

## President and CEO Peter Wågström's speech at NCC's Annual General Meeting on April 5, 2017

Mr. Chairman, honorable shareholders, ladies and gentlemen. 2016 was a year of great change for NCC. We successfully distributed our housing development business, Bonava, to you shareholders. Those of you who kept shares in both companies received a return of 40 percent in 2016. We have created a more streamlined NCC comprising four Nordic specialized business areas, based on our new 2016 strategy: to become operationally stronger, secure significant positions in growing market segments and grow through acquisitions and partnerships.

We did not achieve our sales and operating margin targets in 2016, but we did report very strong orders received, which is positive for the future. Orders received increased 10 percent to SEK 56.5 billion. Sales amounted to SEK 52.9 billion and operating profit to almost SEK 1.5 billion. Industry reported its best profit ever, while the other business areas noted weaker year-on-year earnings.

Total profit after tax for NCC amounted to slightly more than SEK 1.1 billion. Earnings per share after tax were SEK 10.30. The Board of Directors proposes that the AGM approve a dividend of SEK 8 per share, to be paid on two occasions: SEK 3 per share in April and SEK 5 per share in November. The proposed dividend for 2016 corresponds to 78 percent of profit after tax, well above the target dividend of at least 40 percent.

We have, as I mentioned before, a new strategy for profitable growth from 2016. The starting point of this strategy is our vision: To renew the industry and provide superior sustainable solutions. We have worked on implementing this new strategy during the year. We are building a more efficient and profitable NCC, for example, by having more efficient processes, strengthening purchasing and increasing support for digitized information flows. This new strategy will enable us to achieve additional growth, for example, through acquisitions and different types of partnerships in project development.

In terms of our financial objectives, our financial position is strong, but we still have some way to go as regards sales and operating margin. NCC is to achieve an operating margin of at least 4 percent during the strategy period. The operating margin for 2016 was 2.7 percent. We will grow at an average annual rate of 5 percent. Sales for 2016 were in line with the preceding year. Return on equity was almost 23 percent, exceeding the target of 20 percent. Net indebtedness was insignificant at year-end and the equity/assets ratio was 22 percent.

Health and safety is another high priority area at NCC where we have clear goals and also a zero vision. We have had a downward trend in accident figures since 2011. Unfortunately, this positive trend was broken at the end of 2016 and the number of worksite accidents increased. It is also with great sadness that I must report that three fatal accidents occurred in 2016. This is not a trend that we want. We want everyone to arrive home from our worksites safe and sound. The target for 2020 is an accident frequency rate of 3.5. We are working on a wide range of preventive measures and we have further strengthened our efforts. This

issue is at the top of the agenda in all aspects of the business. One example of our activities is the Health and Safety Week that we are holding for the second consecutive year across the organization in May, in addition to the Awareness Day that has been arranged every September for many years now. All work at NCC comes to a complete standstill on Awareness Day and we engage in joint discussion on how the work environment and safety can be improved. The theme this autumn was Time Out. This means that everybody has the right and the obligation, should they deem something to be unsafe, to halt work to rectify the defect so that work can continue safely.

We have a framework for our sustainability efforts, with targets set for each element. For example, NCC will reduce emissions of greenhouse gases from its own operations by 50 percent during the strategy period of 2016-2020. In 2016, we reduced emissions by 14 percent. Another target is that 70 percent of NCC's building and construction waste is to be reused or recycled by 2020. We have made good progress – in 2016 we reused or recycled 48 percent of building and construction waste.

Another prioritized area for NCC is our efforts to ensure that our work is based on our values and Code of Conduct, and that we as a company conduct business in a sustainable manner. We updated our Code of Conduct at the end of last year, and expanded the sections on anti-corruption, money laundering, personal data and social media. We have our NCC Compass to support our employees. It contains guidelines and an Ask-me and Tell-me function. The Ask-me function was created to assist employees in always making the right decisions. The Tell-me function is a whistleblower function through which employees and other stakeholders can anonymously report their suspicions about behaviors that contravene NCC's Code of Conduct.

We identified five megatrends when we established our new strategy for profitable growth. These are: Urbanization, Globalization, Sustainability, Digitalization and Competition for the best talents. Based on these megatrends, I would like to now give a few examples of projects that we have carried out or are currently working on. Urbanization – It is becoming increasingly important for us to plan for inclusive cities in which everyone can afford a home, and to live and work. This is where we have an important role to play as a society builder in the Nordic region since we are involved in building schools, hospitals, shopping malls, offices, roads, bridges and not least housing units - NCC is one of the largest home builders in the Nordic region. Let's take a look at some of NCC's successful housing projects. [movie]

In parallel with building new homes, we are also carrying out many sustainable refurbishment projects in housing areas - projects where people can afford to remain living in their homes once the project is complete. In Sweden, we are renovating rental apartment buildings in a socially sustainable manner for Stockholmshem, at the same time as we are reducing the energy consumption of the buildings. We are also carrying out a large-scale refurbishment project in Fittja where we are sustainably renovating 1,100 housing units together with Botkyrkabyggen. This project recently won the Swedish Association of Public Housing Companies' award for Best Refurbishment Project.

As a society builder, we also make sure that we provide all of the service that residents need in our growing cities. NCC is at the forefront of hospital

construction in the Nordic region. We have successfully won contracts based on our Nordic expertise and focus on specialization. Some examples are the Queen Silvia Children's Hospital in Gothenburg, Järvenpää in Finland and Rigshospitalet in Copenhagen, Denmark. [Movie]

Another important megatrend is globalization; an area in which we are facing international competition, particularly in complex infrastructure projects. But our NCC Infrastructure business area is well positioned. An example is the tunnels we are now constructing under the sea bed of the Faroe Islands. These tunnels will link together places that are currently separated by water. Gothenburg Central Station – a key phase of the West Link project – is an advanced infrastructure project that NCC is carrying out. The contract involves building an underground commuter train station and about 2 kilometers of railway tunneling. The Stockholm City Line, that many of us will probably use, will open in June this year. Some 250,000 commuter train passengers will use the tunnel every day. NCC is constructing the Norrström Tunnel and the new commuter train station, Stockholm City. [Movie]

A third megatrend is sustainability. As cities become larger and more densely populated, the importance of creating innovative, sustainable and inclusive living and work environments rises. We have a major responsibility here, and it is also an area in which NCC sees many opportunities. NCC is involved in developing the Valle Hovin area of Oslo with a focus on sustainability. The Valle office is being constructed entirely of wood, right in the heart of Hovin. The premises will meet the strictest of environmental requirements. [Movie]

The Torsplan 2 office building in Stockholm is an excellent example of an ultramodern office building with sustainability and health at its very core. It even includes a running track on the roof! Torsplan 2 was built according to the highest environmental certification and was a technically complex project that required coordination with many different parties.

New technology and digitalization are becoming increasingly important as a productivity driver. Digitalization also creates new business opportunities for NCC. Loop Rocks is a great example of this. [Movie] With Loop Rocks, NCC was one of the finalists in the Digital Disruptor of the Year at the World Economic Forum.

We need to attract more employees if we are to capitalize on the growing market, and we are taking a number of initiatives to do this. Taking in trainees is a way of attracting young people to our industry. NCC had a total of 2,100 trainees, summer workers and apprentices in our four Nordic countries. The Inclusive City Academy is a new concept that NCC has developed to interact with high-achieving students of urban planning. Ten specially selected students from KTH Royal Swedish Institute of Technology and Chalmers University of Technology were given 36 hours to present practical sustainable solutions for one of NCC's sustainable refurbishment projects. NCC sees many advantages in attracting more women to the construction industry. Attracting young women to the engineering profession at an early stage is a key component. This year, we were involved in the Pepp mentor program with NCC employees acting as mentors to female students at KTH. These students are, in turn, mentors to young women at upper-secondary schools. The aim of the program is to encourage more women at an early stage to gain an interest in technical

professions. We concluded the first site manager program for women in 2016. The program was popular and also open to external applicants. It resulted in NCC recruiting several new female site managers.

Increasing diversity is also an opportunity to capitalize on skills, secure our recruitment needs and create a more innovative company. For this reason, we opened a “Job School” for new refugees in Denmark. We have had ten trainees at six different worksites in the Copenhagen area this spring. Together with the Kunskapsskolan school company, we initiated NCC Nystart – a training program for engineers born abroad. We currently have 18 engineers on the program, and many of them have already been offered jobs even before they have finished the program. We are now going to meet Blanca Sandoval, an engineer from Columbia, who is participating in the program. [Movie]

Measuring and evaluating employee satisfaction at NCC is essential for attracting new employees. Surveys over the past seven years show a stable and positive trend, with satisfied and loyal employees.

In conclusion, – we have had a highly successful year for NCC’s Dome of Visions – a meeting place for discussion about the sustainable society of tomorrow. It is where input from the business sector, science, politics and culture all comes together. We arranged more than 300 different activities during the year.

To renew our industry and provide superior sustainable solutions, and thereby create profitable growth for you shareholders. That is the way forward for NCC. Follow us on our continuing journey toward a more inclusive and sustainable society with the best employees at the helm of NCC.

Thank you!