? How can we create environments that will represent good examples of integration? How can social spaces and communications be designed? Yes, there are many more questions. We will therefore invite various parties to participate in discussions concerning the tomorrow’s housing and society in the Dome of Visions in Stockholm. The Dome of Visions is a collaboration with the KTH Royal Institute of Technology and the first spade will be turned any day now. The external shell will be completed by summer. The interior of the building will be completed in September, when the Dome will be inaugurated in conjunction with an aerospace conference that will be hosted by KTH.

Innovation is also about cooperation. In 2014, we received the prize for the world’s best strategic partnering collaboration, together with Telge properties. This is particularly gratifying since it was NCC that introduced partnering to the Nordic region and developed the concept. We have worked with Telge since 2008, and have developed and constructed 22 buildings to date, including schools, sports arenas and residential homes for the elderly. And yesterday, NCC won the award for Building Project of the Year for the third consecutive year. This too was a partnering project. Advanced digital technology and professional expertise were used to preserve the old and combine this with modern new premises.

Innovation is also about identifying new methods and ways to work safely. At NCC, we have developed The Silent Book on Safety. The book features pictures but is entirely without text, so it can be used and understood regardless of the language spoken by the reader. It has made a positive contribution to our safety work and has been distributed to all of our employees. Now this book is also taking the step outside NCC to reach the entire industry. Through collaboration with the Swedish Construction Federation, it will be made available to most companies in the Swedish construction industry. The International Labor Organization (ILO) has also expressed an interest in introducing it in Turkey.

The challenges of sustainably refurbishing and increasing the density of cities and suburbs are prevalent in all Nordic countries. In Finland, we have developed the Bertta concept – a compact multi-family dwelling that can be built on a car park or in a backyard. The area is attractively densified, with the opportunity of offering another form of letting, such as tenant-owner apartments. The concept is both financially and socially sustainable.
The climate challenges also drive us to think outside the box. NCC has developed a type of asphalt that drains itself. The solution won the The Danish Construction Association’s 2013 Innovation Award. [Movie Perma Vej]

The Skandion Clinic is an important project we are working on in Uppsala. The project is a partnering project with Akademiska hus. It is the Nordic Region’s first clinic for proton therapy. The project requires innovative thinking, advanced construction engineering and skilled workmanship. The proton technology imposes stringent demands on radiological protection. For example, specialist expertise is required to ensure that the concrete does not contain any cracks. We have used the experience we gained from the radiotherapy clinic in Lund in this project. [Movie Skandion Clinic]

As an engineer and land surveyor, I have to talk about one of the technologies that is now available and that we already use in our operations. It is an area where we are on the cutting edge. Drones can help us to photograph ground conditions ahead of, for example, a road project. We then use the photographs to create a 3D model. This saves a lot of time and provides more reliable supporting material.

Renewal is also about generating awareness of and finding new ways of increasing interest in our company and the various building professions. NCC participates actively in the battle for competencies in all our markets. We must ensure that our professions are interesting so that the construction and property sectors become attractive to young people and that NCC’s offering to its employees is attractive. In total, we took on nearly 1,000 trainees, summer workers and apprentices in 2014. The senior-high school program focusing on engineering, which we are pursuing in collaboration with Kunskapsgymnasiet, represents a long-term commitment. Tekniksprånget (Technology Leap) is another initiative that we are conducting in partnership with the Royal Swedish Academy of Engineering Sciences (IVA). In Finland, we arranged a safety day for 150 students. In Denmark, we are involved in the Technical College in Aarhus, which is a collaboration between academia and industry. It gives young people who have fallen through the cracks in the school system a second chance. The competency and recruitment program has been established in Norway, Sweden and Finland, offering engineering students in their second and third years the opportunity to secure a summer job or a trainee position with us and to do their project work or degree project.

A new initiative that we are involved in is IGE day, which is being carried out in Sweden this week. IGE stands for Introduce a Girl to Engineering and it is an initiative from female engineers and engineering students. The event originated in the US. The purpose is to enable women to see first-hand what an engineer does and meet other female engineers. The aim is for a 50-percent share of graduate engineers to be women by 2030. At NCC, we will be accepting 70 women in Stockholm, Gothenburg, Malmö and Umeå.

Another initiative that we presented last week is a focused Site Manager program for women. As the first construction company, we are offering our female employees, but also women in industry this training program.
I now want to return to the matter of safety, since it is one of our foremost issues. For the fourth consecutive year, we arranged Awareness Day at the beginning of September. For this event, all work comes to a halt throughout NCC in order to facilitate joint discussion on how the work environment and safety can be improved. This year, some 1,700 proposals for improvements were received from our employees. I was in Germany and visited our Am Wiesenpark project in Potsdam. In addition to Awareness Day and the Silent Book on Safety, we are working with other safety-related activities. For example, we have introduced “Time Out.” This means that everybody – anybody – has the right and the obligation, should they deem something to be unsafe, to halt work to rectify the defect or fault so that work can continue safely.

Health and safety is also an important question in our annual employee survey. This year’s survey shows that a very large and increasing share are of the opinion that there is an awareness of health and safety in their workplaces and that there is a major commitment to these issues. Employees also regard NCC as a company that focuses to a considerable degree on sustainability. The overall results of the survey indicate that NCC is better than the industry average in most markets. I am pleased with the results. They are a necessary element if we are to improve in our safety work and also in our drive toward achieving our vision.

In conclusion. We can put yet another good year behind us. We must now take what we have already developed and nurture and refine it. Companies that dare to and successfully negotiate change and stand at the leading edge are the companies that I believe have the best prospects for success. The Vallda Heberg city district in Kungsbacka, which is Sweden’s first residential area with passive building certification, is on board. Here, partnering has contributed to intelligent energy solutions during the construction process and the operational phase. [Movie Vallda Heberg]

It’s great to see such an enthusiastic customer as Charlotte in the film. It’s a fantastic feeling to have been a part of the development of Vallda together with the customer and I am convinced that many such business opportunities lie ahead of us. Now it’s up to us to grasp them.

Thank you!