

The background of the entire page is a low-angle photograph of a large-scale construction project. Two workers in high-visibility yellow-green safety gear and hard hats are standing on a concrete ledge of a massive, circular structure. They are looking at a tablet together. The structure is composed of several large, curved concrete segments, and the sky above is a clear, deep blue. The overall mood is one of industrial scale and human effort.

Our core is construction

Annual Report 2020

Our core is construction

Each construction process and project has its own unique conditions. By utilizing the company's collective experiences, our employees can guide customers through a process while maintaining good control over schedules and budgets, right up to the end result, which is positive for all stakeholders.

NCC is a knowledge-based company whose core is the ability to manage the complexity of a construction process. Our operations comprise commercial property development, construction and infrastructure projects, and production of asphalt and stone materials. We need to be experts in the various aspects of the process, but we must also have the ability to get them to work together. NCC is currently pursuing development initiatives in the areas of skills development, digitization and an increased utilization of expertise and data from all parts of the company.



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About the report

NCC's Annual Report on 2020 is submitted by the Board and the President and CEO of NCC AB (publ). The statutory annual accounts are presented on pp. 10–69 and have been audited by NCC's external auditor. The Sustainability Report is presented on pp. 6–9 and 80–97 and has been prepared in accordance with Chapter 6 of the Swedish Annual Accounts Act. NCC reports according to GRI Standards, Core level.

Cover photo: Våghuset – a sustainable part of Gothenburg

At Masthuggskajen in Gothenburg, NCC is developing and building two offices, one of which is Våghuset. The building will be certified at the BREEAM Excellent level. This is the second highest level, which requires a major focus on choices of materials, use of natural light, air quality, etc. The façade will have a spectacular wave-shaped form. In the photo, heights are being measured for the attachment of façade elements. A curved glass façade of such a magnitude is unusual and demands great precision. Safety is always the first priority and fall protection and cordons are in place, as is the requisite personal safety equipment.

Building for the future

NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC contributes to a positive impact of construction for its customers and society. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. In 2020, NCC had sales of SEK 54 billion, and 14,500 employees.



CONSTRUCTION AND CIVIL ENGINEERING

NCC Infrastructure

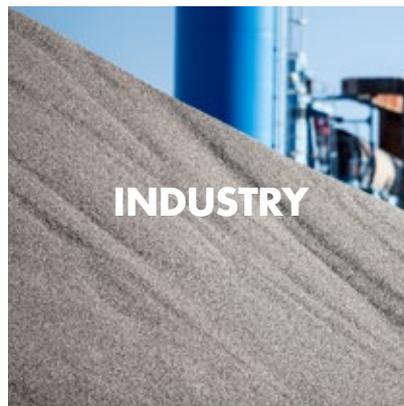
Builds infrastructure for travel, transportation, energy and water in Sweden, Norway and Denmark. Operations comprise projects of all sizes and encompass solutions ranging from roads, railways, bridges and tunnels to water and sewage treatment, and hydropower and wind power. The business area undertakes earth and groundwork and foundation engineering assignments for all types of buildings.

NCC Building Sweden

Builds and renovates sustainable housing, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Sweden. With advanced skills in sustainability, digitalization and partnering, NCC Building Sweden develops projects jointly with customers from the early stages.

NCC Building Nordics

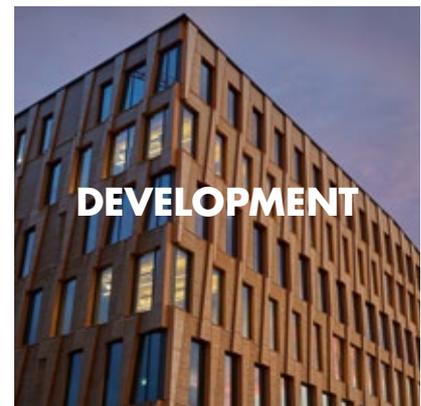
Builds and renovates sustainable housing, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Denmark, Finland and Norway. Renovation of existing housing and offices has become an increasingly important part of the operations in recent years.



INDUSTRY

NCC Industry

Offers products and services for construction and infrastructure projects in Sweden, Norway, Denmark and Finland. Operations comprise production of stone materials and asphalt products. These components form a natural supply chain that is well integrated into NCC's construction and civil engineering operations.



DEVELOPMENT

NCC Property Development

Develops, lets and sells commercial and community service properties in growth markets in the Nordic region. Operations are characterized by close cooperation with the customers to create flexible, customized and sustainable workplaces.

FINANCIAL TARGETS AND OUTCOMES

Operating margin: $\geq 4\%$
Outcome 2020: 2.5%

Annual return on equity
after tax: $\geq 20\%$
Outcome 2020: 37%

Corporate net debt: < 2.5 times EBITDA
Outcome 2020: $-0.03 \times$ EBITDA

Dividend policy: $\geq 40\%$ of after-tax
profit is to be distributed to shareholders
Outcome 2020: 43%¹⁾

¹⁾ According to the Board of Directors' motion
to the 2021 AGM

51,199
Orders received (SEK M)

53,922
Net sales (SEK M)

1,360
Operating profit (SEK M)

11.68
Earnings per share (SEK)

Focus on our core competency

The coronavirus pandemic defined 2020. For NCC, however, it was not only the pandemic that characterized the year. Our operations functioned well despite the limitations that existed and the actions we have taken to be able to work safely. In 2020, we improved our profitability and implemented the measures we had planned in order to create increased stability in the company. We also devoted time and focus to the company's long-term development. During the year, following an extensive process involving many employees, we completed work on a new strategic direction and started work on introducing a Group-wide operational model.

Performance during the year

In autumn 2018, we established a new plan with three phases. The first was to stabilize the company through better controls and clearer processes. We have achieved this. The second phase was to initiate a stable and sustainable profitability improvement. We are currently in this phase. In 2020, the Group's operating profit improved 5 percent to SEK 1,360 M, equal to an operating margin of 2.5 percent. Operating profit increased in four of the five business areas. In the fifth, the Industry business area, we have formulated a plan for improving earnings, which entails a new organization and new ways of working. Costs for this change were charged against the business area in 2020, but we expect to note positive results as early as 2021.

Orders received during the year declined slightly. It is normal that orders received show variations. We assess the underlying market as being favorable. The year is also influenced by how rigorous and clear we are in how we select projects. In several ongoing projects, cooperation with the customer started at an early stage in order to jointly define the project – a structure known as early involvement, where the order is registered later in the process. Net sales were also lower, which was due firstly to the decline in orders received in 2019 and secondly to various decisions to exit from unprofitable businesses by closing offices or selling operations, such as our road services operations.

NCC reported a stronger cash flow throughout the year. Our financial position is strong. Throughout 2020 and despite the coronavirus pandemic, NCC continued in the direction staked out to create solid and sustainable improvement.

Strategic focus and financial objectives

NCC's core competency lies in managing the complexity of the construction process, taking its customers from concept to finished product in a way that is as positive as possible for all stakeholders. Our definition of the construction process is broad; it comprises both industrial operations and property development. NCC is a knowledge-based company. We base our success on the ability to capitalize on our access to data and our employees' skills and experience, as well as working in close dialogue with our customers and other stakeholders.

With our core competency as the base, we have defined the Group's strategic focus and formed the foundation for a Group-wide operational model. We intend to use the strength and expertise of the large, and broad, company to create benefits for all stakeholders. It may sound obvious, but history has proven the

need to establish a clear, sustainable and consistent platform in order to capitalize on being a large company with a broad profile. We have done that now.

One key insight is that the change we want to achieve requires widespread commitment and a shared culture in the company. Accordingly, we have launched a process to place the focus on culture and corporate values. We plan to implement Group-wide exercises and training in behavior and values for all NCC employees in 2021. I am pleased that our annual employee survey shows rising commitment, and we intend to build on this trend. NCC aims to be the best employer in the industry for all who are attracted by the complexity of a construction process. For this reason, one of our strategic initiatives entails training, in such areas as project management and leadership. Employee commitment is decisive in a knowledge-based company.

We have also defined a number of strategic initiatives designed to increase our competitiveness as a unified company and to raise profitability: cost management, an integrated supply chain, working in a data-informed manner and strengthening IT systems. In addition, all business areas are working on how to derive benefits from our collective expertise and how to create better business.

In November 2020, the Board adopted new financial targets for the Group. Instead of a weighted margin target, the target is that NCC will increase its earnings per share from this year's figure of SEK 11.68 to at least SEK 16 in 2023. This reflects a clear ambition and a focus on generating shareholder value. Internally, each business area has been set goals that are relevant to the specific operation and that support the Group's objective. These goals involve a focus on profit margins for contracting operations, on profit margins and the return on capital employed for the more capital-intensive industrial business and on the return on capital employed for the investment-based property development business. We have also retained our earlier Group-wide target for net debt, which we currently meet by a comfortable margin.

Focused work on sustainability

At NCC, sustainability efforts are integrated in the business areas and in the ongoing work and mandates of other functions. Targets in various areas are integrated in the business areas' operational control systems. The ultimate responsibility rests with me as CEO, while the Senior Management Team accounts for the overall control. Our ambition is to work as close as possible to our customers and stakeholders so that we can adapt our operations to their expectations and requirements. Today, we have a clear



We intend to use the strength and expertise of the large, and broad, company to create benefits for all stakeholders.

and well-defined sustainability agenda based on the needs of our customers and society. We know what we want, and what we must prioritize, and we are working on integrating sustainability work in our business models.

In November, the Board adopted new external targets in two of our focus areas: Health and Safety and Climate and Energy. Regarding health and safety, we have elected to focus on the objective of reducing the more serious accidents. We need to leave no stone unturned to ensure that we use technology, procedures and behaviors that ensure that no-one is injured seriously or loses his/her life at work.

Within the Climate and Energy area, we have reduced CO₂e emissions from our own operations by 42 percent since 2015, primarily through active work in our asphalt production in the

form of asphalt recycling and the conversion to biofuel in our asphalt plants. Our target is to reduce emissions by 60 percent by 2030. We have also launched an effort to halve indirect emissions from what are – to date – the four most important sources of CO₂e emissions in construction operations. Concrete, steel, transport and asphalt. Close cooperation with all stakeholders is required to achieve this target. There are still differences in the laws and priorities applying in the countries in which we operate, despite us being in a cohesive region of the world. These need to be harmonized so that the measures taken will be truly effective.

Macro environmental factors and market conditions moving forward

NCC is a major employer and also generates employment for sub-suppliers that is many times larger than its in-house workforce. When the coronavirus pandemic broke out, we had cause to reflect over what contribution we should make. We could quickly conclude that the most important thing to do in an acute situation was to help to keep the wheels turning in society by continuing to pursue our own projects. NCC is a company with strong local decision-making power. This proved to be a success factor during this trying year. Our local managers and employees found solutions that enabled us to safely continue our projects and to adapt operations. I am very proud of this.

As a company, we also became involved by proposing solutions and pointing to needs in society that keep activities moving. These do not relate primarily to support packages and infrastructure initiatives, even though these are important, but mainly focus on not allowing activity in already started processes to stagnate. If this happens, we will see a sharp decline in activity in a year or so, when we are hopefully out of the pandemic and the economy will need increased stimulus and activity. We also pointed to areas where grants and subsidies can generate major value: Hydroelectric power and water and sewage plants, as well as infrastructure renovation, are examples that strengthen society for both current and future generations, while being reasonably well prepared and easy to start.

The construction industry normally tracks the general economic trend relatively well. Will this established correlation be altered by the coronavirus pandemic? Probably not. Although short-term support measures can have a certain effect, confidence in the future and access to capital will still have the most important impact on the economy. It will bounce back. Society has a fundamental need for infrastructure and housing, and demand is generally still favorable. Our property development, which mainly involves offices, naturally keeps a close eye on how the needs in society change, based on the insight that one should not make hasty conclusions. The property market was cautious during the year, but is still showing activity. We ended the year with our strongest quarter for some time in terms of letting in our property development operations.

Conclusion and thank you

In conclusion, I would like to express my deep gratitude to our employees, customers, business partners and shareholders for the past year. During a trying year for the entire world, NCC's employees demonstrated their ability to adjust and find solutions. This alone is a core competency in our strategic focus and for our ability to achieve our objectives and generate increased shareholder and societal value moving forward.

Solna, March 2021

Tomas Carlsson
President and CEO

With the customer throughout the construction process

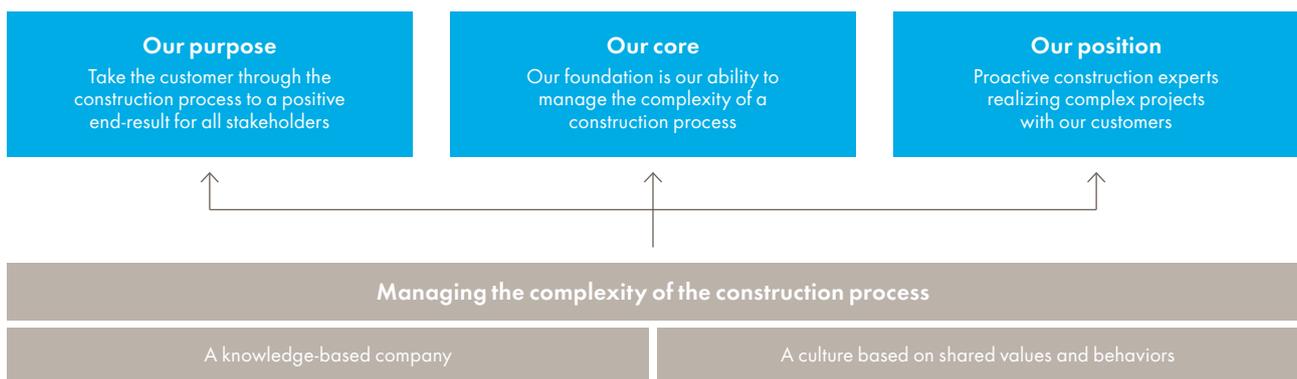
Each generation needs to further develop the physical environment to be able to meet the changes in society. This development should occur as sustainably as possible and have a favorable impact on society. In this way, construction will create a better society today and for future generations.

NCC is a knowledge-based company whose core is the ability to manage the complexity of a construction process. We have a broad definition of the construction process. Our operations comprise development of properties, construction and infrastructure projects, and production of asphalt and stone materials.

While all of our projects are unique, they have many shared elements. The process as such is characterized by many stakeholders, the need for a broad competency base and coordination of a variety of decisions and processes. NCC's strength is to work proactively with customers prior to and during the project and to use our knowledge to secure a positive end result. We are proud of the end results of our projects and the contribution they make to society, but as experts we are focused on and passionate about the process that leads us there. Sustainability is an integral part of NCC's construction process and it is our priority to deliver sustainable solutions with a favorable impact on society.

We want to be known as the most skilled and trusted company in the market in respect of implementing complex projects, and regarded as experts by other players in our operating area. We want to be leaders in utilizing the power of our broad competency base geographically and between various operating areas. We want to disseminate our passion for construction, and our results, in relation to our goals and our commitments.

Being proactive means that we assign priority to early involvement with customers, proposing solutions and contributing ideas and new knowledge. We strive for a market position that enables us and our customers to capitalize on the benefits generated by a large company. Our objective is to be Europe's benchmark company as an expert in the construction process.



Group-wide operational model

NCC has developed and is now implementing a Group-wide operational model that describes how NCC as a company should conduct operations in line with its strategic orientation and how we should act to generate the best possible value from being a large company. This is based on our having few but important Group-wide areas, while having considerable potential for local decision-making on the basis of given guidelines.

We have collected our development initiatives within four focus areas:

- Build a knowledge-based company and a culture based on shared values and behaviors
- Invest in IT, digitization and working in a data-informed manner
- Be proactive in relation to the customers in order to manage the complexity of the construction process and utilize and develop our expertise and experience
- Utilize our expertise to develop the construction process



Star behaviors

NCC is a knowledge-based company with a culture based on shared values and behaviors. Our values are well established and implemented in NCC. Connected to these values, we have now reached consensus on a set of behaviors that contribute to adding value for customers, result in synergies between the businesses and enhance skills and skills development. We call these our Star behaviors.

Our Star behaviors guide us in how we act, facilitate change and also create a platform for the success of other strategic initiatives.

Acting according to our Star behaviors is one of the strategic initiatives being pursued, based on an implementation plan for the entire Group. Work on this has already started, but will be intensified in all business areas and in all countries during 2021. The objective is to involve and engage all NCC managers and employees.

Act with passion to perform

We challenge ourselves and each other to constantly improve and outperform our targets

Build together

We work actively to ensure effective collaboration internally, in and between units, and with our customers

Follow through and follow up

We take data-informed decisions, communicate them clearly and always act on what's decided

Act with care

We take responsibility for our actions and use of resources. We mitigate risk and act with integrity to ensure safe, high-quality sustainable operations.

Our corporate values – Honesty, Trust and Respect



Data based on market share. Source: Euroconstruct (June 2020).

Market

NCC is active in the Nordic region. In these countries, our market position is in the top three in Sweden and the top five in other Nordic countries.

Satisfying the needs of tomorrow

Constructing, maintaining and developing the built environment creates a better society and better conditions today and for future generations. At the same time, this requires that NCC continuously improves methods and processes for being able to reduce energy usage and emissions, optimize choices of materials and increase the reuse of materials. Our role is to be experts in developing the construction process so that it meets the requirements of today and tomorrow.



In the Mindemyren project in Bergen, NCC is expanding the Bybanen light rail line. The ambition is to certify the project according to CEEQUAL, a certification system for civil engineering projects, and a key action in the electrification of machinery and equipment. The experiences are being used in other projects. In this photo, we see the world's first battery-operated drill rig.

SCOPES 1, 2 AND 3

Scope 1

All direct emissions from an organization's operations or the ones it controls. This includes fuel combustion at the site; such as fuel for the company's own vehicles and fuel for production plants and construction sites.

Scope 2

Indirect emissions from electricity, district heating and district cooling purchased and used by the organization. Emissions arise during the generation of energy and are included in data for the party that uses the energy.

Scope 3

All indirect emissions from an organization's operations and from sources that it does not own or control, such as emissions from built-in materials and transport.

Today, it is obvious that new buildings and facilities have to be energy-efficient in order to reduce carbon emissions. The focus is now on how materials and methods can be improved to lower their climate impact. Society has clear expectations about the need for adjustment and there are distinct targets and forthcoming legislation and regulations that we have to take into account. Due to known risks and opportunities, such as rising temperatures, climate policies and new technology, it is important to remain competitive and to look for competitive benefits in the face of increasing requirements from customers and laws.

Climate and energy targets

NCC is working to become climate neutral by 2045. From 2015 to 2020, the target was to reduce direct emissions from operations (Scopes 1 and 2) by 50 percent. In this five-year period, we achieved a reduction of nearly 50 percent, or of 42 percent measured as tons of carbon equivalents per SEK M of sales.

NCC is proud of this result, since the work to achieve it was focused and informative, and it equipped us with the knowledge we require to continue our transition toward climate neutrality. In late 2020, new targets were formulated in the Climate and Energy area:

- 60-percent reduction in CO₂e (Scopes 1 and 2) by 2030 (base year 2015). This will be measured in terms of tons of carbon emissions per SEK M of sales.
- 50-percent reduction in CO₂e (Scope 3) in the four areas with the greatest climate impact: concrete, steel, asphalt and transport. NCC is conducting agile work within Scope 3 and we will increase the scope as our proficiencies mature.

CLIMATE AND ENERGY

Between 2015–2020, we reduced our carbon footprint by 42 percent, measured as tons of carbon equivalents/SEK M of sales. A central feature of this effort was to replace fossil energy sources with renewable ones, and to make our processes and production energy efficient. The kWh amount of fossil-based electricity has been reduced by 91 percent since 2015 and the use of fossil fuels by 26 percent. An important measure has been to convert asphalt plants to the use of biofuel.

Environmental efforts are implemented in the operations

Energy audit

As a result of NCC's continuous work with energy audits, we are continuously reducing both our climate impact and energy consumption. The energy audit includes site visits, measurements and calculations, and is implemented at a selection of our asphalt plants, rock pits, and construction and civil engineering sites. Based on the audit, measures that reduce our climate impact can be identified and the experiences scaled up and applied in other parts of NCC.

Climate impact assessments

In the field of climate impact assessments, we are noticing increased interest and demand from our customers. NCC has long experience of conducting climate impact assessments and has built up an in-house center of excellence with climate impact assessment experts. Intense work is currently under way to develop the climate impact assessment process towards increased digitization. The aim is to be able to cost effectively offer our customers high-quality climate impact assessments. We are also focusing on producing benchmark values for various types of buildings to increase our knowledge of the impact made by the various choices. Climate impact assessments were conducted for about a dozen projects in 2020 and the aim for 2021 is to perform such assessments in the majority of our Swedish projects.

Launch of EPD

Through Environmental Product Declarations (EPDs), customers obtain a transparent, comparable life cycle analysis of a product or service. In the NCC Industry business area, we have formulated a certified EPD process for our stone and asphalt



NCC is building a visitor center at the Onsala space observatory in Halland, Sweden. This procurement was secured totally on the basis of carbon equivalents and required extensive reuse of materials.

products. The EPDs are also location and product specific, which means that in addition to the transparent information customers receive about their products' environmental impact, they also enable us to use the EPDs in-house for making fact-based climate and environmental improvements in our processes.

THE CLIMATE JOURNEY: SIX FOCUS AREAS FOR CLIMATE-SMART CONSTRUCTION

In Sweden, NCC has participated in work to formulate a "Roadmap for a climate neutral and competitive construction and civil-engineering sector," within the framework of the Swedish Government's Fossil-free Sweden initiative. As a feature of this, NCC is working in the Building Sweden business area on six focus areas for climate-smart construction and reduced climate impact, whereby NCC can contribute to both its own development and that of customers.

- Climate impact assessment
- Materials and design choices
- Circular construction
- Sustainable worksites
- Transport
- Energy efficiency

Climate-smart decisions and close early-phase dialogue with customers are decisive. To develop and create buildings that contribute to a lower climate impact, collaboration and a close dialogue between NCC and its customers is vital, so that NCC's expertise in the entire construction process can help to achieve sound choices and smart solutions.

Continuous learning in a safe working day

Enhancing a high-performance corporate culture has been assigned a prominent position in NCC's new strategic focus. NCC is a knowledge-based company with unique competencies in implementing complex construction processes on behalf of customers. The foundation for NCC's success is an ability to attract and develop the right competencies and experiences. To create the best workplace in the industry, the focus is on skills development and a safe, developmental work environment.

Safety above all

One of NCC's principal priorities is to maintain a safe and healthy work environment. We strive for zero accident worksites with favorable psychosocial prerequisites. The objective is always to have a 100-percent safe operation.

As a result of systematic work combined with increased digitization of reporting of close calls, incidents and accidents, NCC currently has a better basis than ever for analysis and setting priorities. In 2020, we implemented a comprehensive analysis of the factors underlying all serious and potentially serious accidents.

NCC AWARENESS DAY



In 2020, NCC arranged its Awareness Day for the tenth consecutive year. Awareness Day is a day during the year when the entire NCC organization stops and jointly focuses on health and safety matters, and reflects on attitudes and behaviors that create safe and secure worksites. During the coronavirus-adapted Awareness Day held in 2020, the focus was on leadership, positive feedback and safe behaviors.

ACCIDENT FREQUENCY



Accident frequency rate – worksite accidents that lead to one day or more of absence from ordinary work per million hours worked.

The results are leading to sharper priorities and better targeted actions for 2021.

During autumn 2020, NCC also updated its reporting system Synergi in order to simplify the internal reporting of incidents. The purposes are to obtain more data for analysis and to make it easier for the employees to become involved in their work environment.

Maintaining an unchanged safety level in the operations in the face of an ongoing coronavirus pandemic became an unexpected focus area in 2020. NCC's established occupational health and safety (OHS) organization and a high degree of digitization contributed to the projects' ability to continue to deliver. Targeted communication measures, support for managers and the possibility of virtual manager follow-ups and ongoing telephone guidance from safety officers are examples of activities implemented during the year.

Skills development a part of the workday

NCC is a knowledge-based company and providing the employees with access to the right measures for their individual development is of vital importance to our success.

With more effective measures, NCC wants to stimulate workday learning and to simultaneously offer opportunities for individual training and development within the framework of the NCC Academy. The aim is to create an attractive workplace and also to increase the customer value of cooperating with NCC.

In 2020, skills development was concentrated to three areas:

1. Training programs involving management and upskilling of key competencies were expanded. New programs were launched and existing programs welcomed new participants and teams during the year; for example: The Mega Project Management Program was expanded with two new rounds of participants. The program is of vital importance to NCC's competitiveness and attractiveness.
2. NCC's industry-unique effort to map the competencies of individuals in key positions, the Assessment Development Initiative. This initiative continued in 2020 in order to offer customized programs connected to units and individuals by combining workday learning with training activities. This initiative will continue next year through the expansion of the mapping to include more business-critical occupational groups and by expanding the number of alternatives for development adapted to the individual.
3. Experience-based learning. NCC has launched a new type of development support for workday learning, since research and experience show that learning mainly occurs at the workplace. By consciously integrating experience-based learning into daily work, NCC satisfies the individual's need for continuous development to a greater extent.



Development programs that challenge even the most experienced managers

The Project Management Academy was formed two years ago to develop our ability to manage and conduct projects more successfully. Joel Ahlqvist, who attended one of the programs, is currently project manager for one of NCC's major projects, the Håggvik Interchange, a complex bridge and tunnel project by one of the most heavily trafficked places in Sweden.

What did you gain from the training that you can use in your daily work?

"The training increased my understanding of management through others and of thinking strategically. You cannot be involved in every detail, but you must be committed to your employees and communicate clear expectations, guidance and encouragement. The training also taught me about other parts of the operations and I built up a new network of colleagues throughout NCC.

Joel Ahlqvist
Current role: Project manager
Joined NCC: 1996

Skills development is business critical

Maintaining a high level of skills development is regarded as business critical at NCC. Training activities were therefore quickly switched to virtual solutions during the year and were thus able to satisfy the restrictions resulting from the ongoing pandemic. We continuously assess how each training element can be implemented in a safe and effective manner. As a result, NCC succeeded in maintaining a high level of implementation of ordinary training programs, at the same time as launching new initiatives. Our already high digitization level has been a success factor.

A strong culture based on shared values and behaviors

Enhancing a high-performance corporate culture has been assigned a prominent position in NCC's new strategic focus. To increase profitability and customer value, utilize synergies within the Group and raise NCC's overall skills level, a new framework of behaviors has been formulated. Four new Star behaviors are intended to guide the employees' actions, facilitate change and make NCC an even stronger and better company to work for and work with. Rollout of the new framework for the company's 150 most senior executives has already been launched and implementation will continue throughout 2021 and involve all employees.

Motivation and work satisfaction drive good performances

Committed employees and efficient work teams are of the utmost importance to NCC's success in retaining and improving an already high performance level and delivering customer value. An inspirational workplace is also an attractive workplace and the results of the NCC Pulse employee survey show that employee commitment has increased every year since 2017. Our results are higher than the industry average. The same positive trend is also noticeable in the employees' willingness to recommend NCC as an employer – NCC's reputation as an employer brand. The response rate for NCC Pulse is also high, with 84 percent of NCC's employees completing the survey.

Diversity supports development

NCC's core competency is to manage and deliver complex projects to our customers. Solving complex assignments requires a broad composition of skills, experiences and perspectives. Diversity and inclusion are key features of NCC's ability to deliver better performance and to maintain its innovativeness. NCC wants to reflect the communities in which it operates and when the current societies change, we must be able to attract, recruit and develop in a broader group of different individuals than we do today. We therefore work with targeted initiatives to strengthen awareness and knowledge of diversity and inclusion in all aspects of the HR process.

COMMITMENT

Committed employees who recommend NCC to others



NCC Pulse is NCC's annual employee survey. Commitment and the employees' willingness to recommend NCC to others are two parameters that we monitor carefully. Employee commitment at NCC has increased every year since 2017. The same positive trend is also noticeable in the employees' willingness to recommend NCC as an employer. This is in line with our ambition to offer the best workplace in the industry.

Report of the Board of Directors

The Board of Directors and the President and CEO of NCC AB (publ), corporate identity number 556034-5174 and headquartered in Solna, Sweden, hereby submit the Annual Report and the consolidated financial statements for the 2020 fiscal year.

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.

Group relationship

At the end of 2020, Nordstjernan AB had an ownership corresponding to 48 percent (48) of the voting rights in NCC AB, thus making NCC an associated company of Nordstjernan AB.

Operations

NCC is one of the leading construction companies in the Nordic region. As an expert in pursuing complex construction processes, NCC contributes to construction that has a favorable impact on its customers and on social development at large. Operations comprise commercial property development, construction and infrastructure projects, and the production of asphalt and stone materials.

Operations during the year

Market

Prior to the coronavirus pandemic, there were some signs of a slight slowdown in certain submarkets. There is still considerable uncertainty regarding the effects that the coronavirus pandemic will have on the global and Nordic economies and thus on the long-term market conditions for NCC. During the second half of 2020, indications of longer decision-making processes were noted, which could have an impact on the Group moving forward. In the main, NCC is impacted by the general economic situation and the GDP trend.

The underlying long-term market conditions for contracting operations in the Nordic region remain positive. There is continued demand for public buildings, such as schools, hospitals and retirement homes, driven by growing cities and the demographic trend. The demand for housing has been at a stable level for some time. In general, demand for renovation and refurbishment is healthy. Longer decision-making processes impact the commercial property market.

Public-sector infrastructure initiatives are fueling the Nordic infrastructure market, resulting in a continued strong market in Norway and Sweden. Demand for asphalt and stone materials in Norway and Sweden is stable, driven by a strong market for infrastructure and maintenance.

The coronavirus pandemic

NCC's business activities progressed well during the year, despite the coronavirus pandemic, as a result of adaptations out in the operations. All projects were able to proceed.

Changes in Board of Directors and senior executives

On January 13, 2020, Catarina Molén-Runnäs took office as Business Area Manager of NCC Building Nordics. She replaced Klaus Kaae, who remains at NCC as senior advisor.

On November 5, 2020, Ylva Lagesson was appointed new Business Area Manager of NCC Industry and thus stepped down from her role as Head of DOS (Development & Operations Services). The former Head of the NCC Industry business area, Jyri Salonen, left NCC at the same time. In connection with this, CFO Susanne Lithander was appointed Head of DOS, in addition to her existing role.

At the Annual General Meeting on April 1, 2020, Alf Göransson was elected new Chairman of the Board and Simon de Château was elected as a new Board member. Board members Tomas Billing and Ulla Litzén stepped down from the Board having declined reelection.

Orders received

Orders received amounted to SEK 51,199 M (58,048). NCC Infrastructure reported lower orders received, due to a lower tender outcome combined with more early involvement projects secured compared with 2019. These will be registered in orders at a later date. Orders received

in NCC Building Nordics were also lower year-on-year, since the majority of large-scale Danish housing projects were registered in orders in the second half of 2019. NCC Building Sweden reported an increase in orders received year-on-year, with projects registered in orders early in the year.

Changes in exchange rates impacted orders received by SEK –557 M (628).

Order backlog

The Group's order backlog amounted to SEK 50,945 M (57,800) at year-end. The decline in the order backlog was due to the decrease in orders received by NCC Building Nordics, NCC Infrastructure and the remaining part of Road Services, but was offset somewhat by the higher orders received in NCC Building Sweden.

Changes in exchange rates impacted the order backlog by SEK –1,256 M (457).

Net sales

Net sales amounted to SEK 53,922 M (58,234) during 2020. The decrease in net sales was due to a slight reduction in sales in NCC Infrastructure, NCC Industry, the remaining part of Road Services and NCC Property Development. NCC Building Sweden reported a more significant year-on-year decline in net sales. NCC Building Nordics reported a slight increase in net sales, mainly related to the Danish operations.

Changes in exchange rates had an impact on sales of SEK –789 M (519).

Net profit for the year

The NCC Group's operating profit for 2020 was SEK 1,360 M (1,296). Operating profit improved in four business areas, while NCC Industry reported lower earnings, affected by the restructuring costs that arose late in the year in order to improve the profitability of asphalt and foundation engineering operations. NCC Infrastructure's operating profit increased, mainly as a result of an improved project portfolio with higher margins. NCC Building Sweden's somewhat increased earnings resulted from higher project margins, but were offset by the lower volume. Within NCC Building Nordics, the earnings improvement was attributable to higher sales and a more stable project portfolio in the Danish operations. In addition, the divestment of the Finnish subsidiary Optiplan in December 2020 made a positive contribution of about SEK 40 M.

During the year, NCC signed agreements on the divestment of operations in the Road Services division in Sweden, Finland and Denmark. The divestment of the operations in Sweden and Finland has been completed during the year, with a slightly negative impact on profit. Finalization of the divestment in Denmark is under way, with a positive impact on profit expected.

Other and eliminations amounted to SEK –542 M (–335). This item included SEK –168 M (–204) in costs for NCC's Head Office and results from minor subsidiaries and associated companies. As of December 2020, Road Services, which is being divested, is recognized within Other and eliminations at a full-year result of SEK –75 M (19).

Net financial items amounted to SEK –80 M (–112). The improvement in net financial items was due to lower interest expense, attributable to a year-on-year decrease in average other net debt. Profit after financial items totaled SEK 1,281 M (1,184). Tax expenses in 2020 totaled SEK –22 M (–309), with the lower tax expense year-on-year mainly due to the tax-exempt sales of projects implemented by NCC Property Development during the year. Profit after tax for the year amounted to SEK 1,259 M (875).

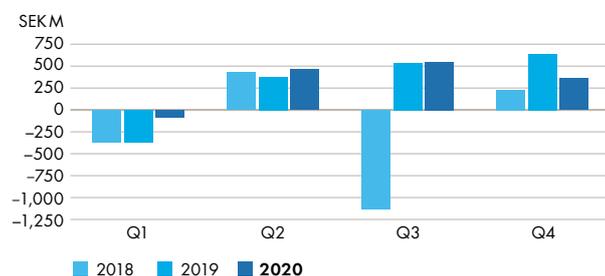
Comprehensive income for the year

Comprehensive income for the year totaled SEK 1,226 M (576). The change derived mainly from net profit for the year and from the remeasurement of defined-benefit pension plans, SEK 111 M (–443) where the return on plan assets had a favorable effect during the year.

Any tax effects from the above transactions are recognized separately; refer also to Note 24.

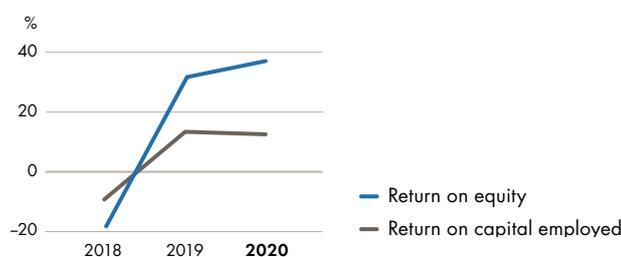
Profit after financial items

Activity is generally lower in the first quarter, which leads to reduced earnings. In the third quarter of 2018, a comprehensive analysis of operations resulted in revaluations that affected profit in the third quarter and the following quarters. A package of measures designed to build a strong base for the business was launched in the fourth quarter of 2018. Thereafter, earnings have improved steadily.



Profitability

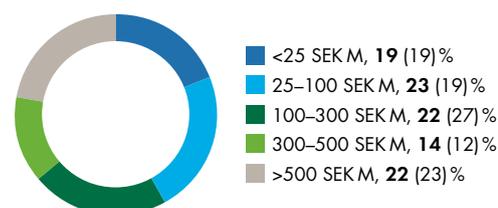
An action program to improve profitability was launched in 2018. In 2018, profitability was thus low, primarily due to provisions, revaluations and restructuring costs connected to the action program. Profitability improved during 2019 and is now at a stable level.



Project size of orders received, Construction & Civil Engineering

(NCC Infrastructure, NCC Building Sweden, NCC Building Nordics)

Orders received for projects of the magnitude of SEK 100–300 M and more than SEK 500 M declined during the year, while other project sizes were essentially unchanged. The diagram reflects SEK 39 billion of total orders received of SEK 51 billion. The Group's total orders received also include NCC Industry.



Major ongoing projects

Projects >SEK 500 M	NCC's share of order value	Completion rate Dec 31, 2020, %	Estimated year of completion
Railway tunnel, West Link/Central Station, Gothenburg	SE 5,586	43%	2026
Railway tunnel, West Link/Korsvägen, Gothenburg	SE 4,026	34%	2026
Tunnel construction, Faroe Islands	NO 2,893	72%	2024
Hospital building, Eskilstuna	SE 2,037	7%	2025
Railway section, Lund Arlöv	SE 1,892	56%	2023
Children's hospital extension, Gothenburg	SE 1,648	96%	2021
New island with housing and parking facility, Copenhagen	DK 1,560	33%	2023
Apartments, hotel and restaurants, Copenhagen	DK 1,554	14%	2024
Railway section, Venjar–Eidsvoll Nord, Eidsvoll	NO 1,552	60%	2023
New hospital for Hovedstaden region, Hillerød	DK 1,517	29%	2024
University Hospital, Örebro	SE 1,501	94%	2021
Housing and commercial premises, Aarhus	DK 1,327	35%	2022
Hospital project, Oulu	FI 1,222	39%	2023
Offices/hotel, Gothenburg	SE 1,156	47%	2022
Renovation of 500 row houses, Albertslund	DK 1,022	18%	2023
University buildings, Uppsala University	SE 946	66%	2021
Reconstruction of an office building into a hotel, Copenhagen	DK 942	76%	2021
Destination hotel, Liseberg	SE 917	26%	2023
Expansion of hospital, Ryhov	SE 893	94%	2021
Hotel at railway station, Helsinki	FI 809	94%	2021
Light Rail, Bybanen, Bergen	NO 802	49%	2022
Industrial buildings, Stockholm	SE 800	0%	2025
Interchange, Häggvik	SE 774	82%	2022
Offices, Solna	SE 751	21%	2022
Housing units, Tuborg Havn, Copenhagen	DK 715	88%	2021
Interchange, Hjulsta	SE 704	91%	2022
Housing, preschool & stores, Stockholm	SE 696	91%	2021
Housing, Uppsala	SE 686	69%	2023
Swimming complex/water park, Gothenburg	SE 675	2%	2024
Technical services buildings, Helsingborg	SE 650	92%	2021
New build of condominiums, Copenhagen	DK 629	58%	2022
Offices, Helsefy, Oslo	NO 597	83%	2021
Railway section, Oslo	NO 582	95%	2021
Cultural district, Örebro	SE 575	87%	2021
Housing renovation, Roskilde	DK 549	27%	2023

Orders received, order backlog, net sales and earnings per business area

SEK M	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		OPERATING PROFIT/LOSS	
	2020	2019	2020	2019	2020	2019	2020	2019
NCC Infrastructure	12,828	16,601	15,754	20,389	17,084	17,425	364	212
NCC Building Sweden	14,484	12,741	17,670	16,561	13,375	14,851	381	364
NCC Building Nordics	11,877	16,080	14,856	15,807	12,134	11,769	343	231
NCC Industry	12,251	12,852	2,595	2,967	12,528	12,971	379	511
NCC Property Development					2,737	3,056	434	313
Total	51,441	58,274	50,876	55,725	57,859	60,071	1,902	1,631
Other and eliminations	-241	-226	69	2,076	-3,936	-1,838	-542	-355
Group	51,199	58,048	50,945	57,800	53,922	58,234	1,360	1,296

BUSINESS AREA
NCC INFRASTRUCTURE

12,828

Orders received (SEK M)

17,084

Net sales (SEK M)

364

Operating profit (SEK M)



Eysturoy Tunnel, Faroe Islands

NCC Infrastructure's orders received totaled SEK 12,828 M (16,601), with lower orders received noted in both Norway and Sweden, and the year-on-year difference was due to more early involvement projects that were subsequently registered as orders in the process and to a lower tender outcome, primarily in Norway.

The earth and groundworks segment accounted for the largest share of orders received, followed by energy & water treatment. Sweden continued to account for a large proportion of total orders received. Examples of projects included in orders received during the year were further assignments in the Lund-Arlöv railway project in Skåne of about SEK 800 M and the Neptunus parking facility in Linköping of about SEK 200 M.

The order backlog decreased year-on-year to SEK 15,754 M (20,389) at year-end, due to lower orders received in both the Norwegian and Swedish operations.

Net sales declined to SEK 17,084 M (17,425) during the year. The reduction in sales was primarily attributable to Norway, which reported lower net sales year-on-year. Earth and groundworks, roads and railways accounted for 70 percent of NCC Infrastructure's net sales.

Sweden is NCC Infrastructure's largest market, accounting for 76 percent (75) of sales, followed by Norway with 17 percent (19).

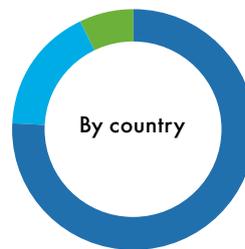
Operating profit improved and amounted to SEK 364 M (212). Earnings improved in all divisions, with Civil Engineering Stockholm North recording the largest improvement. The continued favorable earnings trend in 2020 resulted from higher profitability in ongoing projects and an improved project portfolio with higher margins.

Key figures

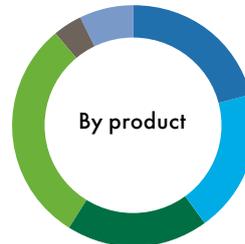
SEK M	2020	2019
Orders received	12,828	16,601
Net sales	17,084	17,425
Operating profit/loss	364	212
Operating margin, %	2.1	1.2
Average no. of employees	4,225	4,462
Cash flow before financing	514	331

Target: operating margin \geq 3.5%

Net sales

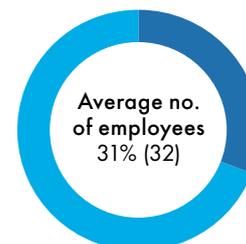
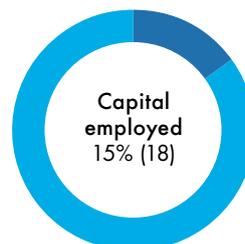
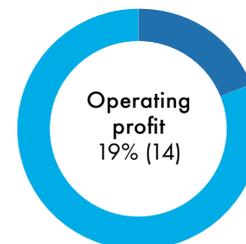
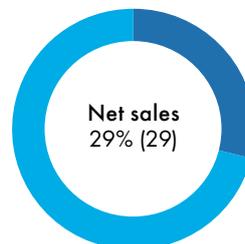


- Sweden 76% (75)
- Norway 17% (19)
- Denmark 7% (6)



- Roads 21% (21)
- Railway 19% (14)
- Energy & Water treatment 19% (19)
- Earth and groundworks 30% (34)
- Industry 4% (7)
- Other 7% (5)

Share of NCC total



BUSINESS AREA
NCC BUILDING SWEDEN

14,484

Orders received (SEK M)

13,375

Net sales (SEK M)

381

Operating profit (SEK M)



Högland Hospital in Eksjö.

Orders received by NCC Building Sweden in 2020 amounted to SEK 14,484 M (12,741). The share of public buildings also increased year-on-year and corresponded to nearly one-third of total orders received during the year. During the year, the share of housing declined to 26 percent (30) of orders received, although measured in SEK orders received were in line with 2019. More than two-thirds of these were rental units. The share of refurbishment/conversion also declined during the year.

Major projects included in orders in 2020 were two new healthcare buildings at Mälarsjukhuset in Eskilstuna and Nyköping lasarett for about SEK 2,400 M, the Högdalen depot in Stockholm for about SEK 800 M, office buildings adjacent to Arenastaden, Solna, for about SEK 800 M and the new water park at Liseberg, Gothenburg, for about SEK 700 M.

The order backlog increased to SEK 17,670 M (16,561) at year-end.

Net sales in 2020 decreased year-on-year to SEK 13,375 M (14,851). Public buildings were the largest category in 2020, accounting for 29 percent, although a slight year-on-year decline was noted, followed by housing units at 26 percent and refurbishment/conversion at 21 percent.

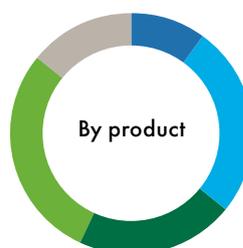
Operating profit improved year-on-year to SEK 381 M (364). Earnings were positively impacted by higher project margins, but negatively by lower volumes. In turn, operating profit in 2019 was negatively impacted by such factors as provisions for fines and legal costs related to a district court decision regarding the Rågården project.

Key figures

SEK M	2020	2019
Orders received	14,484	12,741
Net sales	13,375	14,851
Operating profit/loss	381	364
Operating margin, %	2.9	2.5
Average no. of employees	3,066	3,325
Cash flow before financing	41	371

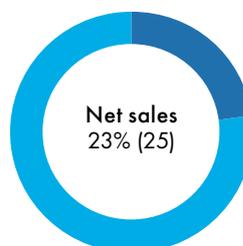
Target: operating margin \geq 3.5%

Net sales



- Offices 10% (6)
- Housing 26% (29)
- Refurbishment/conversion 21% (21)
- Public buildings 29% (33)
- Other 14% (11)

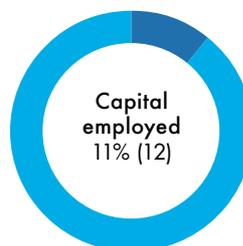
Share of NCC total



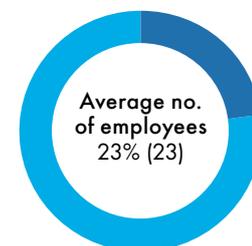
Net sales
23% (25)



Operating profit
20% (22)



Capital employed
11% (12)



Average no. of employees
23% (23)

BUSINESS AREA
NCC BUILDING NORDICS

11,877
Orders received (SEK M)

12,134
Net sales (SEK M)

343
Operating profit (SEK M)



Parking facility for Tobaksbyen Parkering, Søborg, Copenhagen.

Orders received by NCC Building Nordics amounted to SEK 11,877 M (16,080). The year-on-year downturn was affected by the Danish operations having registered several major housing projects among orders at the end of the preceding year, corresponding to SEK 3.4 billion.

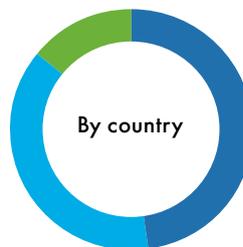
Housing and offices account for 60 percent of total orders received, followed by public buildings, whose share of orders received declined year-on-year.

Projects registered in orders in 2020 included Christiansholm, about SEK 1,600 M, and renovation of row houses in Albertslund, about SEK 1,000 M, both in Denmark, and the Manglerud swimming complex, Oslo, Norway, about SEK 400 M. In Finland, the We Land project in Helsinki, which is being developed by NCC, was registered among orders.

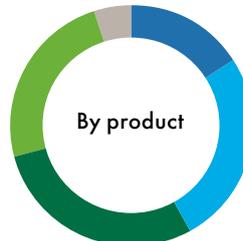
The order backlog decreased to SEK 14,856 M (15,807) at year-end. NCC Building Nordics' net sales increased in 2020 to SEK 12,134 M (11,769). The increase was mainly attributable to Denmark. Refurbishment/conversion was the largest segment in 2020, at 29 percent of net sales, followed by housing and public buildings. Public buildings also increased during the year, while the housing category declined.

Operating profit improved to SEK 343 M (231), due mainly to higher sales and a more stable project portfolio in the Danish operations. In addition, the gain on the divestment of the Finnish subsidiary Optiplan made a positive contribution of about SEK 40 M.

Net sales



- Finland 48% (52)
- Denmark 38% (33)
- Norway 14% (15)

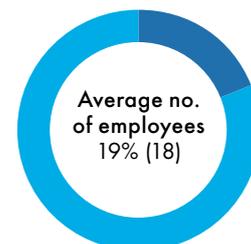
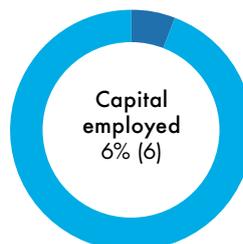
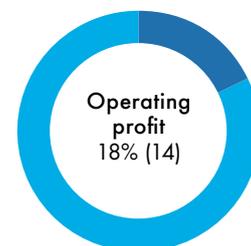
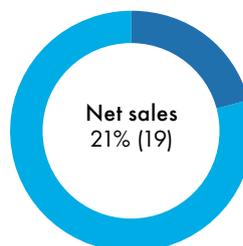


- Offices 16% (13)
- Housing 26% (31)
- Refurbishment/conversion 29% (31)
- Public buildings 24% (16)
- Other 5% (9)

Key figures

SEK M	2020	2019
Orders received	11,877	16,080
Net sales	12,134	11,769
Operating profit/loss	343	231
Operating margin, %	2.8	2.0
Average no. of employees	2,545	2,582
Cash flow before financing	533	187

Share of NCC total



Target: operating margin \geq 3.5%

BUSINESS AREA
NCC INDUSTRY

12,528
Net sales (SEK M)

379
Operating profit (SEK M)



Rock pit in Ohkala, Finland.

NCC Industry's orders received amounted to SEK 12,251 M (12,852) at year-end. Orders received for asphalt operations declined year-on-year because of a large government contract registered in 2019. Orders received by the stone materials operation were in line with 2019, while orders received by Hercules rose as a result of more Swedish projects. NCC Industry's net sales amounted to SEK 12,528 M (12,971).

Foundation engineering operations in the Hercules division grew due to more projects in Sweden, while asphalt operations were negatively impacted compared with 2019 by a lower price of bitumen, which had an adverse effect on the sales price. Stone materials operations also declined somewhat due to lower activity in Sweden year-on-year. Sold volumes of stone materials totaled 28,508 thousand tons (28,339). The increase resulted from higher volumes of stone materials in all countries. Sold volumes of asphalt totaled 6,219 thousand tons (6,100). The increase in volumes sold in asphalt operations derived mainly from Denmark and Norway, where operations were able to continue in the latter part of the year as a result of favorable weather conditions.

Operating profit amounted to SEK 379 M (511). Earnings in all divisions were lower than in the preceding year. Restructuring costs of SEK 85 M were charged against full-year profit and are expected to generate annual savings totaling SEK 50 M as of 2021. Costs include both the reorganization under way of asphalt operations, and also costs for the closure of unprofitable rebar plants in the Hercules division. As of 2021, the Hercules division has been transferred to the Infrastructure business area. The stone materials operation's operating profit was impacted during the year by reduced volumes in Sweden and increased maintenance expenses in Denmark. Operating profit from asphalt operations was affected by a decline in market prices. Early in the year, large volumes of bitumen were hedged at higher prices, due to the uncertainty concerning a supplier.

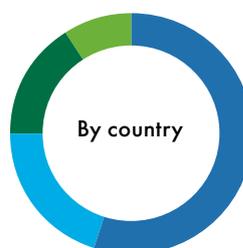
Key figures

SEK M	2020	2019
Net sales	12,528	12,971
Operating profit/loss	379	511
Operating margin, %	3.0	3.9
Capital employed	5,025	5,507
Return on capital employed, %	7.0	9.0
Average no. of employees	3,540	3,650
Stone materials, 1,000 tons ¹⁾	28,508	28,339
Asphalt, 1,000 tons ¹⁾	6,219	6,100

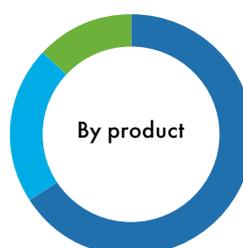
Targets: operating margin ≥4%, return on capital employed ≥10%

¹⁾ Sold volume.

Net sales

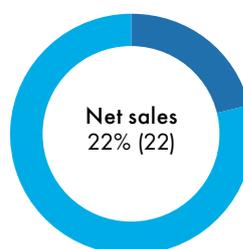


■ Sweden 55% (55)
■ Denmark 20% (19)
■ Norway 16% (17)
■ Finland 9% (9)



■ Asphalt and paving 66% (67)
■ Stone materials 21% (21)
■ Foundation engineering 13% (12)

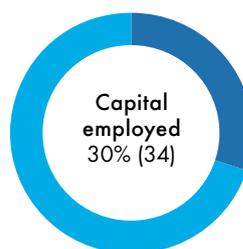
Share of NCC total



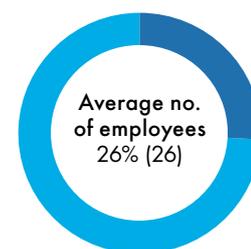
Net sales
22% (22)



Operating profit
20% (31)



Capital employed
30% (34)



Average no. of employees
26% (26)

BUSINESS AREA
NCC PROPERTY DEVELOPMENT

2,737
Net sales (SEK M)

434
Operating profit (SEK M)



Office project Next in Espoo, Finland.

Net sales for NCC Property Development declined in 2020 to SEK 2,737 M (3,056). Operating profit increased year-on-year to SEK 434 M (313). Operating profit was positively impacted by the profit recognition of the K12 office project in Sweden. Because NCC is the principal tenant of the K12 property, approximately 40 percent of the result from the sale was eliminated at Group level to be allocated over a ten-year period, in compliance with IFRS 16.

During the year, five (eleven) projects were recognized in profit, of which three in Sweden and two in Finland. Earnings from projects recognized in profit, sales of land and development rights and previous sales, as well as reversals of provisions made earlier for project costs, made a positive contribution to earnings in 2020. The operating net in 2020 was SEK 6 M (60).

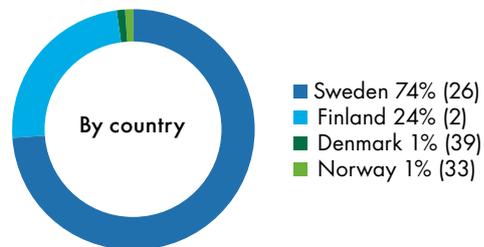
Five (eight) property projects were started during the year, of which four were office projects and one was a residential care facility. At the end of 2020, 15 projects (15) were ongoing or completed but not yet recognized in profit at a total project cost of SEK 5.7 billion (4.4). This corresponds to a completion rate of 49 percent (44), while the letting rate was 57 percent (51). Leases were signed for some 67,900 square meters (98,800) during the year.

Key figures

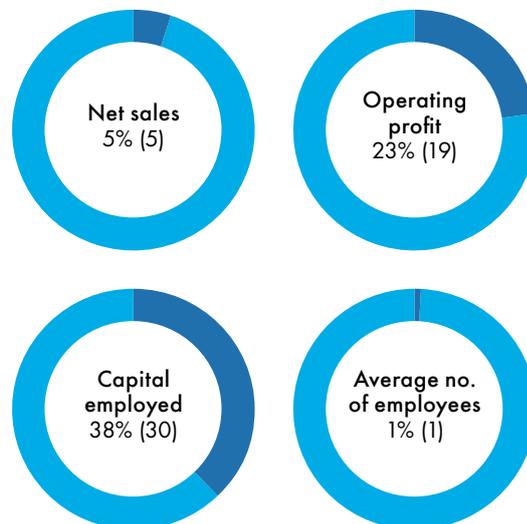
SEK M	2020	2019
Net sales	2,737	3,056
Operating profit/loss	434	313
Capital employed	6,433	4,935
Operating margin, %	15.9	10.2
Return on capital employed, %	8.0	6.2
Average no. of employees	107	109

Targets: operating margin \geq 10%, return on capital employed \geq 10%

Net sales



Share of NCC total



Property development projects, Dec. 31, 2020

Ongoing property development projects¹

Project	Type	City	Sold, expected to be recognized in profit	Completion rate, %	Lettable space, sqm	Letting rate, %
Frederiks Plads 2	Offices	Aarhus		63	17,400	70
Kontorværket 1	Offices	Copenhagen		10	16,000	100
Omega CH	Offices	Aarhus		63	8,900	62
Total, Denmark				42	42,300	81
Fredriksberg D	Offices	Helsinki		21	8,500	97
Hatsina Office 1	Offices	Espoo	Q3 2021	56	18,400	53
Next	Offices	Espoo	Q4 2021	45	10,000	100
We Land	Offices	Helsinki		7	21,200	22
Total, Finland				27	58,100	55
Valle View	Offices	Oslo	Q1 2021	80	23,400	63
Total, Norway				80	23,400	63
Kineum Gårda ²	Offices	Gothenburg		61	21,300	84
Bromma Blocks	Offices	Stockholm		62	51,500	49
Våghuset	Offices	Gothenburg		39	11,000	33
Brick Studios	Offices	Gothenburg		37	16,200	31
Bettorp	Other	Örebro	Q4 2021	29	6,900	100
Total, Sweden				54	106,900	54
Total				47	230,700	58

Completed property development projects

Project	Type	City	Lettable space, sqm	Letting rate, %
Viborg Retail II+III	Retail	Viborg	900	0
Total, Denmark			900	0
K11	Offices	Solna, Sweden	12,900	34
Total, Sweden			12,900	34
Total			13,800	33

¹ The tables pertain to ongoing or completed property projects that have yet to be recognized in profit. In addition to these projects, NCC works actively with letting (rental guarantees and supplementary purchase considerations) in 14 previously sold and profit-recognized property projects, equal to a maximum of about SEK 80 M.

² The project comprises rentable space in an existing approximately 16,000-square-meter building and additional development rights for about 30,000 square meters of offices. The project is being implemented jointly with Platzer, a Swedish listed property company, in an 50-50 owned company. The information included in the table pertains to NCC's share of the project.

Financial position**Profitability**

The return on equity was 37 percent (32). The return on capital employed was 12 percent (13).

Capital employed

At December 31, 2020, capital employed amounted to SEK 11,375 M (10,382). The increase was primarily due to a decrease in invoiced revenues not worked up, i.e. current liabilities, in the NCC Infrastructure and NCC Building Sweden business areas.

Net debt

Total net debt amounted to SEK -4,823 M (-4,489). The year-on-year change was due to an increase in the lease liability. Corporate net debt was positive, meaning net cash of SEK 64 M (83) was reported at year-end. The average maturity of interest-bearing liabilities, excluding the lease liability and pension debt, was 34 months (37) at year-end. NCC's unutilized committed lines of credit at year-end amounted to SEK 2,900 billion (3,700), with an average remaining maturity of 22 (22) months.

Equity/assets and debt/equity ratio

On December 31, 2020, the equity/assets ratio was 14 percent (10). The debt/equity ratio was a multiple of 1.2 (1.5).

Cash flow

Cash flow from operating activities was SEK 1,569 M (2,214) in 2020, which derived from a year-on-year decrease in current liabilities that was mainly due to invoiced revenues not worked up.

Cash flow from investing activities amounted to SEK -463 M (-701). The lower level of investment was mainly due to lower capital expenditure in NCC Industry.

Cash flow from financing activities was SEK -1,322 M (-308). The change was mainly due to a lower level of loans raised year-on-year.

Total liquid assets including short-term investments with a maturity exceeding three months amounted to SEK 2,330 M (2,478).

Seasonal effects

NCC Industry's operations and certain operations in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure are impacted by seasonal variations due to weather conditions. Earnings in the first quarter are normally weaker than the rest of the year.

Branches outside Sweden

The Parent Company has a branch in Norway. This branch is being discontinued.

Environmental impact

The Group conducts operations subject to permit obligations under the Environmental Code in the Swedish subsidiaries.

Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations, plus a number of piling plants, conducted by NCC Industry that affect the external environment, as well as the construction and civil engineering operations conducted by NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. Within NCC Industry, quarries and harbors are subject to permit obligations, while asphalt and piling production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Industry also conducts recycling operations that are subject to permit obligations. Some of these include landfills, which are also subject to permit obligations. No significant injunctions according to the Environmental Code exist.

Statutory sustainability report

In accordance with Chapter 6, Section 11 and Chapter 7, Sections 31 a-c of the Swedish Annual Accounts Act, NCC has decided to prepare the Parent Company's and the Group's statutory sustainability report as a separate report that is not part of the official annual accounts. The Sustainability Report encompasses all subsidiaries and is defined on p. 94.

Employees

The average number of employees in the NCC Group in 2020 was 14,388 (15,273).

In all markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. Like other companies in the industry, NCC uses subcontractors and consultants when required.

Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.

Remuneration

A description of salary, compensation and terms of employment of the President and CEO and other employees in the company is presented in Note 5, Number of employees, personnel expenses and remuneration of senior executives, pp. 37-40. The guidelines proposed to the 2021 AGM comply with those resolved by the 2020 AGM; see below.

Guidelines for remuneration of senior executives in 2020

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's Senior Management Team, as resolved by the 2020 AGM, and the applicable remuneration structures and remuneration levels in the company. In 2020, the Board exercised its right to disapply the guidelines in special cases and specific circumstances in that three senior executives had their salaries reviewed for two years rather than one year, which the Board considered was in the company's interests.

Against this background, the Board has concluded that salary and other remuneration of the CEO and other senior executives have been applied in accordance with the guidelines.

Board of Directors' motion concerning guidelines for remuneration of senior executives

The guidelines encompass the CEO and other members of the Senior Management Team (SMT), currently totaling ten people. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2021 Annual General Meeting (AGM). These guidelines do not apply to any remuneration resolved or approved by the AGM.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer executive management competitive total remuneration.

Long-term performance-based incentive program

Long-term share-based incentive programs that are performance-based have been established in the company. The long-term share-based incentive program that the Board of Directors has proposed for adoption by the 2021 AGM essentially corresponds to existing programs. An important change, however, is that LTI 2021 is proposed to be introduced as a Share program, in which the participants, through personal investment, become shareholders at the start of the program, rather than at the end, and are therefore more directly impacted by the company's value growth, which is reinforced by the personal investment. The former reduction of the short-term variable remuneration has also been removed.

The programs encompass the SMT and other senior executives and key personnel within the NCC Group, currently approximately 180 persons. These are three-year programs and have a distinct link to the business strategy and thus to the company's long-term value creation, including its sustainability. The performance requirements currently comprise the operating margin (EBIT) and the number of worksite accidents. For LTI 2021, the target is accumulated earnings per share (EPS) during the period 2021-2023. For more information on these programs, and the criteria on which outcomes are dependent, refer to Note 5 on pp. 37-40.

Forms of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The AGM may also – regardless of these guidelines – adopt remuneration based on, for example, share and share-price-related incentive schemes.

Fixed remuneration. 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 reviewed annually, but with the possibility to review for a period of two years at most.

Variable remuneration. The short-term variable remuneration must be capped and related to the fixed salary, and be based on the outcome in relation to established targets, which are measured annually.

The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term business strategy and interests. The criteria for paying variable cash remuneration thus essentially comply with the Group's long-term operational and financial objectives.

The variable cash remuneration is primarily based on a financial objective (EBIT), with a smaller portion based on the number of worksite accidents (resulting in more than four days of absence from regular work per one million worked hours), adapted functional targets or operational targets.

To which extent the criteria for awarding variable cash remuneration has been satisfied will be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for assessing the variable cash remuneration paid to the CEO. The CEO is responsible for the assessment of variable cash remuneration paid to other senior executives. The assessment of the financial objectives is based on the annual accounts. The outcome in relation to established targets for variable remuneration is measured after the performance period; meaning following fiscal year-end.

The short-term variable remuneration for the CEO is capped at 75 percent of fixed salary. For other members of the SMT, it is capped at 50 percent of fixed salary. The variable short-term remuneration is to be revised annually.

It is estimated that full utilization of the company's commitments for short-term variable remuneration in relation to the executives concerned will cost the company a maximum of approximately SEK 28 M, including social security fees.

The short-term variable remuneration is pensionable, with the exception of remuneration paid to the CEO.

Pensions and other benefits. NCC is endeavoring to move gradually toward defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's salary. The CEO has a defined-contribution pension with a premium pledge capped at 40 percent of contractual fixed salary. Other members of the SMT who are active in Sweden and have an employment contract subject to Swedish terms and conditions, are entitled, in addition to the ITP 2 plan (the collectively bargained agreement on pensions for white collar workers), to also receive a defined-contribution supplementary pension capped at 30 percent of pensionable salary increments exceeding 30 income base amounts. The definition of pensionable salary as stipulated in ITP2 is to be used for this supplementary pension. Members of the SMT who have employment contracts under the terms and conditions of another country are covered by pension solutions in accordance with local practices, which must to the extent possible comply with the principles stated in these guidelines. As of 2021, ITP 1 will be applied to new employment contracts where possible.

NCC is endeavoring to achieve a harmonization of the retirement age of the SMT at 65 years.

Other benefits. NCC provides other benefits, such as medical insurance and a car benefit, to members of the SMT. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the benefits normally arising in the market, in total not more than 5 percent of annual cash salary.

Termination of employment

Periods of notice and severance pay. A member of the SMT who terminates employment at NCC's initiative normally has a six-month period of notice and is entitled to 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 six months without any right to severance pay when termination is made by a member of the SMT.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development the CEO's remuneration, the remuneration of other employees and NCC's earnings over the past five years is presented in the remuneration report.

Decision-making process to determine, review and implement the guidelines

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the AGM. The Board of Directors is also mandated to monitor and evaluate variable remuneration programs for the SMT, the application of guidelines for executive remuneration and applicable remuneration structures and remuneration levels in the company. The CEO and other members of the SMT do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

NCC share

At December 31, 2020, NCC's registered share capital comprised 12,995,316 Series A shares and 95,440,506 Series B shares, of which 764,267 were held in treasury. The shares have a quotient value of SEK 8.00 each. 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, 213,813 Series A shares were converted to Series B shares.

In 2020, NCC bought back 234,000 Series B shares at an average price of SEK 137.96, corresponding to 0.22 percent of the share capital. No shares were sold or distributed during the year. Thereafter, the company holds 764,267 Series B treasury shares at an average price of SEK 171.83.

The number of NCC shareholders at year-end was 39,721 (42,010), with Nordstjernan AB as the largest individual holder accounting for 17 percent (17) of the share capital and 48 percent (48) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 51 percent (51) of the share capital and 66 percent (66) of the voting rights.

To cover commitments according to the long-term performance-based incentive program LTI 2020, the AGM on April 1, 2020 authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to participants in LTI 2019. The shares may be bought back

on Nasdaq Stockholm at a price per share within the registered span of share prices at the particular time. It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2018, LTI 2019 and LTI 2020).

Corporate Governance Report

The Corporate Governance Report is included as a separate section of NCC's 2020 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 98–107.

Dividend

At the Annual General Meeting on April 1, 2020, the Meeting resolved, due to the prevailing uncertainty in society due to the coronavirus, not to pay any dividend for 2019.

On November 12, 2020, an Extraordinary General Meeting was held, which resolved on a dividend of SEK 2.50 per share.

Events after the balance-sheet date

NCC's Senior Management Team was expanded to include members of the former extended management team. As of January 1, 2021, NCC's Senior Management Team comprises the following persons:

Tomas Carlsson, President and CEO; Susanne Lithander, Chief Financial Officer (CFO) and Head of DOS (Development & Operation Services); Kenneth Nilsson, NCC Infrastructure; Henrik Landelius, NCC Building Sweden; Catarina Molén-Runnäs, NCC Building Nordics; Ylva Lagesson, NCC Industry; Joachim Holmberg, NCC Property Development; Ann-Marie Hedbeck, General Counsel; Marie Reifeldt, Head of HR; Maria Grimberg, Head of Communication; Klaus Kaae, Head of Purchasing (interim).

Parent Company

The Parent Company's net sales pertain to charges to Group companies. The average number of employees was 52 (58). Write-downs of shares and participations totaled SEK –97 M (–50). Profit after financial items was SEK 921 M (358). Total dividends to the shareholders in 2020 amounted to SEK 269 M.

Appropriation of profits

The Board of Directors proposes that the profit will be appropriated as follows:

	3,038,978,856
Be appropriated as follows:	
To be distributed to shareholders	538,357,775
To be carried forward	2,500,621,081
Total, SEK	3,038,978,856

The resolution concerning the proposed dividend will be made taking into account the company's future profits, financial position and capital requirements, as well as the macroeconomic conditions.

The Board's proposal for the 2020 fiscal year is a dividend of SEK 5.00 per share. The dividend will be divided into two payment occasions. April 1, 2021 is proposed as the record date for the first payment of SEK 2.50 and November 9, 2021 for the second payment of SEK 2.50. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 6, 2021 and the second dividend on November 12, 2021. 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.

Material risks and uncertainties

Management of operational, strategic and financial risks is a key prerequisite for NCC's business and efficient risk management is a necessity for a stable and profitable company.

The aim of risk management is to identify risks, assess the efficiency of existing controls and strengthen and develop preventive measures.

NCC has conducted a measurement of the company's risks and describes below the risks regarded as most probable and that are estimated to have the greatest impact on NCC's potential to achieve its objectives in the long and the short term.

Risk area	Description	Control activities
OPERATIONAL AND STRATEGIC RISKS		
Competency supply and leadership	The successful recruitment, retention and development of necessary skills is crucial for the company. Development of managers is essential, firstly to deliver quality in projects and, secondly, to retain personnel with the desired skills.	Competency mapping and development plans are prepared for key positions. Group-wide skills development programs for project management and leadership. Future managers/leaders are identified and development plans are devised. Succession planning occurs within all business areas and corporate staff functions.
Project management	Within contracting operations, the main operating risks are project selection and project management.	NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operating risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.
Work environment	Many operations in the Group feature risky elements that subject workers to considerable demands regarding correct training and safety equipment, as well as an established culture in which the safety and health of employees is the highest priority.	NCC's systematic OHS (occupational health and safety) work is assigned top priority and must be on the agenda at all management team meetings. Guidelines for how to conduct, follow up and evaluate OHS work are established at Group level and for each particular business area. These govern control mechanisms, such as training, certificates and OHS follow-ups. To improve preventive safety efforts and strengthen the company's safety culture, all reported incidents are analyzed, with particular importance attached to identified high-risk areas. Together with our business partners, we work systematically to develop and digitalize the safety of equipment, machinery and vehicles in our operations.
Supply chain	The company is highly dependent on suppliers and sub-contractors. The supply chains in the construction sector represent a risk of having inadequate control of, for example, the employment conditions of subcontractors and illicit labor has to be managed, as does quality assurance of materials from national and international suppliers. Extra importance is attached to securing delivery of critical materials, such as bitumen.	NCC works systematically to assess and expand its control of the supply chain and to secure access to critical materials, such as steel and bitumen. The quality of suppliers is primarily assured by signing central framework agreements that must be followed. Purchasing that transcends central agreements must also comply with established processes and use templates developed for quality control. Tools for ensuring traceability include logbooks and digital standardized identification of construction products (GTIN). NCC has a thorough process for evaluating suppliers in geographical risk areas in order to prevent human rights crimes.
Compliance	Since NCC is a player in society with a broad customer and supplier base, all employees are strictly required to act in accordance with the company's Code of Conduct. Employees who potentially breach internal rules or break the law represent a risk.	NCC has focused continuously and actively on the company's values for a number of years and provides training in the Code of Conduct. In 2021, the training program in competition law will be developed, among other activities.
IT systems	Updating and developing IT systems and applications is crucial for improving the efficiency of the company's processes. Over the coming years, the company will update a number of business-critical systems. Disruptions in this work risk impacting production, and reporting.	NCC monitors technical advances, and safeguards long-term management and control of the reliability of IT infrastructure, and its integration into processes for supporting and protecting the operations.
IT security	Serious IT violations could lead to unauthorized access to sensitive corporate information. An IT violation could also result in manipulated information, inadequate access to critical IT systems or applications and a loss of information.	NCC's security strategy, combined with its development plan for the IT organization, stipulates necessary short-, medium- and long-term activities for managing cyber-security risks.

Risk area	Description	Control activities
OTHER RISKS AND UNCERTAINTIES		
NCC has also assessed and evaluated other risks and uncertainties that we have to relate to.		
Climate impact	The climate issue is impacting the whole world and leading to changes in work methods and products. It is of the utmost importance that we participate in this change so that we continue to be competitive. With the sharper focus on the climate agenda among investors and customers, there is a business risk that we will not be able to adapt to new climate regulations and requirements within the allocated time. There are also physical risks associated with negative climate changes, such as extreme weather conditions.	NCC has clear objectives for reducing CO ₂ emissions. NCC works continuously to integrate the climate issue into the project development process, and to innovatively find new climate-friendly solutions and reduce its carbon emissions.
Pandemics	Pandemics could result in increased project costs and changes to or canceled contracts, and could constitute a serious threat to health and the work environment. Behaviors and demand in markets may change.	NCC holds unit-transcending meetings regarding challenges concerning employees, materials, logistics and suppliers, in connection with public decisions about closures and other measures in various countries. Trends in various market and sectors are continuously monitored and analyzed.
FINANCIAL RISKS & REPORTING		
Interest-rate risk	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 Finance Policy has been adopted by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks. Refer also to Note 37.
Exchange-rate risk	The exchange-rate risk is the risk that exchange rate changes will adversely affect NCC's income statement, balance sheet or cash flow statement.	
Refinancing risk	Refinancing risk is the risk that opportunities for financing will be limited and/or that the cost will be higher when loans that expire have to be refinanced, which could adversely impact NCC's operations, earnings and financial position.	
Liquidity risk	The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations.	
Credit and counter-party risks in financial operations	Credit and counterparty risks in financial operations refers to the risk that NCC's financial counterparties are unable to fulfill their obligations to NCC.	
Customer credit risk	Customer credit risk refers to the risk that NCC's customers are unable to honor payments to NCC for delivered goods and services.	At NCC, customer credit risks are managed through Group-wide procedures for identifying and assessing risks, both before agreements are reached with customers and continuously in operational follow-ups. NCC's credit risk in accounts receivable is highly diversified given the large number of projects of varying sizes and types in a multitude of customer categories.
Percentage-of-completion profit recognition	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is recognized at the pace of completion. Should the anticipated profit from a project deteriorate during the project's production period, this could result in a need to reverse profit recognized earlier.	By means of project management, meaning continuous monitoring of production calculations, reconciliation of work completed, project forecasts, etc., it is possible to ascertain that the information is accurate.
Supplier risk	Risk that sub-suppliers enter bankruptcy and cannot deliver orders	Supplier controls and development of the supply chain.

Sensitivity and risk analysis

The figures are based on outcomes in 2020.

	Change	Result effect after net financial items, SEK M (annual basis)	Effect on return on equity (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC INFRASTRUCTURE					
Volume ¹⁾	±5%	54	1.2	0.5	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-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	171	3.9	1.6	
NCC BUILDING SWEDEN					
Volume ¹⁾	±5%	49	1.1	0.4	For NCC Building Sweden, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-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	134	3.0	1.2	
NCC BUILDING NORDICS					
Volume ¹⁾	±5%	44	1.0	0.4	For NCC Building Nordics, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-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	121	2.8	1.1	
NCC INDUSTRY					
Volume ¹⁾	±5%	45	1.0	0.4	NCC Industry's 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 impact on the margin is material.
Operating margin	+/-1 percentage point	125	2.9	1.1	
Capital rationalization	±10%	6	0.1	0.7	
NCC PROPERTY DEVELOPMENT					
Sales volume, project	±10%	65	1.5	0.6	NCC Property Development's earnings are predominantly determined by sales. The potential to sell property projects is largely dependent on the leases signed with tenants. 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, and thus a change in the rent levels or operating economy of ongoing projects could change the value of such projects.
Sales margin, project	+/-1 percentage point	27	0.6	0.2	
GROUP					
Changed interest rate, net debt ²⁾	+/-1 percentage point	20	0.5		

¹⁾ Given this change in volume, it is assumed that overhead costs will be unchanged.

²⁾ Excluding pension debt.

Consolidated income statement

SEK M	Note 1, 4, 13, 20, 33	2020	2019
Net sales	3	53,922	58,234
Production costs	5, 6, 10, 16, 17, 25, 34	-49,589	-54,134
Gross profit		4,333	4,101
Selling and administrative costs	5, 7, 16, 17	-2,967	-2,811
Capital loss from sales of owner-occupied properties	17	-3	-11
Impairment loss and reversal of impairment losses, fixed assets	8, 16, 17	-24	-22
Capital gain from sales of Group companies	9	9	18
Result from participations in associated companies and joint ventures		12	21
Operating profit		1,360	1,296
Financial income	12	30	34
Financial expenses	12	-110	-146
Net financial items		-80	-112
Profit after financial items		1,281	1,184
Tax on net profit for the year	24	-22	-309
Net profit for the year		1,259	875
Attributable to:			
NCC's shareholders		1,259	873
Non-controlling interests			2
Net profit for the year		1,259	875
Earnings per share			
<i>Before and after dilution</i>			
Profit after tax, SEK		11.68	8.09
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before and after dilution during the year		107.8	108.0
Number of shares outstanding on Dec 31		107.7	107.9

Consolidated statement of comprehensive income

SEK M	Note	2020	2019
Net profit for the year		1,259	875
Items that have been recycled or can be recycled to net profit for the year	15		
Year's exchange differences on translating foreign operations		-127	43
Fair value changes for the year in cash flow hedges		-13	-4
Fair value changes in cash flow hedges transferred to net profit for the year		21	12
Tax attributable to cash flow hedges	24	-2	-2
		-121	49
Items that cannot be recycled to net profit for the year			
Revaluation of defined-benefit pension plans	30	111	-443
Tax relating to items that cannot be recycled to net profit for the year		-23	95
		88	-348
Other comprehensive income for the year		-32	-299
Comprehensive income for the year		1,226	576
Attributable to:			
NCC's shareholders		1,226	574
Non-controlling interests			2
Total comprehensive income during the year		1,226	576

Consolidated balance sheet

SEK M	Note	2020	2019
ASSETS	1, 20, 33, 37		
Fixed assets			
Goodwill	16	1,800	1,893
Other intangible assets	16	342	368
Right-of-use assets	34	1,952	1,716
Owner-occupied properties	17	875	899
Machinery and equipment	17	2,306	2,611
Long-term holdings of securities	19, 21	93	114
Long-term interest-bearing receivables	23	125	144
Other long-term receivables		19	34
Deferred tax assets	24	587	524
Total fixed assets		8,099	8,302
Current assets			
Right-of-use assets	34	11	51
Properties held for future development	25	1,492	1,391
Ongoing property projects	25	4,610	3,042
Completed property projects	25	496	936
Participations in associated companies	25	295	263
Materials and inventory	26	953	1,008
Tax receivables		58	50
Accounts receivable	37	7,084	8,674
Worked-up, non-invoiced revenues	3	1,349	1,360
Prepaid expenses and accrued income		907	1,556
Current interest-bearing receivables		126	226
Other receivables	23	740	555
Short-term investments ¹⁾	21, 36	174	63
Cash and cash equivalents	36	2,155	2,416
Total current assets		20,450	21,589
TOTAL ASSETS		28,549	29,890

¹⁾ Short-term investments with a maturity exceeding three months are included; refer to the cash flow statement.

Consolidated balance sheet, cont'd.

SEK M	Note	2020	2019
EQUITY	1		
Share capital	27	867	867
Other capital contributions		1,844	1,844
Reserves	15	-144	-23
Earnings brought forward including profit for the year		1,405	357
Shareholders' equity		3,972	3,044
Non-controlling interests			
Total equity		3,972	3,044
LIABILITIES	1, 20, 33, 37		
Long-term liabilities			
Long-term interest-bearing liabilities	28, 34	3,965	3,649
Other long-term liabilities	31	60	52
Provisions for pensions and similar obligations	30	2,832	2,840
Deferred tax liabilities	24	196	170
Other provisions	29	2,586	2,777
Total long-term liabilities		9,639	9,488
Current liabilities			
Current interest-bearing liabilities	28, 34	606	848
Accounts payable		4,487	4,275
Tax liabilities		66	100
Invoiced revenues not worked up	3	4,104	6,354
Accrued expenses and deferred income	32	3,727	3,878
Provisions	29	19	24
Other current liabilities	31	1,930	1,878
Total current liabilities		14,938	17,358
Total liabilities		24,577	26,846
TOTAL EQUITY AND LIABILITIES		28,549	29,890

Parent Company income statement

SEK M	Note 1, 33	2020	2019
Net sales		140	246
Gross profit		140	246
Selling and administrative costs	5, 6, 7, 8	-263	-344
Operating profit		-123	-98
Result from financial investments			
Result from participations in Group companies	8, 9	1,057	482
Result from other financial fixed assets		14	13
Result from financial current assets		3	3
Interest expense and similar items	11	-30	-42
Profit after financial items		921	358
Appropriations	14	153	577
Tax on net profit for the year	24	20	-102
NET PROFIT FOR THE YEAR		1,095	833

Parent Company statement of comprehensive income

SEK M	2020	2019
Net profit for the year	1,095	833
Items that have been recycled or can be recycled to net profit for the year		
Year's exchange differences on translating foreign operations	2	
Other comprehensive income for the year	2	
Total comprehensive income during the year	1,097	833

Parent Company balance sheet

SEK M	Note	2020	2019	SEK M	Note	2020	2019
ASSETS	1, 33, 37			EQUITY AND LIABILITIES	1, 33, 37		
Fixed assets				Equity			
<i>Tangible fixed assets</i>				Restricted equity			
Machinery and equipment	17		3	Share capital	27	867	867
Total tangible fixed assets			3	Statutory reserves		174	174
<i>Financial fixed assets</i>				Total restricted equity		1,041	1,041
Shares in Group companies	18	4,530	4,511	<i>Unrestricted equity</i>			
Other long-term holdings of securities		45	45	Profit brought forward		1,944	1,407
Deferred tax assets	24	25	5	Net profit for the year		1,095	833
Total financial fixed assets	22	4,600	4,562	Total unrestricted equity		3,039	2,240
Total fixed assets		4,600	4,565	Total equity		4,080	3,281
Current assets				<i>Provisions</i>			
<i>Current receivables</i>				Other provisions	29	6	6
Receivables from Group companies		781	1,032	Total provisions		6	6
Other current receivables		13	1	<i>Long-term liabilities</i>			
Tax receivables		64	84	Long-term interest-bearing liabilities ¹⁾	28	800	800
Prepaid expenses and accrued income		2	6	Other long-term liabilities		4	3
Total current receivables		859	1,123	Total long-term liabilities		804	803
Balance in NCC Treasury AB	36	259	164	<i>Current liabilities</i>			
Total current assets		1,119	1,287	Accounts payable		8	12
TOTAL ASSETS		5,719	5,852	Liabilities to Group companies	28	765	1,474
				Current interest-bearing liabilities ¹⁾	28		200
				Other liabilities		12	18
				Accrued expenses and deferred income	32	44	57
				Total current liabilities		829	1,761
				TOTAL EQUITY AND LIABILITIES		5,719	5,852

¹⁾ Pertains to loan from the NCC Group's Pension Foundation.

Changes in equity

GROUP

SEK M	EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Profit brought forward	Total		
Opening equity, Jan 1, 2019	867	1,844	-72	292	2,931	17	2,948
Net profit for the year				873	873	2	875
Other comprehensive income			49	-348	-299		-299
Total comprehensive income			49	525	574	2	576
Divestment and dividends to non-controlling interests				-15	-15	-18	-33
Sale/Acquisition of company shares				-19	-19		-19
Performance-based incentive program				5	5		5
Dividend				-432	-432		-432
Total transactions with the Group's shareholders				-461	-461	-18	-479
Equity on Dec 31, 2019	867	1,844	-23	357	3,044	0	3,044
Net profit for the year				1,259	1,259		1,259
Other comprehensive income			-121	88	-32		-32
Total comprehensive income			-121	1,347	1,226		1,226
Sale/Acquisition of company shares				-34	-34		-34
Performance-based incentive program				4	4		4
Dividend				-269	-269		-269
Total transactions with the Group's shareholders				-299	-299		-299
Equity on Dec 31, 2020	867	1,844	-144	1,405	3,972	0	3,972

PARENT COMPANY

SEK M	RESTRICTED SHAREHOLDERS' EQUITY		UNRESTRICTED SHAREHOLDERS' EQUITY		Total shareholders' equity
	Share capital	Statutory reserves	Profit/loss brought forward	Net profit for the year	
Opening equity, Jan 1, 2019	867	174	1,850	-1	2,891
Appropriation of profits				1	
Net profit for the year				833	833
Total comprehensive income				833	833
Merger gain			4		4
Sale/Acquisition of company shares			-19		-19
Performance-based incentive program			6		6
Dividend			-432		-432
Equity on Dec 31, 2019	867	174	1,407	833	3,281
Appropriation of profits				-833	
Net profit for the year				1,095	1,095
Other comprehensive income			2		2
Total comprehensive income			2	1,095	1,097
Sale/Acquisition of company shares			-34		-34
Performance-based incentive program			4		4
Dividend			-269		-269
Equity on Dec 31, 2020	867	174	1,944	1,095	4,080

Cash flow statements

SEK M	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
OPERATING ACTIVITIES					
Profit after financial items, remaining operations		1,281	1,184	921	358
Adjustments for items not included in cash flow:					
– Depreciation/amortization	6	1,412	1,407		2
– Impairment loss and reversal of impairment losses	8	24	22	97	50
– Exchange-rate differences		45	–13		
– Result from sales of fixed assets		64	–35		
– Changes in provisions	29	19	318	–1	–2
– Anticipated dividend					–120
– Other		–1	2	5	7
Total items not included in cash flow		1,564	1,700	102	–62
Tax paid		–188	–110	21	–74
Cash flow from operating activities before changes in working capital		2,656	2,774	1,044	222
Cash flow from changes in working capital					
Sales of property projects	25	2,092	2,116		
Investments in property projects	25	–3,353	–3,281		
Other changes in working capital	36	174	605	–89	–35
Cash flow from changes in working capital		–1,087	–560	–89	–35
Cash flow from operating activities		1,569	2,214	954	187
INVESTING ACTIVITIES					
Acquisition of subsidiaries/operations	36			–111	–80
Sale of subsidiaries/operations	36	–20			
Investment in buildings and land	17	–46	–92		
Sale of buildings and land	17	25	29		
Investment in financial fixed assets		–4	–11		
Sale of financial fixed assets		39	4	1	
Investment in other fixed assets	17	–579	–790		
Sale of other fixed assets	17	123	158	2	19
Cash flow from investing activities		–463	–701	–109	–60
Cash flow before financing		1,106	1,512	846	127
FINANCING ACTIVITIES					
Dividend paid		–269	–450	–269	–432
Acquisition of company shares		–34	–19	–34	–19
Group contributions and dividends, received				1,853	958
Loans raised		639	2,024	526	363
Amortization of loans		–216	–930	–1,230	–350
Amortization of lease liabilities		–1,355	–1,030		
Increase (–) / Decrease (+) in long-term interest-bearing receivables		18	58		
Increase (–) / Decrease (+) in current interest-bearing receivables		–105	39	–1,593	–644
Cash flow from financing activities	36	–1,322	–308	–747	–124
Cash flow for the year		–217	1,204	99	3
Cash and cash equivalents, Jan 1					
		2,416	1,197	164	161
Exchange-rate difference in cash and cash equivalents		–44	15	–3	
Cash and cash equivalents, Dec 31	36	2,155	2,416	259	164
Short-term investments with a maturity exceeding three months		174	63		
Total liquid assets at year-end	36	2,330	2,478	259	164



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Note 1

Accounting policies

Basis for preparing the accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union (EU). The Group also complies with RFR 1 Supplementary Accounting Rules for Groups, the Swedish Annual Accounts Act and applicable statements (UFRs). The annual report is prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 4, 2021. 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 for adoption on March 30, 2021.

Important estimates and assessments

Preparing annual accounts in compliance with IFRS requires the use of a number of important accounting estimates and assessments. The estimates and assessments have been made on the basis of what is known when the Annual Report was issued. These estimates and assessments, by definition, will rarely correspond to the actual outcome. This needs to be specially considered in connection with uncertainty in the economic climate and the global financial market, as NCC is impacted to a normal degree by the general economic situation. The areas subject to a high degree of assessment, that are complex or those where assumptions and estimates are material to NCC are presented in the relevant note.

New IFRS and amendments to IFRS applied from 2020

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2020. For 2020, NCC is applying the amendments to IFRS 9 Financial instruments in respect of the relief rules regarding the reference rate reform. These easements apply to hedge accounting and entail that the reform will not lead to the discontinuation of the hedge accounting. Other amendments of standards and interpretations had no material impact on the consolidated financial statements for the current year and are not expected to impact future periods or future transactions.

New IFRS and amendments to IFRS whose application has yet to commence

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2021. Although their impact on the consolidated financial statements has yet to be established in detail, they are not expected to have an any material effect.

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), recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accordance with the alternative rule in RFR 2. The Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must recognize certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from recognizing certain financial instruments at fair value.

Within the areas described below, the Parent Company's accounting policies differ from the Group's:

- Borrowing costs, refer to Note 11, Interest expense and similar items
- Subsidiaries, refer to Note 18, Participations in Group companies.
- Associated companies, refer to Note 19, Investments in associated companies and joint ventures
- Joint arrangements, refer to Note 20, Participations in joint operations
- Income taxes, refer to Note 24, Tax on net profit for the year, deferred tax assets and deferred tax liabilities
- Pensions, refer to Note 30, Pensions
- Leasing, refer to Note 34, Leasing
- Financial instruments, refer to Note 37, Financial instruments and financial risk management

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

Business combinations are recognized 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 consideration, any non-controlling interests and the fair value of previously owned interests (in connection with gradual acquisitions) 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 net profit for the year.

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

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 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 equity if they do not give rise to a change in controlling interest.

Elimination of intra-Group transactions

Receivables, liabilities, revenue 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 33, Related-party transactions.

Transfer 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.

Tangible fixed assets

NCC's property holdings are recognized divided into:

- Owner-occupied properties, which are held for use in the company's own operations. Refer to Note 17, Tangible fixed assets.
- Properties classified as current assets, which are held for development and sale as part of operations. Refer to Note 25, Properties classified as current assets.

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. Shareholder contributions granted are recognized as a part of the investment in the subsidiary and are thus subject to customary impairment testing.

Note 2

Effects of amended accounting policies

No effects of amended accounting policies in 2020.

Note 3

Revenue recognition

	NCC Infra-structure	NCC Building Sweden	NCC Building Nordics	Subtotal, construction and civil engineering	NCC Industry	NCC Property Development	Other and eliminations ²⁾	Group
Order backlog, December 31, 2020	15,754	17,670	14,856	48,280	2,595		70	50,945
<i>Of which, expected to be recognized as revenue:</i>								
Within one year	9,060	10,693	8,463	28,215	1,728		464	30,407
Within two years	3,682	4,682	4,434	12,798	867		202	13,867
More than two years ahead	3,013	2,295	1,959	7,266			-596	6,670
External net sales 2020 ¹⁾	16,525	11,842	10,724	39,091	10,852	2,728	1,252	53,922
External net sales 2019	17,013	13,697	10,864	41,574	11,036	2,998	2,626	58,234
Point in time for revenue recognition								
Over time (percentage-of-completion)	●	●	●		●			
Specific point in time					●	●		

¹⁾ For information on net sales per service/product, refer to pp. 12–16.

²⁾ As of 2020, Road Services are recognized in Other and eliminations and this unit's order backlog at Dec. 31, 2020 amounted to SEK 934 M.

Revenues from construction and civil engineering operations are recognized successively over time, on a percentage-of-completion basis (recognized costs in relation to estimated total project costs). Invoicing is conducted on an ongoing basis according to agreement over the course of the project. This also applies to parts of NCC Industry's operations. However, most of NCC Industry's revenues are recognized at a point in time in conjunction with delivery to the customer of asphalt and stone materials, which is reflected in customer payments. For NCC Property Development too, revenues are normally recognized at a point in time (upon completion of the property), which normally coincides with the receipt of payment from the customer.

In all significant respects, the order backlog in construction and civil engineering operations is expected to be recognized as revenue over the coming 24 months, the majority of which within the coming year. In all significant respects, NCC Industry's order backlog is expected to be recognized as revenue during the coming year. For information regarding NCC Property Development's as yet unfulfilled performance obligations, see note 25, Properties classified as current assets. For information on orders received, see p. 11.

Worked-up, non-invoiced revenues

Group	2020	2019
Worked-up revenues from ongoing contracts	34,267	24,462
Invoicing for ongoing contracts	-32,919	-23,101
Total	1,349	1,360

Invoiced revenues not worked up

Group	2020	2019
Invoicing for ongoing contracts	50,425	56,444
Worked-up revenues from ongoing contracts	-46,321	-50,090
Total	4,104	6,354

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 80,558 M (74,552).

Revenues recognized in 2020 that emanate from work performed in 2019 or earlier are not estimated to amount to material sums.

In all significant respects, invoiced revenues, not worked up at December 31, 2019 or earlier are adjudged to have been recognized in 2020.

Accounting policies

NCC's revenues are recognized according to IFRS 15 Revenue from Contracts with Customers, meaning when the customer gains control over the sold goods or services. This can occur either by NCC's performance obligations being fulfilled over time (on a percentage-of-completion basis) or at a point in time. NCC's revenues essentially comprise:

- Revenues from construction contracts and similar projects
- Revenues from commercial property development
- Revenues from sales of asphalt, stone materials, etc.

Revenues from construction and similar projects

The construction contracts mean that NCC performs work on land belonging to the customer and thus creates an asset that is controlled by the customer in pace with the asset's completion. In turn this means that NCC recognizes revenues over time by applying percentage-of-completion profit recognition.

Application of the percentage-of-completion recognition of revenue and profit entails that profit is recognized in pace with 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: total revenues attributable 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: total costs attributable to the construction contract, which corresponds to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total project costs.

The fundamental condition for revenue recognition based on percentage of completion is that estimate-at-completion of total project revenues and costs can be quantified reliably. As a consequence of percentage-of-completion profit recognition, the trend of earnings in ongoing projects is reflected immediately in the financial statements. Percentage-of-completion profit 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 technologically 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 percentage-of-completion profit recognition.

Provisions posted for potential loss-making contracts are charged against profit for the relevant year. Provisions for losses are posted as soon as they become known.

Contract modifications covering change orders and contract claims for short-comings in tender specifications and similar items are recognized when the modifications are enforceable. When assessing whether the modifications are enforceable, all relevant facts and circumstances are to be considered. If the parties fail to agree on the price, the revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not arise when the parties reach agreement. The same applies to revenue recognition of any bonuses, as well as sanctions, whereby revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not be necessary.

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. The customer is normally invoiced on account during the term of the project.

The following example illustrates how the percentage-of-completion profit recognition 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 10. On December 31 of year 1, NCC’s costs for the project amount to 45, 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 10, that is 5, in the accounts for Year 1. Profit 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
Profit recognition on completion	0	10
According to percentage-of-completion profit recognition	5	5

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. The part of the agreement that pertains to the contract-related service is recognized on a percentage-of-completion basis. The operation and maintenance part applies mainly to Road Services, which is recognized as revenue on an even basis over the maturity or when the benefits are transferred to NCC.

Revenues from commercial property development

NCC’s net sales include revenues from sales of properties classed as current assets. Sales include both land and the building constructed by NCC on the land.

Normally, the sale of land and construction of a building constitute a performance obligation and are recognized jointly. Payment is normally received in conjunction with date of occupancy. In rare cases, depending on the terms

and conditions of the agreements, the sale of land (or land with construction under way) constitutes one performance obligation and construction of a building another.

Revenues are recognized at the point in time when control is transferred to the buyer. Control is transferred over time (on a percentage-of-completion basis) unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work completed to date, in which case the revenue is recognized by applying percentage-of-completion profit recognition. If one of the above criteria is not fulfilled, the revenue is to be recognized at a point in time – on completion and handover to the customer. Since NCC always contractually agrees on delivery of a certain property to the customer, and the property cannot be sold to anyone else, NCC never has an alternative use for the sold property. Concerning the question of whether NCC is entitled to payment, certain legislation contains factors that indicate that NCC has such an entitlement, while other legislation indicates that this is not the case. Moreover, legal praxis has not been developed in this context. NCC’s overall assessment is that in normal cases the uncertainty concerning NCC’s entitlement to payment is so great that the revenue should be recognized at a point in time, on completion of the property and handover to the customer.

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 leasing progresses. The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Revenues from sales of asphalt, stone materials, etc.

Revenues from sales of asphalt, stone materials, etc. are recognized at the point in time of delivery to the customer.

Important estimates and assessments

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. The assessment component means that the final result may differ from the profit accrued based on percentage-of-completion.

Revenue recognition of property development projects

Property sales are recognized at the point in time when control is transferred to the buyer. The point in time primarily depends on the assessment of which point in time NCC is entitled to payment. This normally does not occur until the project is completed and handed over to the customer, at which time the revenue is recognized in full. However, assessments are made on an agreement-by-agreement basis.

Note 4

Reporting by operating segment

NCC's business operations are divided into five 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 Senior Management Team. The following segments were identified based on this reporting procedure:

NCC Infrastructure supplies entire infrastructure projects (such as tunnels, roads and railways), from design and construction to production and maintenance.

NCC Building Sweden and NCC Building Nordics primarily build housing and offices, but also construct such public premises as schools and hospitals and such commercial premises as stores and warehouses.

NCC Industry's operations are based on production of stone materials and asphalt, as well as piling works and paving.

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland.

All transactions between the various segments are conducted on a purely commercial basis.

The segment reporting also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in "Other and eliminations."

"Other and eliminations" may occasionally also include certain items, primarily impairment losses and provisions, attributable to the activities conducted in the segments. Other and eliminations also includes the Parent Company and, as of 2020, Road Services' remaining operations.

Group, 2020	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	16,525	11,842	10,724	10,852	2,728	52,670	1,252	53,922
Internal net sales	559	1,533	1,410	1,677	10	5,188	-5,188	
Total net sales	17,084	13,375	12,134	12,528	2,737	57,859	-3,936	53,922
Depreciation/amortization	-293	-64	-126	-719	-25	-1,227	-185	-1,412
Impairment losses and reversed impairment losses				-24		-24		-24
Share in associated company profits		-8		3	17	12		12
Operating profit/loss	364	381	343	379	434	1,902	-542	1,360
Net financial items								-80
Profit after financial items								1,281
Capital employed				5,025	6,433			

Group, 2019	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	17,013	13,697	10,864	11,036	2,998	55,608	2,626	58,234
Internal net sales	412	1,154	905	1,935	59	4,464	-4,464	
Total net sales	17,425	14,851	11,769	12,971	3,056	60,072	-1,838	58,234
Depreciation/amortization	-309	-55	-132	-710	-14	-1,220	-187	-1,407
Impairment losses and reversed impairment losses				-22		-22		-22
Share in associated company profits		11		6	4	21		21
Operating profit/loss	212	364	231	511	313	1,631	-335	1,296
Net financial items								-112
Profit after financial items								1,184
Capital employed				5,507	4,935			

Other and eliminations

	EXTERNAL NET SALES		OPERATING PROFIT/LOSS	
	2020	2019	2020	2019
NCC's Head Office, results from minor subsidiaries and associated companies		3	-168	-204
Road Services, remaining operations	1,764	2,623	-75	19
Eliminations of inter-company gains			-64	-24
Other Group adjustments (essentially comprising the difference in accounting policies between segments and the Group, such items as pensions and sale and leaseback)	-513		-235	-126
Total	1,252	2,626	-542	-335

Note 4 Reporting by operating segments, cont.

Geographical areas

	ORDERS RECEIVED		ORDER BACKLOG		NET SALES		FIXED ASSETS ¹⁾	
	2020	2019	2020	2019	2020	2019	2020	2019
Sweden	32,120	31,693	31,690	33,596	32,199	33,979	3,299	3,034
Denmark	8,014	13,114	9,378	10,032	8,070	8,421	1,847	1,932
Finland	6,738	6,646	6,020	6,837	6,996	7,400	455	521
Norway	4,327	6,595	3,856	7,335	6,657	8,435	1,674	2,000

¹⁾ Pertains to fixed assets (incl. right-of-use assets according to Note 34) that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

Accounting policies

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 CEO, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO.

Note 5 Number of employees, personnel expenses and remuneration of senior executives

Average no. of employees

	2020		2019	
	Number of employees	of whom men	Number of employees	of whom men
Parent Company				
Sweden	52	21	58	24
Subsidiaries				
Sweden	8,550	7,243	9,105	7,775
Norway	1,950	1,764	2,120	1,936
Finland	1,537	1,235	1,671	1,352
Denmark	2,209	1,939	2,151	1,876
Poland	49	43	40	28
Other countries	41	30	128	100
Total in subsidiaries	14,336	12,254	15,215	13,067
Group total	14,388	12,275	15,273	13,091

Percentage of women, %

	2020	2019
Gender breakdown within the Board of Directors and the Senior Management Team on the balance-sheet date		
– Board of Directors	30	36
– AGM-elected Board members	43	50
– Senior Management Team	43	25
– Senior Management Team, employed in the Parent Company	50	67

The Board of Directors is defined as the Parent Company's Board of Directors.

Salaries and other remuneration distributed between members of the Board and senior executives¹⁾ and other employees

	2020			2019		
	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	26	56	81	29	86	115
Social security expenses			55			72
– of which, pension costs	6	26	32	6	27	33
Pension commitment	3			1		
Group	58	8,613	8,671	56	9,336	9,392
	(3.7)			(7.4)		
Social security expenses			2,817			2,902
– of which, pension costs			784			828
Pension commitment	5			3		

¹⁾ The senior executives category comprises 3 individuals (3) in the Parent Company and 6 individuals (6) in subsidiaries. The definition senior executive applies to the Parent Company's Board of Directors and the Senior Management Team, incl. the CEO.

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

Employment conditions and remuneration of senior executives

The Chairman of the Board and other AGM-elected Board members receive director fees according to an AGM resolution for work on the Board of Directors and committees. No pensions are paid to Board members. No special fee is paid to the Nomination Committee.

Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Senior Management Team (SMT) is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term "other senior executives" refers to the people who together with the CEO constitute the SMT.

Fixed remuneration of the CEO

President and CEO Tomas Carlsson receives a fixed monthly salary of SEK 787,500.

Variable remuneration

For the CEO, the short-term variable remuneration is capped at 65 percent of fixed remuneration and based on the outcome of established targets, which are mainly financial. Short-term variable remuneration for other senior executives in 2020 is capped at 40 percent of fixed remuneration. The maximum percentages above for the CEO and other senior executives are adjusted downward by 10 percentage points for those persons who participated in LTI 2020.

Pension conditions for the CEO

In 2020, the CEO was covered by a defined-contribution pension plan with a premium limit of maximum 40 percent of his contractual fixed salary. The CEO's retirement age is 65 years.

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 commitment of 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

Termination terms

The CEO has a period of notice of six months from NCC and six months should he resign at his own request. If employment is terminated by NCC, severance pay is

payable for 18 months. The severance pay is not pensionable and does not carry entitlement to vacation pay or other benefits. For a period of six months following the period of notice, the CEO, should NCC so demand, is required to observe a ban on working for competitors. During such a period, the CEO receives remuneration corresponding to basic monthly salary. Remuneration is not payable for periods when the CEO receives severance pay. Other senior executives are subject to six to 12 months' period of notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

If employment is terminated by NCC, severance pay is normally payable for 12 months. The severance pay will, with one exception, 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

The prerequisites and conditions for allotment are listed below.

Long-term incentive programs

The AGM in April 2020 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2020). The purpose of LTI 2020 is to ensure a focus on the company's long-term profitability and growth, to minimize the number of serious worksite accidents and create prerequisites for retaining and recruiting key personnel.

LTI 2020 is a three-year performance-based plan under which the participants were allotted, free of charge, performance-based share awards providing entitlement to Series B shares and to performance-based synthetic shares providing entitlement to cash remuneration. Participants resident in Denmark only receive share awards and not synthetic shares. In view of the introduction of LTI 2020, the maximum short-term variable remuneration payable to the participants was adjusted downwards by five or ten percentage points of their basic salary. LTI 2020 runs parallel in all significant respects to the LTI program adopted by the 2019 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 in the performance period (January 1, 2020 through December 31, 2022).

The fundamental prerequisites for an outcome from LTI 2020 is that the NCC Group reports a pretax profit during the program period of 2020–2022 and during the final year of the program (meaning 2022).

Remuneration, provisions and other benefits in 2020

SEK 000s	Total remuneration and benefits ¹⁾	of which, benefits	of which, variable remuneration ²⁾	of which, reserved/reversed for share-based remuneration ³⁾	Pension cost	Pension commitment
Chairman of the Board Alf Göransson	1,061					
<i>Other Board members</i>						
Viveca Ax:son Johnson	500					
Geir Magne Aarstad	600					
Tomas Billing ⁴⁾	301					
Simon de Château ⁵⁾	363					
Mats Jönsson	625					
Birgit Nørgaard	591					
Ulla Litzén ⁴⁾	185					
Angela Langemar Olsson	661					
Total Board of Directors	4,887					
CEO Tomas Carlsson	13,422	115	1,755	450	3,780	829
Other senior executives ⁶⁾	7,225	145	229	514	2,033	1,787
Total Parent Company	25,534	260	1,984	964	5,813	2,616
Other senior executives in subsidiaries ⁷⁾	32,345	338	1,716	179	5,530	2,789
Total senior executives	57,879	597	3,700	1,143	11,343	5,405

¹⁾ Remuneration and benefits include committee fees and pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay. The amount includes severance pay of SEK 4,205,688 for one other senior executive in subsidiaries, as well as salary and remuneration during the period of notice.

²⁾ Variable remuneration pertains to the amounts paid for each fiscal year.

³⁾ Amounts reserved/reversed during the year for the closed LTI program 2017, and the ongoing LTI programs 2018, 2019 and 2020.

⁴⁾ Tomas Billing and Ulla Litzén stepped down from the Board at the AGM on April 1, 2020.

⁵⁾ Simon de Château was elected (new election) at the AGM on April 1, 2020.

⁶⁾ This includes the positions of CFO for all of 2020, and Head of DOS (Development & Operations Services) up to October 31, 2020.

⁷⁾ This includes the Heads of NCC Infrastructure, NCC Building Sweden and NCC Property Development for the whole of the year. The current Head of NCC Building Nordics has been included since January 13, 2020. The former Head of NCC Industry, Jyri Salonen, is included through October 31, 2020 and the current Head of NCC Industry is included as of November 1, 2020.

Remuneration, provisions and other benefits in 2019

SEK 000s	Total remuneration and benefits ¹⁾	of which, benefits	of which, variable remuneration ²⁾	of which, reserved/reversed for share-based remuneration ³⁾	Pension cost	Pension commitment
Chairman of the Board Tomas Billing	1,100					
<i>Other Board members</i>						
Viveca Ax:son Johnson	500					
Carina Edblad ⁴⁾	171					
Geir Magne Aarstad	600					
Mats Jönsson	625					
Birgit Nørgaard	500					
Ulla Litzén	675					
Angela Langemar Olsson	625					
Alf Göransson ⁵⁾	454					
Total Board of Directors	5,250					
CEO Tomas Carlsson	14,818	98	2,841	1,410	3,600	484
Other senior executives ⁶⁾	8,453	135	1,236	363	1,901	928
Total Parent Company	28,521	233	4,077	1,773	5,501	1,412
Other senior executives in subsidiaries ⁷⁾	27,552	477	3,341	997	5,846	1,100
Total senior executives	56,073	710	7,418	2,770	11,346	2,512

¹⁾ Remuneration and benefits include committee fees and pertain to vacation compensation, reduced working hours, company cars and, where appropriate, severance pay.

²⁾ Variable remuneration pertains to the amounts expensed for each fiscal year, which can deviate from future paid out remuneration.

³⁾ Amounts reserved/reversed during the year for the closed LTI program 2016, and the ongoing LTI programs 2017, 2018 and 2019.

⁴⁾ Carina Edblad stepped down from the Board at the AGM on April 9, 2019.

⁵⁾ Alf Göransson was elected (new election) at the AGM on April 9, 2019.

⁶⁾ This includes the positions of CFO, as well as Head of DOS (Development & Operations Services) for the whole of 2019.

⁷⁾ This includes the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry for the whole of 2019. The former Head of NCC Property Development, Carola Lavén, was included through July 22, 2019, and the current Head of NCC Property Development is included as of September 1, 2019.

The targets that have been set for LTI 2020 comprise the profitability during the vesting period, and a reduction in the number of serious worksite accidents as at the end of 2022. In respect of the financial objective, 100 percent is disbursed if the overall operating margin reaches or exceeds 4.0 percent. Target fulfillment is measured for a three-year period (2020–2022). 0 percent is awarded/dispensed if target fulfillment does not reach an overall operating margin of 2.5 percent. Within the target range, allotment/payment will occur linearly. For assessment of the second target, an internationally established benchmark figure for the industry will be used based on the number of worksite accidents resulting in more than four days of absence from ordinary work per million working hours. Allotment/dispbursement of 100 percent will occur if the ratio for 2022 is less than 3.0, while 0 percent will be allotted/dispensed if it exceeds 5.5. Within the range of 3.0 and 5.5, allotment/payment will occur linearly. At the end of 2020, NCC's benchmark was 3.6.

Allotment

The participants are divided into three categories: CEO; other members of the SMT together with 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 other members of the SMT and either 15 percent or a maximum of 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 the first ten trading days after the AGM.

Scope and costs of the program

Assuming a share price of SEK 153.43 and the maximum outcome, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2020, including costs for social security fees, will be approximately SEK 80.6 M, corresponding to the value of about 0.48 percent of the total number of shares.

The value that a participant may receive at maximum allotment of Series B shares and cash payment is capped at an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average price paid during a period of the first ten trading days after the AGM.

Buyback of company shares

In order to cover commitments in accordance with LTI 2020, 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 867,487 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. The Board decided to buy back Series B shares to cover commitments under the company's long-term incentive program and 234,000 Series B shares were bought back in the second quarter of 2020.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2020, the AGM resolved to permit the transfer of no more than 300,000 Series B shares to the participants of LTI 2020. The prerequisites and conditions for allotment are listed above, according to which all share awards are regulated through physical delivery of the shares. The AGM also resolved to permit the transfer of a maximum of 500,000 Series B shares to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, arising from previously outstanding long-term performance-based incentive programs (LTI 2017, LTI 2018 and LTI 2019) as well as LTI 2020.

LTI 2017

The performance period for LTI 2017 expired on December 31, 2019. The fundamental requirements for the outcome – a pretax profit for the NCC Group, calculated in total for the entire program period of 2017–2019 and during the final year of the program, 2019 – were not fulfilled. The performance targets for the program, that the combined operating margin for the entire program period would amount to at least 3.5 percent, that annual growth would be at least 2.0 percent and that the number of worksite accidents resulting in one day of absence or more from ordinary work per million working hours would not exceed 7.0, were not achieved. Accordingly, no shares were allotted and no cash payment was made.

LTI 2018

A new LTI program was launched in 2018 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin for the year is used as the financial performance objective, and the OHS target is the number of worksite accidents resulting in one day of absence or more from ordinary work per million working hours. The performance period for LTI 2018 was from January 1, 2018 through December 31, 2020. Since the financial performance objective was not achieved and the OHS target was only partly achieved, only a partial payment will be distributed.

LTI 2019

A new LTI program was launched in 2019 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The overall operating margin for the period is used as the financial performance objective. The performance period for LTI 2019 is from January 1, 2019 through December 31, 2021.

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

NUMBER OF	GROUP		PARENT COMPANY	
	Share awards	Synthetic options	Share awards	Synthetic options
Outstanding at the beginning of the period	419,225	351,337	68,485	68,485
Allocated during the period	246,001	187,858	36,559	36,559
Expired, unallocated	-67,030	-67,030	-7,397	-7,397
Transferred to Group companies			-4,627	-4,627
Forfeited during the period	-25,602	-25,602	-756	-756
Outstanding at the end of the period	572,594	446,563	92,264	92,264
Puttable at the end of the period	0	0	0	0

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

Share awards and synthetic options outstanding have a remaining maturity of two and a half years to a half year, respectively.

Fair value and assumptions for share awards

	LTI 2018		LTI 2019		LTI 2020	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	0	0	8,199	1,294	6,570	947
Share price, SEK	157.30	157.30	151.14	151.14	137.23	137.23
Redemption price, SEK	0	0	0	0	0	0
Option maturity, years	0.5	0.5	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.51	1.51	1.51	1.51	1.51	1.51

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.

Accounting policies

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 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 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 must 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 long-term incentive programs, NCC AB has bought back Series B shares. These are recognized as shares held in treasury and thus reduce equity.

Severance payments

In conjunction with notice of employment termination, a provision is recognized 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 redundancy. 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 remuneration for every personnel category or position, as is a time schedule for the plan's implementation.

Personnel expenses for share-based remunerations

	2020		2019	
	Group	Parent Company	Group	Parent Company
Share awards	4	0	6	1
Synthetic shares	3	1	5	1
Social security expenses	2	0	3	1
Total personnel costs for share-based remunerations	9	1	14	3
Total carrying amount pertaining to liability for synthetic shares	11	2	8	2
Total real value of the liability pertaining to vested benefits	11	2	8	2

Note 6 Depreciation/amortization

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Intangible assets	-75	-59		
Owner-occupied properties	-54	-58		
Owner-occupied properties, right-of-use assets	-290	-270		
Machinery and equipment	-558	-559		-2
Machinery and equipment, right-of-use assets	-435	-461		
Total depreciation/amortization	-1,412	-1,407	0	-2

Accounting policies

Straight-line depreciation based on estimated useful life, or on utilization rate, is applied with due consideration for any residual values at the close of the period. 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

Rights-of-use	In pace with confirmed depletion of net asset value
Software	10-33 percent
Other intangible assets	10-33 percent

Tangible fixed assets

Owner-occupied properties	1.4-10 percent
Land improvements	3.7-5 percent
Pits and quarries	In pace with confirmed depletion of net asset value
Fittings in leased premises	14-20 percent
Machinery and equipment, right-of-use assets	5-33 percent

Note 7 Fees and remuneration to audit firms

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Audit firms				
<i>PwC</i>				
Auditing assignments	18	16	4	3
Audit in addition to the audit assignment	1	2	1	2
Tax consultations				
Other services	1	1	1	1
<i>Other auditors</i>				
Auditing assignments	0	0		
Audit in addition to the audit assignment				
Tax consultations				
Total fees and remuneration to auditors and audit firms	20	19	7	6

During 2020, PwC received approximately SEK 2 M for non-audit services. The services primarily comprised various types of consultation involving accounting and sustainability issues, but no valuation services.

Audit assignments amounted to SEK 18 M, of which SEK 10 M to PwC Sweden. Accounting activities in addition to the audit assignment amounted to SEK 1 M, of which SEK 1 M to PwC Sweden. PwC Sweden did not perform any tax consultancy for NCC. Other services assignments amounted to SEK 1 M, of which SEK 1 M to PwC Sweden.

Note 8 Impairment losses

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Impairment losses on participations in subsidiaries				
Shares in subsidiaries			-97	-50
Total impairment losses on participations in subsidiaries			-97	-50
Impairment losses on other fixed assets				
Owner-occupied properties	-8	-13		
Machinery and equipment	-16	-8		
Other intangible assets		-1		
Impairment losses on other fixed assets	-24	-22		
Total impairment losses	-24	-22	-97	-50

Accounting policies

When necessary, although at least once a year, NCC conducts impairment testing of the assets' carrying amounts. An impairment requirement arises when the recoverable amount is less than the carrying amount.

Note 9 Result from participations in Group companies

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Dividend			1,154	533
Capital gain/loss on sale	9	18		
Impairment losses			-97	-50
Total	9	18	1,057	482

Note 10 Operating expenses by type of cost

Group	2020	2019
Production-related goods and services, plus raw materials and supplies	39,710	43,138
Change in inventory	-54	106
Personnel expenses	11,488	12,295
Depreciation/amortization	1,412	1,407
Impairment losses	24	22
Total production costs, and selling and administrative costs	52,580	56,967

Note 11 Interest expense and similar items

Parent Company	2020	2019
Interest expense, Group companies	-9	-17
Interest expense to credit institutions	-10	-18
Financial portion of pension cost	-4	-3
Interest expense, others		-4
Exchange-rate differences	-3	
Other financial items	-4	
Total	-30	-42

Accounting policies

Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's cost when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a significant period of time to get ready for its intended use or sale, 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 projects. Other borrowing costs are expensed on a continuous basis 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.

Note 12

Net financial items

Group	2020	2019
Interest income and financial assets measured at fair value	3	3
Interest income on financial assets measured at amortized cost	6	9
Interest income on bank balances	2	2
Net gain on financial assets/liabilities measured at fair value	14	15
Net exchange-rate changes	2	2
Other financial income	4	3
Financial income	30	34
Interest expense on financial liabilities measured at amortized cost	-91	-129
Other financial expenses	-18	-17
Financial expenses¹⁾	-110	-146
Net financial items	-80	-112
Of which, changes in value calculated using valuation techniques	2	4

¹⁾Interest payments of SEK 58 M (53) have been capitalized.

Note 13

Effects on profit or loss of exchange-rate changes

Group	2020 exchange rates 2019 ¹⁾	2020	Exchange- rate effect
Net sales	54,711	53,922	-789
Operating profit	1,369	1,360	-9
Profit after financial items	1,282	1,281	-2
Net profit for the year	1,270	1,259	-11

¹⁾Figures for 2020 converted at 2019 exchange rates.

Country	SEK	Currency	AVERAGE EXCHANGE RATE JAN-DEC		YEAR-END RATE	
			2020	2019	2020	2019
Denmark	100	DKK	140.68	141.83	134.98	140.04
EU	1	EUR	10.49	10.59	10.04	10.46
Norway	100	NOK	97.86	107.47	95.46	105.97
Russia	1	RUR	0.13	0.15	0.11	0.15

Note 14

Appropriations

Parent Company	APPROPRIATIONS	
	2020	2019
Group contributions received	153	577
Total	153	577

Note 15

Equity

Specification of the item Reserves in equity	2020	2019
Group		
Translation reserve		
Translation reserve, January 1		-43
The year's exchange differences on translating foreign operations	-124	43
Translation difference attributable to divested operations	-3	
Translation reserve, December 31	-127	0
Fair value reserve		
Fair value reserve, January 1		
Fair value reserve, December 31	0	0
Hedging reserve		
Hedging reserve, January 1	-23	-29
Fair value changes for the year in cash flow hedges	-13	-4
Fair value changes in cash flow hedges transferred to net profit/loss for the year	21	12
Tax attributable to cash flow hedges	-2	-2
Hedging reserve, December 31	-17	-23
Revaluation reserve		
Revaluation reserve, January 1	1	1
Revaluation reserve, December 31	1	1
Total reserves		
Reserves, January 1	-23	-72
Change in reserves during the year		
- Translation reserve	-127	43
- Hedging reserve	6	6
Reserves, December 31	-144	-23

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 remeasurement of liabilities and currency forward contracts entered into as instruments to hedge net investments in foreign operations.

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income.

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 step acquisitions, multi-stage acquisitions, meaning an increase in the fair value of previously owned portions of net assets resulting from step acquisitions.

Note 16 Intangible assets

2020	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				Development expenses
	Goodwill	Usufructs	Other	Total other	
Recognized cost on January 1	2,127	282	665	947	38
Investments		18	6	24	
Divestment and scrappage	-19	-50	-9	-59	
Reclassifications		12	-11	1	-38
Translation differences during the year	-88	-8	-13	-21	
Recognized cost on December 31	2,020	254	639	893	0
Accumulated depreciation on January 1	-2	-177	-344	-522	
Divestment and scrappage		47	8	55	
Translation differences during the year	2	5	4	9	
Amortization according to plan during the year		-11	-64	-75	
Accumulated depreciation on December 31	0	-137	-395	-532	
Accumulated impairment losses on January 1	-232	-16	-40	-57	-38
Divestment and scrappage	5				
Reclassifications			38	38	38
Translation differences during the year	6				
Impairment losses for the year					
Accumulated impairment losses on December 31	-221	-16	-2	-18	0
Residual value on January 1	1,893	89	280	368	0
Residual value on December 31	1,800	102	241	342	0

2019	GROUP				PARENT COMPANY
	ACQUIRED INTANGIBLE ASSETS				Development expenses
	Goodwill	Usufructs	Other	Total other	
Recognized cost on January 1	2,092	264	594	858	38
Investments		2	22	24	
Divestment and scrappage		-6		-6	
Reclassifications		18	44	62	
Translation differences during the year	35	4	5	9	
Recognized cost on December 31	2,127	282	665	947	38
Accumulated amortization on January 1	-1	-170	-294	-464	
Divestment and scrappage		5	1	5	
Translation differences during the year	-1	-2	-2	-4	
Amortization according to plan during the year		-10	-49	-59	
Accumulated amortization on December 31	-2	-177	-344	-522	
Accumulated impairment losses on January 1	-229	-15	-40	-56	-38
Translation differences during the year	-3				
Impairment losses for the year		-1		-1	
Accumulated impairment losses on December 31	-232	-16	-40	-57	-38
Residual value on January 1	1,861	79	260	339	0
Residual value on December 31	1,893	89	280	368	0

Goodwill per operating segment

Operating segments	2020	2019
NCC Infrastructure	252	257
NCC Building Sweden	233	233
NCC Building Nordics	304	343
NCC Industry	1,010	1,060
Total, NCC Group	1,800	1,893

NOTE 16 Intangible assets, cont'd

Impairment testing of goodwill in cash-generating units

Impairment testing of goodwill in the Group occurs annually and at any point when indications of a value decline have been identified. The Group has five cash-generating units, which correspond to business areas and similarly to operating segments.

Annual impairment testing is conducted in conjunction with the third quarter based on the future cash flow of the units, taking into account the market's yield requirement and the units' risk profile. In most cases, the impairment risk is adjudged to be low and, in these cases, testing occurs using a simplified model. The following critical assumptions have been used in the model:

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.

Operating margin: Expected operating margin has been set at a three-year average. The assumption has been based on previous experience.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2020, with a growth rate equal to the sustainable long-term growth rate. The assumption has been based on previous experience and estimates of future requirements.

Discount 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 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 rates for the various cash-generating units are as follows: Infrastructure 8.5 (7.3), Building Sweden 8.3 (7.0), Building Nordics 8.5 (7.3) and Industry 5.2 (4.2). The WACC for the Industry segment is lower than for other segments due to the segment's capital structure, which enables a larger degree of indebtedness than for other segments, which thus reduces their weighted cost of capital. The discount rate for the Group as a whole is 8.3 (7.0) percent after tax.

Impairment and risk analyses

The year's impairment testing was based on cash flow forecasts for 2021-2024. The average growth rate during the forecast period corresponds to about 2 percent for all business areas.

The anticipated operating margin is based on the latest available forecast for each of the business areas.

The year's impairment testing showed that there was no impairment requirement for any of the segments in the event of an increase in the discount rate by half of a percentage point. Nor was there any impairment requirement in the event of a decrease in the operating margin by half of a percentage point or a decrease in the long-term growth rate by one percentage point.

Other intangible assets

Rights-of-use include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to longer periods.

Amortization of quarries occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel. The other intangible assets consist mainly of software and licenses.

The periods of use range from three to five years and amortization is applied on a straight-line basis.

Accounting policies

Intangible fixed assets are recognized at cost less accumulated impairment losses and amortization.

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized but is impairment tested annually. 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. This type of usufructs is not covered by IFRS 16, Leases. For amortization periods for intangible assets, refer to Note 6.

Impairment losses

When necessary, although at least once a year, NCC conducts impairment testing of the assets' carrying amounts. An impairment requirement arises when the recoverable amount is less than the carrying amount.

Important estimates and assessments**Valuation of goodwill**

Goodwill is measured at the lower of cost and recoverable amount.

Several assumptions and estimates 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 discount rate. If these assumptions change, the value of the remaining goodwill could be affected.

Note 17
Tangible fixed assets

2020	GROUP			PARENT COMPANY
	Owner-occupied properties	Machinery and equipment	Total	Machinery and equipment
Recognized cost on January 1	1,575	7,853	9,428	62
Investments	46	555	601	
Divestment and scrappage	-118	-640	-757	-62
Discontinued operations	-3	-47	-50	
Reclassifications	52	-97	-45	
Translation differences during the year	-46	-283	-329	
Recognized cost on December 31	1,506	7,341	8,847	0
Accumulated impairment losses and depreciation on January 1	-677	-5,262	-5,938	-59
Divestment and scrappage	90	571	661	59
Discontinued operations		22	22	
Reclassifications		6	6	
Translation differences during the year	17	181	198	
Impairment losses for the year ¹⁾	-8	-16	-24	
Depreciation during the year	-54	-558	-612	
Accumulated impairment losses and depreciation on December 31	-631	-5,056	-5,687	0
Accumulated write-ups at beginning of the year		21	21	
Accumulated write-ups on December 31		21	21	
Residual value on January 1	899	2,611	3,510	3
Residual value on December 31	875	2,306	3,181	0
¹⁾ Accumulated impairment losses on December 31	-42	-67	-109	

Note 17 Intangible assets, cont'd

2019	GROUP			PARENT COMPANY
	Owner-occupied properties	Machinery and equipment	Total	Machinery and equipment
Recognized cost on January 1	1,524	7,937	9,461	82
Investments	100	810	909	33
Divestment and scrapping	-59	-583	-642	
Reclassifications	-9	-403	-412	-52
Translation differences during the year	20	92	112	
Recognized cost on December 31	1,575	7,853	9,428	62
Accumulated impairment losses and depreciation on January 1	-609	-5,400	-6,008	-57
Divestment and scrapping	7	461	468	
Reclassifications	3	295	298	
Translation differences during the year	-8	-51	-59	
Impairment losses for the year ¹⁾	-13	-8	-21	
Depreciation during the year	-58	-559	-617	-2
Accumulated impairment losses and depreciation on December 31	-677	-5,262	-5,938	-59
Accumulated write-ups at beginning of the year		21	21	
Accumulated write-ups on December 31		21	21	
Residual value on January 1	915	2,559	3,474	24
Residual value on December 31	899	2,611	3,510	3
¹⁾ Accumulated impairment losses on December 31	-36	-55	-91	

Accounting policies

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 and are recognized in accordance with IAS 16 Tangible fixed assets. They are recognized at cost, based on an external valuation conducted in connection with the acquisition, less accumulated depreciation and any impairment losses. Land is not depreciated.

Machinery and equipment

Machinery and equipment are recognized, according to IAS 16 Tangible fixed assets, at cost less accumulated depreciation and any impairment losses. Cost

includes the purchase price and expenses directly attributable to the asset for bringing it to the place and condition for use according to the purpose of the acquisition. For all depreciation periods, refer to Note 6.

Important estimates and assumptions

Additional expenses are added to carrying amount of the asset only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. All other types of maintenance of tangible fixed assets is expensed in the income statement.

Note 18 Shares in Group companies

Parent Company	Name of company, Corp. ID No., Registered office	Ownership share, % ¹⁾	No. of participations ²⁾	CARRYING AMOUNT	
				2020	2019
Property companies:					
	NCC Property Development Nordic AB, 556743-6232, Solna	100	1	963	962
	Total participations in property companies			963	962
Other companies:					
	NCC Danmark A/S, 69 89 40 11, Denmark	100	400	133	132
	NCC Construction Norge AS, 911 274 426, Norway	100	17,500	1,119	1,119
	NCC Sverige AB, 556613-4929, Solna	100	500	414	413
	NCC Försäkringsaktieföretag, 516401-8151, Solna	100	500	78	78
	NCC International AB, 556033-5100, Solna	100	1,000	4	4
	NCC Purchasing Group AB, 556104-9932, Solna	100	2	1	1
	NCC Suomi Oy, 1765514-2, Finland	100	4	94	94
	NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,641	1,641
	NCC Treasury AB, 556030-7091, Solna	100	120	16	16
	Nordic Road Services Holding AB, 559172-2227, Stockholm	100	50	67	52
	8Industries AB, 559149-5550, Solna	100	500		
	Total shares in other companies			3,567	3,549
	Total shares in Group companies			4,530	4,511

¹⁾ The ownership share corresponds to the shareholding. ²⁾ Number of shares in thousands.

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the purchase method. NCC's assessment is that it has no controlling interest in any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 142 (137). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

Accounting policies

Companies in which the Parent Company has a controlling interest, normally through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling interest is defined as power over the investee, exposure or 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. Participations in subsidiaries are recognized in the Parent Company at cost. Should the recoverable amount of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue.

Note 19 Investments in associated companies and joint ventures

Group	Name of company, Corp. ID No., Registered office	Owner- ship share, % ¹⁾	No. of partici- pations ²⁾	CARRYING AMOUNT	
				2020	2019
	Asfalt & Maskin AS, 960 585 593, Norway	50		5	7
	Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	1	2
	Oraser AB, 556293-2722, Stockholm	50	1	5	5
	Sjællands Emulsionsfabrik I/S, 18004968, Denmark	50		6	6
	SHH Invest nr 49 AB, 556889-3746, Stockholm				16
	Östhammarkrossen KB, 916673-1365, Uppsala	50		7	5
	Other NCC-owned associated companies 10 (10)			1	1
Total				25	40

¹⁾ The ownership share corresponds to the proportion of votes for the total number of shares.

²⁾ Number of shares in thousands.

Accounting policies

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. In accordance IFRS 11 Joint Arrangements, what we recognize as joint ventures are those joint arrangements in which the parties involved have a joint influence and the parties have the right to the net assets.

Participations in associated companies and joint ventures are consolidated in accordance with the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

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 participations in associated companies," which is part of operating profit. Amounts are recognized net after taxes.

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

Note 20 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	2020	2019
Revenue	1,271	860
Expenses	-1,241	-823
Profit	30	37
Fixed assets	33	33
Current assets	2,880	1,462
Total assets	2,913	1,495
Long-term liabilities	22	15
Current liabilities	2,728	1,370
Total liabilities	2,750	1,385
Net assets	163	110

The joint operations category also includes partly owned construction 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 I/S	50
Handelsbolag NCC-DPR Data Centre Contractors	50
HNB Fjernvarme I/S	70
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristonni 2	50
Kiinteistö Oy Polaristonni 3	50
Milman Miljöuddring	50
NCC-LHR Gentofte Konsortiet I/S	65
NCC-OHL Lund-Arlöv, fyra spår HB	50
NCC/SMET Konsortiet I/S	50
NCC/SMET Østerbro Tunnel Konsortiet I/S	50
NCC-W&F West Link Contractors HB	60
NFO Konsortiet I/S	50
Polaris Business Park Oy	50
Handelsbolag NCC Anjo Projekt Fyra	50
Konsortiet Nyt Assens Renseanlæg I/S	50

Accounting policies

Joint arrangements are defined by NCC 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 information on joint ventures, refer to Note 19, Investments in associated companies and joint ventures. A joint arrangement is recognized as a joint operation in accordance IFRS 11 Joint Arrangements when NCC has a right to the assets and also has obligations related to the liabilities that the arrangement entails.

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

Note 21 Financial investments

Group	2020	2019
Financial investments classified as fixed assets		
<i>Fair value through other comprehensive income, equity instruments</i>		
Unlisted securities	68	74
Total	68	74
Short-term investments classified as current assets		
<i>Financial assets measured at amortized cost</i>		
Interest-bearing securities	104	10
<i>Investments measured at amortized cost</i>		
Interest-bearing securities	70	52
Total	174	63

Financial assets measured at amortized cost had an established interest rate ranging from -0.4 percent (-0.4) to 0.7 percent (0.7), and had due dates ranging from 2 to 14 months.

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

Note 22 Financial fixed assets

Parent Company, 2020	Participations in Group companies	Other long-term securities	Other long-term receivables ¹⁾	Total
Recognized cost on January 1	6,548	45	5	6,599
Assets added	115		20	135
Recognized cost on December 31	6,664	45	25	6,734
Accumulated write-ups on January 1				
Accumulated write-ups on December 31				
Accumulated impairment losses on January 1	-2,037			-2,037
Impairment losses for the year	-97			-97
Accumulated impairment losses on December 31	-2,134			-2,134
Residual value on December 31	4,530	45	25	4,600
Parent Company, 2019				
Recognized cost on January 1	13,924	45	8	13,977
Assets added	70			70
Transferred within the Group	14			14
Reclassifications	-3,618			-3,618
Assets removed	-3,842		-2	-3,844
Recognized cost on December 31	6,548	45	5	6,599
Accumulated write-ups on January 1				
Accumulated write-ups on December 31				
Accumulated impairment losses on January 1	-8,406			-8,406
Reclassifications	3,618			3,618
Assets removed	2,801			2,801
Impairment losses for the year	-50			-50
Accumulated impairment losses on December 31	-2,037			-2,037
Residual value on December 31	4,511	45	5	4,562

¹⁾ The item also includes deferred tax assets.

Accounting policies

Financial fixed assets are recognized at fair value or amortized cost. Impairment losses are posted if the fair value is less than the cost. The Parent Company recognizes participations in subsidiaries at cost and, where applicable, taking into account write-ups or impairment losses.

Note 23**Long-term interest-bearing receivables and other receivables**

Group	2020	2019
Long-term interest-bearing receivables classified as fixed assets		
Receivables from associated companies and joint ventures	6	5
Interest-bearing securities ¹⁾	109	128
Other long-term interest-bearing receivables	11	11
Long-term interest-bearing receivables classified as fixed assets	125	144
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	5	7
Receivables from divested property and housing projects	53	101
Advance payments to suppliers	4	
Derivative instruments held for hedging	18	60
Other current receivables	660	386
Other receivables classified as current assets	740	555

NCC's subsidiary, NCC Försäkringsaktiebolag, as an insurance company, must have investment assets that cover technical liabilities for own account. In 2020 and 2019, these requirements were fulfilled. These investment assets pertain to interest-bearing securities, as specified in the table.

¹⁾ Carrying amount is a reasonable estimation of fair value. For due dates, refer to Note 21, Financial investments.

Note 24**Tax on net profit for the year, deferred tax assets and deferred tax liabilities**

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Tax on net profit for the year				
Current tax cost	-97	-320	1	-99
Deferred tax revenue/cost	75	12	20	-2
Total recognized tax on net profit for the year	-22	-309	21	-102

Effective tax	GROUP				PARENT COMPANY			
	2020		2019		2020		2019	
	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Pretax profit		1,281		1,184		1,074		935
Tax according to company's current tax rate	-21%	-274	-21%	-253	-21%	-230	-21%	-200
Effect of other tax rates for non-Swedish companies	0%	-2	0%	-5				
Amended tax rate ¹⁾	0%	-2			0%	-1		
Other non-tax-deductible costs	-4%	-57	-3%	-30	-2%	-21	-1%	-13
Non-taxable revenues	17%	223	9%	105	23%	251	13%	118
Tax effects resulting from utilization of non-capitalized tax loss carryforwards	0%	-1						
Tax effects resulting from non-capitalized tax loss carryforwards	0%	-3						
Tax attributable to prior years	6%	71	-4%	-52	1%	6	0%	1
Other	2%	24	-6%	-74	1%	16	-1%	-7
Average tax rate / recognized tax	-2%	-22	-26%	-309	2%	20	-11%	-102

¹⁾ Effective 2021, the tax rate in Sweden will change from 21.4 percent to 20.6 percent.

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

Tax items recognized directly in Other comprehensive income

	GROUP	
	2020	2019
Deferred tax on cash flow hedges	-2	-2
Deferred tax attributable to the revaluation of defined-benefit pension plans	-23	95
Total	-25	93

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

Change in deferred tax in temporary differences and tax loss carryforwards

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening carrying amount	354	234	5	8
Acquisition of subsidiaries	7			
Recognized tax on net profit for the year	77	12	21	-2
Amended tax rate ¹⁾	-2		-1	
Tax items recognized in other comprehensive income	-2	-2		
Tax item, revaluation of defined-benefit pension plans recognized in other comprehensive income	-23	95		
Translation differences	-37	14		
Other	16	2		
Closing carrying amount	391	354	25	5

¹⁾ Effective 2021, the tax rate in Sweden will change from 21.4 percent to 20.6 percent.

Group	ASSETS		LIABILITIES		NET	
	2020	2019	2020	2019	2020	2019
Tangible fixed assets		10				10
Financial fixed assets			-1		-1	
Non-completed projects			-820	-948	-820	-948
Properties held for future development			41	36	41	36
Untaxed reserves			-222	-172	-222	-172
Provisions	272	266			279	266
Personnel benefits/pension provisions	604	621			597	621
Loss carryforwards ¹⁾	466	487			466	487
Other	54	43	-2	12	52	55
Deferred tax assets/Deferred tax liability	1,395	1,427	-1,004	-1,072	391	354
Offsetting	-808	-903	808	903		
Net deferred tax assets/deferred tax liability	587	524	-196	-170	391	354

¹⁾ Of the Group's deferred tax assets concerning loss carryforwards totaling SEK 466 M (487), SEK 465 M (475) pertains to operations in Norway. The loss carryforwards may be utilized against future profits, with no time limitations, and NCC's assessment is that there are factors that convincingly indicate that this will be the case. The operations have a track record of operating at a profit, market conditions are favorable and the losses incurred are a function of structural and project-specific difficulties. To manage these, NCC initiated and launched a comprehensive action program in the final quarter of 2018, which is proceeding as planned.

Parent Company	ASSETS		LIABILITIES		NET	
	2020	2019	2020	2019	2020	2019
Provisions	25	5			25	5
Net deferred tax assets/deferred tax liability	25	5			25	5

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 do they arise from other participations owned by NCC companies in other countries.

Accounting policies

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the underlying transactions are recognized in other comprehensive income, with the relating tax effects recognized in other 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 and for carry-forward of unused tax losses.

Deferred tax assets and liabilities are calculated based on 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 or in other comprehensive income for the tax items included there.

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.

Note 25

Properties classified as current assets

Group, 2020	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ¹⁾	Properties held for future development, housing	Completed housing units	Participations in associated companies	Total
Recognized cost on January 1	1,469	3,053	1,033	5,555	49	63	263	5,930
Investments	491	2,621	212	3,324			29	3,353
Divestment and scrappage	-43	-383	-1,598	-2,024				-2,024
Reclassifications	-333	-563	947	52	-49		7	10
Translation differences during the year	-35	-110	-4	-148			-4	-152
Recognized cost on December 31	1,550	4,619	590	6,759	0	63	295	7,117
Accumulated impairment losses on January 1	-78	-11	-97	-186	-49	-63		-298
Divestment and scrappage	19	2		21				21
Reclassifications					49			49
Translation differences during the year	2		3	5				5
Accumulated impairment losses on December 31	-58	-9	-94	-160	0	-63		-223
Residual value on January 1	1,391	3,042	936	5,369	0	0	263	5,632
Residual value on December 31	1,492	4,610	496	6,599	0	0	295	6,894

¹⁾ Pertains primarily to properties classified as current assets recognized in NCC Property Development.

Group, 2019	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ¹⁾	Properties held for future development, housing	Completed housing units	Participations in associated companies	Total
Recognized cost on January 1	1,751	2,303	403	4,457		63	226	4,745
Investments	530	2,666	52	3,248			33	3,281
Divestment and scrappage	-213	-1,174	-821	-2,208				-2,208
Reclassifications	-631	-761	1,391		51		5	56
Translation differences during the year	32	19	8	58	-2			56
Recognized cost on December 31	1,469	3,053	1,033	5,555	49	63	263	5,930
Accumulated impairment losses on January 1	-118	-11	-95	-225		-63		-287
Divestment and scrappage	43			43				43
Reclassifications					-51			-51
Translation differences during the year	-3		-2	-5	2			-3
Accumulated impairment losses on December 31	-78	-11	-97	-186	-49	-63		-298
Residual value on January 1	1,633	2,292	308	4,233	0	0	226	4,459
Residual value on December 31	1,391	3,042	936	5,369	0	0	263	5,632

¹⁾ Pertains primarily to properties classified as current assets recognized in NCC Property Development.

For further information concerning ongoing property projects, refer to p. 17.

Accounting policies

Properties classified as current assets are held for development and sale as part of operations.

The Group's property holdings classified as property projects are recognized continuously in the balance sheet according to IAS 2 Inventory when the intention is to sell the properties on completion. The property holdings are measured at the lower of cost and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

Property projects

Property projects within NCC Property Development are recognized divided as follows:

- Properties held for future development
- Ongoing property projects
- Completed property projects

Properties held for future 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.

Any rental revenues that may accrue from these properties are recognized continuously in profit or loss until leasing ceases.

Ongoing property projects

Properties held for future development are classified 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 classified as completed property projects when the property is ready for occupancy, excluding adjustments to tenant requirements in those properties whose premises are not fully let. 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. The smallest unit that can be classified is an entire building that can be sold separately.

It is estimated that four ongoing property projects will be recognized in profit in 2021; also refer to p. 17 for further information.

Completed property projects

Completed property projects can only be derecognized from the balance sheet due to a sale.

Note 25 Properties classified as current assets

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, letting 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.

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 letting is divided by the project's estimated yield requirement. Unlet space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed letting 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.

Important estimates and assessments

Valuation of properties classified as current assets

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. A change in the assumptions made could give rise to an additional impairment requirement.

Note 26
Materials and inventory

Group	2020	2019
Stone materials	657	649
Building materials	150	167
Other	146	192
Total	953	1,008

Accounting policies

Inventory is measured at the lower of cost and net realizable value according to IAS 2 Inventory. Cost is established using the first-in-first-out method (FIFO).

Note 27
Share capital

Changes in share capital		Number of shares	Share capital, SEK M
2019	End of year	108,435,822	867
2020	End of year	108,435,822	867

Series B treasury shares

		Number of shares
2018	End of year	402,050
2019	Repurchases	128,217
2019	End of year	530,267
2020	Repurchases	234,000
2020	End of year	764,267

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8 each. During the year, 213,813 Series A shares (128,766) were converted into Series B shares.

The shares are distributed into the following classes:

	Series A shares	Series B shares	Total
Number	12,995,316	95,440,506	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right. A specification of changes in shareholders' equity is presented in Note 15.

Series A and B shares, excluding shares held in treasury

	Series A shares	Series B shares	Total Series A and Series B
No. of shares on Dec. 31, 2018	13,337,895	94,695,877	108,033,772
Conversion of Series A to Series B shares 2019	-128,766	128,766	
Treasury shares 2019		-128,217	-128,217
No. of shares on Dec. 31, 2019	13,209,129	94,696,426	107,905,555
Conversion of Series A to Series B shares 2020	-213,813	213,813	
Treasury shares 2020		-234,000	-234,000
No. of shares on Dec. 31, 2020	12,995,316	94,676,239	107,671,555
Number of voting rights	129,953,160	94,676,239	224,629,399
Percentage of voting rights	58	42	100
Percentage of share capital	12	88	100
Closing price, Dec. 31, 2020	149.50	150.00	
Market capitalization, SEK M	1,943	14,201	16,144

Accounting policies

The repurchase of shares, including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings.

Note 28
Interest-bearing liabilities

Group	2020	2019
Long-term liabilities		
Liabilities to credit institutions and investors ¹⁾	2,501	2,504
Lease liabilities	1,464	1,140
Other long-term loans		5
Total	3,965	3,649
Current liabilities		
Current portion of liabilities to credit institutions and investors ¹⁾		200
Liabilities to associated companies	6	12
Lease liabilities, current portion	591	592
Other current liabilities	8	45
Total	606	848
Total interest-bearing liabilities	4,571	4,498

¹⁾ Including loan of SEK 800 M (1,000) from the NCC Group's Pension Foundation, of which, SEK 0 M (200) is current.

For repayment schedules and terms and conditions, see Note 37 Financial instruments and financial risk management.

Interest-bearing long-term liabilities pertaining to pensions is recognized in the balance sheet under Provisions for pensions and similar obligations.

Note 28 Interest-bearing liabilities

Parent Company	2020	2019
Long-term liabilities		
Loan from the NCC Group's Pension Foundation	800	800
Total	800	800
Current liabilities		
Group companies	751	1,470
Loan from the NCC Group's Pension Foundation		200
Total	751	1,670
Total interest-bearing liabilities	1,551	2,470

For repayment schedules and terms and conditions, see Note 37 Financial instruments and financial risk management.

Note 29 Other provisions

Group, 2020	Guarantees	Other	Total
On January 1	1,389	1,412	2,801
Provisions during the year	531	747	1,278
Amount utilized during the year	-474	-623	-1,097
Reversed, unutilized provisions	-60	-192	-252
Reclassifications	-50	-8	-58
Translation differences	-33	-34	-67
On December 31	1,303	1,302	2,605

Group, 2019	Guarantees	Other	Total
On January 1	1,335	1,296	2,631
Provisions during the year	519	475	994
Amount utilized during the year	-418	-398	-816
Reversed, unutilized provisions	-60	-6	-66
Reclassifications		38	38
Translation differences	13	7	20
On December 31	1,389	1,412	2,801

Parent Company, 2020	Guarantees	Other	Total
On January 1		6	6
Amount utilized during the year			
On December 31		6	6

Parent Company, 2019	Guarantees	Other	Total
On January 1		7	7
Amount utilized during the year		-1	-1
On December 31		6	6

Specification of other provisions and guarantees

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Restoration reserve	212	198		
Restructuring costs	19	24		
Other	1,070	1,190	6	6
Other provisions	1,302	1,412	6	6
Guarantee commitments	1,303	1,389		
Total	2,605	2,801	6	6

Accounting policies

The provisions comprise additional costs plus uncertainty in projects as well as outstanding claims and legal matters. Some provisions are intended to cover project losses arising in operations and is utilized gradually as the project is worked up. 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

Guarantee provisions pertain to anticipated future expenses. 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

Provisions for restoration costs are made when such commitments arise and are designed to cover future costs. Provisions are made for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on a continuous basis when activities are related to additional extractions at pits and quarries. 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 provisions

A restructuring provision 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.

Important estimates and assessments

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. This estimate is based on calculations, assessments and experience from previous transactions.

Note 30 Pensions

Pensions are recognized in accordance with IAS 19 Post-employment remuneration. The NCC Group has defined-benefit pension plans in Sweden and Norway.

In Sweden, NCC's pension commitment comprise 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 80 percent of the total portfolio. In addition, there are four small defined-benefit plans, all of which are blocked from new vesting. All of these plans are funded in the NCC Group's Pension Foundation.

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 ITP2 plan.

The risks associated with the Swedish pension plans are:

- Interest-rate risk; that with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk: the debt will increase with higher pay rises.
- Volatility of assets; the portfolio contains mostly share funds, whose prices 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 vesting, the risks in these plans are significantly smaller than described above.

Pension cost

Group	2020	2019
<i>Defined-benefit plans:</i>		
Current service cost	265	236
Interest expense	133	169
Estimated return on plan assets	-94	-121
Total cost of defined-benefit plans	304	284
Total cost of defined-contribution plans	480	544
Payroll taxes and yield tax	-1	-107
Total cost of post-employment remuneration	783	721

Current service cost is recognized in operating profit and interest expenses, while the estimated 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 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2020 fiscal year, NCC did not have access to the type of information required for recognizing its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to recognize 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 0.10 percent (0.19).

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 could 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 2020, Alecta's surplus in the form of its collective solvency rate was 148 percent (148).

Defined-benefit obligations and the value of plan assets

Group	2020	2019
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	8,598	8,159
Fair value of plan assets	6,317	5,871
Net value of obligations funded in full or in part	2,281	2,288
Special payroll tax/employer contributions	551	552
Net amount in balance sheet (commitment +, asset -)	2,832	2,840
Net amount is recognized in the following balance-sheet items:		
Provisions for pensions and similar obligations	2,832	2,840
Net amount in balance sheet (commitment +, asset -)	2,832	2,840
Net amount is distributed among plans in the following countries:		
Sweden	2,823	2,829
Norway	10	11
Net amount in balance sheet (commitment +, asset -)	2,832	2,840

Change in obligation for defined-benefit plans

Group	2020	2019
Obligation for defined-benefit plans on January 1	8,158	7,044
Remuneration paid	-206	-200
Current service cost plus interest expense	398	403
Actuarial gains and losses on changed experience-based assumptions	-56	112
Actuarial gains and losses on changed financial assumptions	305	798
Obligation for defined-benefit plans on December 31	8,598	8,158

The weighted average maturity for the plans is 20 years (21).

Change in plan assets

Group	2020	2019
Fair value of plan assets on January 1	5,871	5,208
Contribution by employer	22	5
Compensation	-8	-18
Estimated return	94	122
Actuarial gains and losses	338	555
Fair value of plan assets on December 31	6,317	5,871
The plan assets comprise:		
Swedish stock market, listed	1,159	1,131
International stock market, listed	1,627	1,098
Hedge funds, listed	932	774
Interest-bearing securities, listed	1,589	1,857
Interest-bearing securities, unlisted	1,010	1,011
Fair value of plan assets on December 31	6,317	5,871

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

Actuarial assumptions, weighted average value, %

Group	2020	2019
Discount rate, %	1.13	1.60
Future salary increases, %	2.50	2.80
Anticipated inflation, %	1.50	1.80
Useful life assumption at 65 years, years	22.4	22.5

In Sweden, DUS14 is applied.

Sensitivity analysis; percentage impact on the size of the assumption at December 31, 2020

Group	Increase, %	Decrease, %
Discount rate, 0.5 percentage points change	-10.0	8.8
Future salary increases, 0.5 percentage points change	2.9	-3.0
Anticipated inflation, 0.5 percentage points change	6.9	-7.6
Useful life assumption at 65 years, 1 year change	4.3	-4.3

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 SEK 0 M will be paid in 2020 to funded and unfunded defined-benefit plans.

Note 30 Pensions, cont'd.

Pension costs

Parent Company	2020	2019
<i>Proprietary pension payments</i>		
Proprietary costs, excluding interest expense	10	12
Interest expense	4	3
Cost of proprietary pension payments	14	15
<i>Pension payments through insurance</i>		
Insurance premiums	18	18
Subtotal	32	33
Special payroll tax on pension costs	5	3
Pension costs during the year	37	36

Capital value of pension obligations

Parent Company	2020	2019
Capital value of pension obligations pertaining to proprietary pension payments on January 1	188	181
Cost, excluding interest expense, charged against profit	10	12
Interest expense	4	3
Pension payments	-9	-9
Capital value of pension obligations pertaining to proprietary pension payments on December 31	193	188

Fair value of especially detached assets

Parent Company	2020	2019
Fair value of especially detached assets on January 1	218	216
Return on especially detached assets	8	12
Payment from pension foundations		-10
Fair value of especially detached assets on December 31	226	218
<i>Fair value of especially detached assets distributed as:</i>		
Shares	99	83
Funds	34	28
Interest-bearing receivables	93	107
Fair value of especially detached assets on December 31	226	218

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 800 M (1,000) from NCC AB.

Otherwise, the pension foundations have no financial instruments issued by the company or assets used by the company.

Net pension obligation

Parent Company	2020	2019
Capital value of pension obligations pertaining to proprietary pension payments on December 31	193	188
Fair value of especially detached assets on December 31	226	218
Surplus on especially detached assets	33	30
Net recognized pension obligation	0	0

Assumptions for defined-benefit obligations

Parent Company	2020	2019
Discount rate on December 31	1.13	1.60

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

Accounting policies

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 commitments 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 commitments	Defined-contribution pension commitments
Sweden	X	X
Denmark		X
Finland		X
Norway	X	X
Other countries		X

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 commitment. Each unit is calculated separately and they jointly constitute the total commitment on the balance-sheet date. The intention of the principle is to expense pension payments straight-line over the term of employment. 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 above. The interest rate on first-class housing bonds is used as the basis for calculating the discount rate for Swedish pension plans. Swedish defined-benefit pension commitments are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed commitment. Changes in plan assets and commitments 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 for recognizing pension debt, pertains mainly to how the discount rate is determined, the fact that the calculation of defined-benefit commitments is based on the current salary level without assuming future salary increases and the fact that all actuarial gains and losses are recognized in profit or loss when they arise.

Important estimates and assessments

Pension obligations

Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the plan assets and pension commitments. These actuarial assumptions, and a sensitivity analysis, are described above.

Note 31 Other liabilities

Group	2020	2019
Other long-term liabilities		
Derivative instruments held for hedging	3	1
Other long-term liabilities	57	51
Total	60	52
Other current liabilities		
Advances from customers	525	853
Liabilities to associated companies	7	7
Derivative instruments held for hedging	68	73
Liabilities, property acquisitions	126	1
Other current liabilities	1,204	943
Total	1,930	1,878

Note 32 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Payroll-related costs	2,369	2,327	36	38
Financial expenses		1		
Prepaid rental revenues	4	2		
Prepaid revenues from rental guarantees	84	92		
Project-related costs	769	1,022		
Administrative costs	62	102	7	12
Operating and sales costs	308	298		3
Other expenses	132	33	1	4
Total	3,727	3,878	44	57

Note 33 Related-party transactions

The companies classified as being closely related to the NCC Group are primarily NCC's subsidiaries, associated companies and joint arrangements.

The Parent Company has a related party relationship with its subsidiaries; see Note 18, Participations in Group companies. For information on NCC's senior executives, see Note 5, Number of employees, personnel expenses and remuneration of senior executives. For transactions with the NCC Group's Pension Foundation, see Notes 30 and 37.

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

Group	2020	2019
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	36	66
Purchases from associated companies and joint arrangements	3	24
Dividend from associated companies		5
Long-term receivables from associated companies and joint arrangements	6	5
Current receivables from associated companies and joint arrangements	9	20
Interest-bearing liabilities to associated companies and joint arrangements	6	12
Operating liabilities to associated companies and joint arrangements	9	11
Parent Company	2020	2019
Transactions with Group companies		
Sales to Group companies	86	177
Purchases from Group companies	12	
Interest income from Group companies	3	3
Interest expense to Group companies	9	17
Dividend from Group companies	1,154	533
Current receivables from Group companies	1,040	1,196
Interest-bearing liabilities to Group companies	751	1,470
Operating liabilities to Group companies	14	4
Sureties and guarantee obligations to Group companies	20,258	21,087

Note 34 Leasing

The NCC Group recognizes leases in accordance IFRS 16 Leases. The Group's leases primarily pertain to the framework leases held by the Group concerning cars, trucks, heavy production machinery, owner-occupied properties, such as leased commercial premises, and site leaseholds/land leases.

Group	2020	2019
Income statement		
Depreciation of right-of-use assets	-725	-731
Interest expense for lease liabilities	-49	-42
Total costs, capitalized leases	-774	-773
Leases with a low value and a short useful life	-1,786	-1,695
Total costs, non-capitalized leases	-1,786	-1,695
Total costs, leases	-2,560	-2,468
Gain from sale-and-leaseback transactions	223	
Total cash flow concerning leases	-765	-748

Group – Lease liabilities	2020	2019
Current lease liabilities	591	592
Long-term lease liabilities	1,464	1,140
Total lease liabilities	2,055	1,732

For an analysis of the lease liability's maturities, refer to Note 37.

Group	2020	2019
Lessor		
Future lease payments		
<i>Distributed by maturity period:</i>		
Lease payments during the year	25	27
Non-discounted future lease payments that expire:		
Within one year	43	45
Later than one year but earlier than five years	88	150
Later than five years	20	62
Total future non-discounted lease payments	150	256
Parent Company	2020	2019
Lessee		
Future lease payments		
<i>Non-discounted leases that expire:</i>		
Within one year	3	8
Later than one year but earlier than five years	2	2
Later than five years		
Total future non-discounted lease payments	5	10

The Parent Company's expensed lease fees amounted to SEK 24 M (60).

Note 34 Leasing, cont'd.

Right-of-use assets

	Owner-occupied properties	Machinery & equipment	Land leases	Total
2020				
Recognized cost on January 1	989	1,801	49	2,839
Increase in leases during the year	772	425	12	1,209
Transferred within the NCC Group		1		1
Divestment and scrappage	-268	-205	-50	-523
Translation differences during the year	-41	-50		-92
Recognized cost on December 31	1,452	1,973	10	3,435
Accumulated depreciation on January 1	-259	-815	2	-1,073
Transferred within the NCC Group				
Divestment and scrappage	128	167		296
Translation differences during the year	12	19		31
Depreciation during the year	-290	-435	-1	-725
Accumulated depreciation on December 31	-409	-1,064	1	-1,472
Residual value on January 1	730	986	51	1,767
Residual value on December 31	1,043	909	11	1,963

	Owner-occupied properties	Machinery & equipment	Land leases	Total
2019				
Recognized cost on January 1		850		850
Increase in leases during the year	120	496		615
Transitional effect, IFRS 16	-3	1,497		1,494
Transferred within the NCC Group	894	-945	51	0
Divestment and scrappage	-14	-48		-62
Translation differences during the year	-9	-48	-2	-58
Recognized cost on December 31	989	1,801	49	2,839
Accumulated depreciation on January 1		-356		-356
Transferred within the NCC Group	1	-1		0
Divestment and scrappage	8			8
Translation differences during the year	2	3	2	7
Depreciation during the year	-270	-461		-731
Accumulated depreciation on December 31	-259	-815	2	-1,073
Residual value on January 1		493		493
Residual value on December 31	730	986	51	1,767

Accounting policies

NCC as a lessee

IFRS 16 Leases is solely applied in the consolidated accounts and NCC, in accordance with RFR 2, has elected not to apply IFRS 16 for NCC AB. All leasing fees in NCC AB are expensed continuously.

The Group's leases are recognized as right-of-use assets and the corresponding lease liability as of the date the leased asset becomes available for use by the Group. Assets and liabilities arising from leases are initially recognized at present value. Lease liabilities include the present value of lease payments in the form of fixed charges, and variable charges linked to indexes. Lease payments that will be defrayed for reasonably certain extension options are also included in the liability measurement. Right-of-use assets are measured at cost and include the amount at which the lease liability was originally measured as well as lease fees paid at, or prior to, the start date. Where appropriate, any initial direct fees are included, as well as an estimation of costs for dismantling and disposal of the asset. Exceptions are leases with a leasing term of less than 12 months and low-value leases, less than SEK 250,000, which are thus expensed continuously.

The right-of-use asset represents a right to use the underlying asset and the lease liability represents a commitment to pay leasing fees. NCC has right-of-use assets with associated lease liability for vehicles, heavy production machinery, leased premises and site leaseholds/land leases. Right-of-use assets are recognised under tangible fixed assets and current assets, respectively. The associated lease liability is included in current and long-term interest-bearing liabilities. Rights-of-use are depreciated over the term of the lease, with the exception of site leaseholds/land leases, which are not depreciated. The costs for these capitalized leases are recognized as depreciation and interest expense, respectively. The lease payment is divided into an interest component and a amortization component.

When discounting future lease payments for most of the vehicles and heavy machinery leased by the Group, NCC uses the interest rate implicit in each lease as the discount rate. In respect of other lease fees, such as leased commercial premises and site leaseholds/land leases, the respective subsidiary's incremental borrowing rate is used as the discount rate.

The incremental borrowing rate of the individual subsidiary is based on the legal entity's financial strength, the country and the term of the lease in question.

NCC as a lessor

A lessor must classify its leases as either operating or financial leases. A financial lease is a lease under which the financial risks and advantages associated with ownership of an asset are transferred in all significant respects from the lessor to the lessee. An operating lease is a lease that is not a financial lease. NCC as a lessor only has operating leases and income from these are recognized as revenue continuously.

Sale-and-leaseback

A sale-and-leaseback transaction means that NCC as the seller transfers an asset to a buyer at the same time as NCC as a lessee enters into a lease with the buyer. This occurs, for example, when NCC sells an office project and simultaneously signs a lease covering all or parts of the property.

When NCC's sale fulfills the requirements for profit recognition according to IFRS 15, NCC as the seller and lessee must assess the value of the right-of-use asset attributable to the lease at the share of the carrying amount on the date of sale that accrues to the right of use retained by NCC. This also means that NCC can only recognize a capital gain on that part of the right of use that is not retained by NCC.

Important estimates and assessments

Measurement of leases

When measuring leases according to IFRS 16, NCC uses a discount rate, either upon the measurement of vehicles and heavy machinery or the interest rate implicit in the respective lease, or for leased premises and site leaseholds/land leases, the incremental borrowing rate of the respective subsidiary. In the event of a change in these discount rates, future lease payments in the form of the lease liability will be remeasured, which will result in accounting effects for the Group as a whole.

Note 35

Pledged assets, sureties, guarantees and contingent liabilities

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Pledged assets				
<i>For own liabilities:</i>				
Assets subject to liens, etc.	528	479		
Restricted bank funds				
Total	528	479		
Other pledged assets	8	8		
Total assets pledged	537	487		
Sureties and guarantee obligations				
<i>Own contingent liabilities:</i>				
Sureties on behalf of Group companies			20,258	21,087
Other sureties and contingent liabilities	114	459	21	369
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, trading companies and limited partnerships	137	136		
Total sureties and guarantee obligations¹⁾	251	594	20,279	21,456

¹⁾ Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group 19 (367) and for the Parent Company 19 (367)). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2021. As a result of agreements between NCC AB and Bonava AB, however, NCC AB has been indemnified by Bonava AB for all commitments. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

Assets subject to liens

Pertains to leased equipment in the form of cars and trucks.

Sureties on behalf of Group companies

Guarantees 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
- fulfillment of construction contracts

Contingent liabilities, etc.

Claims and legal procedures

In its continuous business operations, NCC occasionally becomes a party to claims or legal procedures. Within the framework of particularly its contracting operations, NCC makes what it considers to be justifiable claims against clients but the clients may partially or fully contest such claims. In many cases, the client may make counterclaims. In other cases, clients may direct claims against NCC for, inter alia, alleged shortcomings in NCC's execution of the ordered work. The aggregated amounts are significant. NCC's financial statements reflect NCC's best assessment of the outcome but it cannot be excluded that the final outcome could in certain cases differ significantly from the currently made assessments.

Operations subject to permit obligations

NCC conducts operations subject to permit obligations in the form of, for example, asphalt and gravel pit operations, plants and landfills. NCC occasionally engages in a dialogue with the authorities concerned compliance with the terms and conditions for conducting the operations. Such matters are handled within the framework of the operating activities. In the unlikely event that NCC is found to have breached the applicable permits without being able to take necessary actions, this could result in significant costs.

Accounting policies

Pledged assets

NCC recognizes collateral pledged for company or Group liabilities and/or commitments as pledged assets. These may be liabilities, provisions included in the balance sheet or commitments not recognized in the balance sheet. The collat-

eral 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.

Important estimates and assessments

Sureties and guarantee obligations, legal disputes, etc.

Within the framework of its regular business operations, NCC occasionally becomes a party to claims or legal procedures. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In several cases, these are difficult assessments and the final outcome could differ from the current estimation.

Note 36

Cash flow statement

Cash and cash equivalents

Group	2020	2019
Cash and bank balances	2,155	2,416
Total cash and cash equivalents	2,155	2,416
Short-term investments with a maturity exceeding three months	174	63

Parent Company

	2020	2019
Balance in NCC Treasury AB	259	164
Total according to cash flow statement	259	164

Short-term investments have been classified as cash and cash equivalents/cash and bank balances 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 fixed assets

Group

Acquisitions of intangible and tangible fixed assets, excluding right-of-use lease assets, amounted to SEK 625 M (934) during the year, of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 0 M (0), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 89 M (15), of which SEK -109 M (15) had no effect on cash flow.

Parent Company

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 0 M (33), 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, only minor exchange-rate differences in cash and cash equivalents can arise.

Disclosures about interest received and paid

Group

Interest received during the year amounted to SEK 11 M (14). Interest paid during the year amounted to SEK 100 M (136).

Parent Company

Interest received during the year amounted to SEK 3 M (3). Interest paid during the year amounted to SEK 24 M (42).

Cash flow derived from participations in joint operations

Group	2020	2019
Operating activities	72	82
Change in working capital	45	39
Investing activities	-8	-38
Financing activities	-7	42
Total cash flow	102	125

Note 36 Cash flow statement, cont'd.

Cash and cash equivalents unavailable for use

Group	2020	2019
Cash and cash equivalents in joint operations	229	128
Total cash and cash equivalents unavailable for use	229	128

Transactions that had no effect on payments

Group	2020	2019
Increase in right-of-use assets, leases	1,209	2,110

Non-cash changes in financing activities

Group	CB 2019	Cash flow	NON-CASH ITEMS			UB 2020
			New leases	Interest indexing	Exchange-rate differences	
Interest-bearing liabilities	2,685	-216			107	2,576
Interest-bearing receivables	-433	-87			95	-425
Lease liabilities	1,732	-716	1,024	-49	64	2,055
Total liabilities, financing activities	3,983	-1,019	1,024	-49	266	4,206
Dividend		-269				
Acquisition of company shares		-34				
Cash flow from financing activities		-1,322				

Parent Company	CB 2019	Cash flow	NON-CASH ITEMS		UB 2020
			Group contributions 2020	Exchange-rate differences/ other	
Interest-bearing liabilities	2,470	-919			1,551
Long-term interest-free liabilities	3	1			4
Total liabilities in financing activities	2,473	-918			1,555
Interest-bearing receivables	-1,003	473	-153		-683
Total financing activities	1,470	-445	-153		872

Other changes in working capital

SEK M	GROUP	
	2020	2019
Increase (-) / Decrease (+) in inventory	26	-97
Increase (-) / Decrease (+) in receivables	1,547	950
Increase (+) / Decrease (-) in liabilities	-1,400	-248
Other changes in working capital	174	605

Accounting policies

The cash flow statement is prepared using the indirect method, pursuant to IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements.

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.

Trend in net debt

Group, SEK M	2020 Jan-Dec	2019 Jan-Dec
Net debt, January 1	-4,489	-3,045
Cash flow before financing	1,106	1,512
Change in lease liability	-1,100	-1,942
Acquisition/sale of company shares	-34	-19
Change in pension debt	8	-561
Exchange-rate difference in cash and cash equivalents	-44	15
Dividend paid	-269	-450
Net debt, closing balance	-4,823	-4,489
<i>Of which, pension debt</i>	<i>-2,832</i>	<i>-2,840</i>
<i>Of which, lease liability according to IFRS 16</i>	<i>-2,055</i>	<i>-1,732</i>
<i>Of which, other net cash/net debt</i>	<i>64</i>	<i>83</i>

Note 37 Financial instruments and financial risk management

Group Treasury 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 and guarantee capacity risks. NCC's Group Treasury 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 Group Treasury's activities.

Within the NCC Group's decentralized organization, financial activities are centralized to NCC Group Treasury, partly in order to monitor the Group's overall financial risk positions, and 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, liquidity and price risks associated with oil-based products are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electrical products and customer credit risks are handled within each business area.

Contractual conditions

NCC is subject to a net debt/equity ratio financial covenant associated with the syndicated credit facility signed with a group of banks. In December, the maturity was extended from one to two years and the volume was reduced to EUR 260 M (325). NCC meets the requirements for the financial covenants.

Reference rate reform

NCC is tracking the transition from IBOR to RFR (risk-free reference rate) and adapting its operations through a flexible work process based on assumptions that can be adjusted on the basis of the changes occurring in the market.

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 meeting 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 NCC's interest-bearing corporate debt will have a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturities of the debt portfolio must be well-diversified over time. The distribution norm is that the capital maturity period must be at least 18 months. At December 31, the capital maturity period for NCC's interest-bearing corporate debt of SEK 2,516 M (2,766) was 34 months (37).

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⁾

	2020						2019					
	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
Loan from the NCC Group's Pension Foundation	836		12	337	327	160	1,026	200	10	413	403	
Interest-bearing liabilities	1,748	4	16	972	756		1,837	51	24	894	868	
Lease liabilities	2,228		640	865	366	357	1,882		633	776	269	204
Interest rate swaps	1			1								
Oil forward contracts	8	1	5	2			1	1				
Accounts payable	4,487	4,487					4,275	4,275				
Total	9,308	4,491	673	2,177	1,449	517	9,021	4,527	667	2,083	1,540	204

¹⁾ Excluding pension debt.

Maturity structure, loans¹⁾²⁾

Matures	2020		2019	
	Amount	Proportion, %	Amount	Proportion, %
2020			256	9
2021	14	1	209	8
2022	1,011	40	1,050	38
2023	260	10	300	11
2024	910	36	950	34
2025	160	6		
2026	160	6		
Total	2,516	100	2,766	100

¹⁾ Loan of SEK 800 M (1,000) from the NCC Group's Pension Foundation.

²⁾ Excluding pension debt and lease liability.

NCC has the following market financing programs:

Market financing programs

	Limit	Utilized nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden ¹⁾	SEK 5,000 M	1,700
Total		1,700

Market financing programs accounted for 68 percent (61) of NCC's interest-bearing corporate debt.

¹⁾ Green bonds, of which a nominal amount of SEK 1,600 M is listed on Nasdaq Stockholm.

Liquidity risks

The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations. To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, the Group Treasury 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 credit facilities. 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 was SEK 2,861 M (3,654), with an average remaining maturity of 1.9 years (1.8). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good creditworthiness and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 2,330 M (2,478). Payment capacity on December 31 corresponded to 10 percent (11) of sales.

Note 37 Financial instruments and financial risk management, cont.

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)

	2020				2019			
	Total	<3 months	3 months– 1 year	>1 year	Total	<3 months	3 months– 1 year	>1 year
Currency forward contracts								
– outflow	–4,399	–3,597	–765	–37	–8,833	–7,466	–1,242	–125
– inflow	4,348	3,551	760	36	8,809	7,444	1,239	126
Net flow from gross settled derivatives	–51	–45	–5	–1	–24	–22	–3	1

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. NCC's policy for the interest rate risk is that the weighted average remaining period of fixed interest for NCC's interest-bearing corporate debt when exposure is reduced by the period of fixed interest on cash and cash equivalents¹⁾, including interest-rate swaps, 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 corporate debt should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest rate structure for the corporate debt, interest rate 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. When assessing effectiveness, NCC ensures that the financial correlation between interest rate swaps and underlying loans has been fulfilled by having the interest rate swaps denominated in the same currency, and that maturities, the timing of interest payments, nominal amounts and interest rate bases correspond with underlying loans. Interest rate swaps have the same quantity as underlying loans. NCC applies hedge accounting for a nominal amount of SEK 400 M (400), with STIBOR as the interest base, which will be affected by the reference rate reform. Ineffectiveness may arise if the points in time for the cash flow in the interest rate swaps do not fully match those of underlying loans and if the point in time for the switch in the reference rate deviates between the interest rate swap and the underlying loans. Ineffectiveness attributable to interest-rate swaps was negligible in 2020.

The fixed interest maturity period for NCC's interest-bearing corporate debt reduced by the interest exposure in cash and cash equivalents¹⁾ was 15 months (15), including interest rate swaps. Cash and cash equivalents¹⁾ amounted to SEK 2,330 M (2,478) and the fixed interest maturity period for these assets was 3 months (0.5).

At the end of year, NCC's interest-bearing corporate debt amounted to SEK 2,516 M (2,766) and the fixed interest maturity period was 12 months (14).

On December 31, 2020, NCC had interest rate swaps with a nominal value of SEK 590 M (590) that were linked to interest-bearing corporate debt. At the same date, the interest rate swaps had a fair value of SEK 1 M (7) net, comprising long-term receivables of SEK 1 M (7). The interest rate swaps have due dates ranging from 1.5 (2.5) to 3.8 (4.8) years with an average fixed interest rate of –0.03 percent (–0.03). An increase in interest rates by one percentage point would result in a change of SEK 8 M (12) in net profit for the year, based on the interest-bearing assets and liabilities, including interest rate swaps, existing on the balance sheet date. An increase in interest rates by one percentage point

would result in a change of SEK 2 M (4) in net profit for the year and a change of SEK 9 M (11) in other comprehensive income resulting from a change in fair value of the Group's interest rate swaps.

¹⁾ Cash and cash equivalents and short-term investments.

Maturity structure, fixed interest¹⁾

Matures	2020		2019	
	Amount	Proportion, %	Amount	Proportion, %
2020			2,161	78
2021	1,926	77	15	1
2022	290	11	290	10
2023	100	4	100	4
2024	200	8	200	7
Total	2,516	100	2,766	100

¹⁾ Excluding pension debt and lease liability.

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 Group Treasury Policy, transaction exposure must be eliminated as soon as it becomes known. Hedges relate to contractual and probable forecast flows, mainly through currency forward contracts. Contracted gross exposure in each currency is to be hedged at a rate of 100 percent. Forecast 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. Currency forward contracts that hedge the cash flow are denominated in the same currency, are in the same amount and have the same due date as the hedged cash flow. Ineffectiveness may arise if a change occurs at the point of time when the future cash flow will arise or if there is a change in the contractual or forecast cash flow.

Currency outflows

The following table shows the Group's gross outflows of various currencies, the portion hedged during the year and the exchange rate risk for each currency in the unhedged currency flows. The exchange rate risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts payable.

Countervalue in SEK M	2020				2019			
	Gross outflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion	Gross outflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion
EUR	1,551	1,321	85	9	1,595	1,303	82	11
DKK	159	23	14	5	130	6	5	5
NOK	329	182	55	6	284	163	57	5
PLN	38	32	84		73	67	92	
Other	70	51	73	1	36	11	31	1
Total	2,147	1,609	75	21	2,118	1,550	73	22

Note 37 Financial instruments and financial risk management, cont.

Currency inflows

The following table shows the Group's gross inflows of various currencies, the portion hedged during the year and the exchange rate risk for each currency in the unhedged currency flows. The exchange rate risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts receivable.

Countervalue in SEK M	2020				2019			
	Gross inflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion	Gross inflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk 5% after tax on unhedged portion
EUR	352	322	91	1	490	464	95	1
DKK	22	21	95		41	27	66	1
NOK	5				3			
Total	378	343	91	1	534	491	92	2

The currency forward contracts used to hedge contracted and forecast transactions are classified as cash flow hedges. During 2020, no cash flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

Forecast currency outflows, outstanding hedge position

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

Countervalue in SEK M	2020				2019			
	Currency outflow	Hedge position	Hedged portion, %	Target value %	Currency outflow	Hedge position	Hedged portion, %	Target value %
Q1 2021	136	122	90	90	Q1 2020	156	141	90
Q2 2021	152	106	70	70	Q2 2020	169	118	70
Q3 2021	135	68	50	50	Q3 2020	150	75	50
Q4 2021	121	36	30	30	Q4 2020	136	41	30
Q1 2022	118	12	10	10	Q1 2021	135	13	10
Total	662	345	52		745	388	52	

Forecast currency outflows, outstanding hedge position

The table below shows the outstanding hedge position at year-end contractual gross inflows and currency outflows per currency.

Countervalue in SEK M	2020				2019			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
EUR	170	91	71	8	256	108	130	18
NOK	134	35	88	11	178	175	3	
PLN	30	9	21		2	1	1	
CZK	64	21	38	5	111	2	42	67
Other	47	36	11		6	3	3	
Total	445	192	229	24	553	289	179	85

Currency outflows, total outstanding hedge position

The tables below show the sum of forecast and contractual currency outflows, outstanding hedge positions at year-end, the hedged portion and average forward rates per currency in SEK.

	2020				2019			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Total of forecast and contractual gross outflows, countervalue SEK M	1,107	328	637	142	1,298	445	633	220
Total hedge position, countervalue SEK M	790	314	440	36	941	430	413	98
Hedged portion, %	71	96	69	25	72	97	65	45
Average forward rate in SEK regarding total hedge position for currency outflows:								
EUR currency forward contracts	10.38	10.41	10.36	10.42	10.63	10.60	10.65	10.60
NOK currency forward contracts	0.92	0.93	0.92	0.92	1.06	1.06	1.03	
PLN currency forward contracts	2.26	2.28	2.26		2.45	2.47	2.43	
CZK currency forward contracts	0.40	0.40	0.40	0.40	0.40	0.41	0.40	0.40

The hedges pertaining to forecast and contractual currency outflows fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK –21 M (–7). Of this amount, other long-term receivables of SEK 0 M (1), other receivables of SEK 4 M (2), other long-term liabilities of SEK 1 M (0) and other current liabilities of SEK 24 M (10) have been recognized in the balance sheet.

Note 37 Financial instruments and financial risk management, cont.

Contractual currency inflows, outstanding hedge position

The table below shows the outstanding hedge position at year-end of contractual currency inflows per currency and average forward rates in SEK.

Countervalue in SEK M	2020					2019				
	Average forward rate in SEK	Total	<3 months	3 months–1 year	>1 year	Average forward rate in SEK	Total	<3 months	3 months–1 year	>1 year
EUR	10.55	27		27		10.48	342	187	127	28
DKK	1.36	5		5						
Total		31	0	31	0		342	187	127	28

The hedges pertaining to contractual currency inflows fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK 2 M (-2). Of this amount, other receivables of SEK 2 M (1) and other current liabilities of SEK 0 M (3) have been recognized in the balance sheet.

Currency distribution of financing

According to the Group Treasury Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly through Group Treasury 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. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets.

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

Interest-bearing liabilities¹⁾

Countervalue in SEK M	2020		2019	
	Amount	Proportion, %	Amount	Proportion, %
EUR	5		15	1
NOK	1		4	
SEK	2,510	100	2,747	99
Total	2,516	100	2,766	100

¹⁾ Excluding pension debt and lease liability.

Financing via currency derivatives¹⁾

Countervalue in SEK M	2020	2019
Buy +/- Sell – DKK	1,478	1,617
Buy +/- Sell – EUR	236	391
Buy +/- Sell – NOK	-1,145	-2,677
Buy +/- Sell – PLN		27
Net	569	-641

¹⁾ Currency swaps.

Translation exposure

According to the Group Treasury Policy, the Group's translation exposure is not to be hedged.

Group's net investments in foreign subsidiaries

The table below shows the Group's net investments in foreign subsidiaries and the exchange rate risk associated with translation exposure. At December 31, 2020, a 5-percent depreciation of the SEK in relation to other currencies would result in a change in shareholders' equity for the various currencies as shown in the table below and a change of SEK 0 M (0) in net profit for the year, as well as a change of SEK 137 M (129) in other comprehensive income.

Countervalue in SEK M	2020		2019	
	Net investment	Exchange rate risk, 5%	Net investment	Exchange rate risk, 5%
DKK	1,714	86	1,660	83
EUR	448	22	312	16
NOK	583	29	604	30
RUB			2	
Total	2,745	137	2,578	129

Price risks

Price risks associated with bitumen

A part of NCC Industry's sales of paving contracts in NCC Industry are subject to indexed prices, whereby the index in relation to the customer matches the index used by the supplier for pricing bitumen, which means that NCC Industry is not exposed to any risk arising from a change in the price of bitumen.

There are also cases of fixed price contracts that are not indexed, whereby NCC Industry is exposed to a risk should the price of bitumen change. The price risk is managed by Group Treasury via oil forward contracts. The policy is to hedge larger customer contracts when the work is to be performed later than two months from the ordering date. NCC ensures that oil derivatives are priced using the same underlying index as that applying to suppliers and that the number of purchased tons of bitumen per month exceeds the number of hedged tons of bitumen per month. Ineffectiveness may arise if the point in time of the purchases of bitumen deviates from the derivatives' due date.

The net fair value of oil forward contracts used for hedging the price risk related to bitumen was SEK -5 M (1), of which ineffectiveness of SEK -3 M was recognized in profit or loss, while the effective portion of SEK -2 M was recognized in other comprehensive income. Of this amount, other receivables of SEK 2 M (2), other long-term liabilities of SEK 2 M (0) and other current liabilities of SEK 5 M (1) have been recognized in the balance sheet.

Given outstanding oil forward contracts on the balance sheet date, a 10-percent increase in the price of bitumen at December 31, 2020 would give rise to a change of SEK 3 M (3) in shareholders' equity and of SEK 0 M (0) in net profit for the year. The sensitivity analysis assumes that all other factors remain unchanged.

Purchases of bitumen

The table below shows the Group's purchases of bitumen and the portion hedged via oil forward contracts during the year.

Total	2020			2019		
	Purchases bitumen Tons	Hedged proportion Tons	Portion hedged via oil forward contracts, %	Purchases bitumen Tons	Hedged proportion Tons	Portion hedged via oil forward contracts, %
Total	286,330	77,454	27	284,214	58,495	21

Note 37 Financial instruments and financial risk management, cont.

The following table shows the Group's forecast volume of purchases of bitumen, the outstanding hedge position at year-end and the portion hedged via oil forward contracts. The hedges fulfill effectiveness requirements. The forward contracts used to hedge forecast purchases of bitumen are classified as cash flow hedges.

	2020				2019			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Forecast volume of purchases of bitumen (tons)	621,499	7,447	300,371	313,681	885,145	7,859	316,992	560,294
Hedge position through oil forward contracts (tons)	20,907	500	16,066	4,341	19,139	4,783	6,638	7,718
Hedged portion, %	3	7	5	1	2	61	2	1
Hedge position countervalue, SEK M	51	1	38	11	51	11	17	23
Hedged price per ton (average price in SEK)	2,429	2,729	2,364	2,631	2,663	2,300	2,606	2,937

Sales of bitumen

Due to a change in the index base for pricing bitumen used by NCC's largest supplier in 2020, there were contracts at indexed prices whereby the index in relation to the customer did not match the index used by the supplier for pricing bitumen. As a result, NCC Industry was exposed to a risk that the two indexes developed in different directions. The risk was managed by NCC Treasury via oil forward contracts on the customer side. During 2020, NCC hedged 37,511 tons of bitumen connected to contractual sales, whereby indexes in the customer agreement deviated from the index for pricing of purchased bitumen.

The table below shows the Group's hedged contractual volume sales of bitumen with indexed prices that deviated from the index in the purchase from the supplier. The outstanding hedge position at year-end was the same amount as the contractual sales. The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge the sales are classified as cash flow hedges.

	2020			
	Total	<3 months	3 months–1 year	>1 year
Contractual sales / Hedge position via oil forward contract in relation to contractual sales (ton)	5,183		4,310	873
Hedge position countervalue, SEK M	11		9	2

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to smooth out price fluctuations occurring in the electricity market. NCC progressively hedges the price for up to three years and builds up the volume of electricity contracts until the particular delivery date.

The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

At year-end, the outstanding volume of electricity derivatives amounted to SEK 42 M (41), of which SEK 4 M (4) will fall due within three months, SEK 19 M (19) in three to 12 months and SEK 19 M (18) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 0 M (0). Of this amount, other receivables of SEK 0 M (0) and liabilities of SEK 0 M (0) have been recognized in the balance sheet.

Given outstanding electricity forward contracts on the balance sheet date, a 10-percent increase in electricity prices at December 31, 2020 would give rise to a change of SEK 3 M (3) in shareholders' equity and of SEK 0 M (0) in profit or loss. The sensitivity analysis assumes that all other factors remain unchanged.

Credit risks**Credit and counterparty risks in financial operations**

NCC's investment regulations for financial credit risks are revised continuously and are 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 exposure and maturity for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 41 M (127) at the end of 2020. The net receivable per counterparty is calculated in accordance with the market-to-market approach, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 2,330 M (2,478).

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their commitments, 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 reporting agencies. For major accounts receivable, the risk of loan 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

Group	2020		2019	
	Gross	Reserve for doubtful receivables	Gross	Reserve for doubtful receivables
Not past-due accounts receivable	5,415		5,839	
Past-due accounts receivable 1–30 days	460		1,005	
Past-due accounts receivable 31–60 days	105		44	-1
Past-due accounts receivable 61–180 days	144	-5	459	-12
Past-due accounts receivable >180 days	1,802	-837	3,230	-1,890
Total	7,926	-842	10,577	-1,903

Receivables expired >180 days are essentially caused by ongoing discussions/claims with the client and are not connected to a question about the client's creditworthiness.

Thus the reserve for doubtful receivables expired >180 days essentially relates to former claims and not to anticipated payment capacity. Apart from these, customer bad debts are low, whereby the reserve for doubtful receivables expired <180 days is low. Refer also to under Accounting policies.

Reserve for doubtful receivables

Group	2020	2019
On January 1	-1,903	-1,236
Provision for the year	-266	-790
Reversal of previously posted impairment losses	1,229	111
Translation differences	98	12
On December 31	-842	-1,903

Carrying amount and fair value of financial instruments

The carrying amount and fair value of financial instruments are presented in the tables below. In NCC's balance sheet, mainly short-term investments (held for trading) and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement at fair value of currency forward contracts, currency options, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. 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.

Note 37 Financial instruments and financial risk management, cont.

For financial instruments recognized at amortized cost – accounts receivables, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities – the fair value does not materially deviate from the carrying amount. For long-term interest-bearing receivables and short-term investments recognized at amortized cost, 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. The assessment is that the fair value of other long-term and current interest-bearing liabilities did not materially deviate from the carrying amount.

The carrying amount and fair value of financial instruments are presented in the following table.

Classification of financial instruments

Group, 2020	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				68			68	68
Long-term interest-bearing receivables			125				125	126
Other long-term receivables		1					1	1
Accounts receivable			7,084				7,084	7,084
Current interest-bearing receivables			126				126	126
Other receivables	10	8	58				76	76
Short-term investments	104		70				174	174
Cash and cash equivalents			2,155				2,155	2,155
Total assets	114	9	9,618	68			9,809	9,810
Long-term interest-bearing liabilities ²⁾						3,965	3,965	3,946
Other long-term liabilities		3				57	60	60
Provisions for pensions and similar obligations						2,832	2,832	2,832
Current interest-bearing liabilities						606	606	606
Accounts payable						4,487	4,487	4,487
Other current liabilities		29			39	133	201	201
Total liabilities		32			39	12,080	12,151	12,132

¹⁾ Statutorily measured at fair value.

²⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

Group, 2019	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				74			74	74
Long-term interest-bearing receivables			144				144	144
Other long-term receivables	1	7					8	8
Accounts receivable			8,674				8,674	8,674
Current interest-bearing receivables			226				226	226
Other receivables	55	5	108				168	168
Short-term investments	10		52				63	63
Cash and cash equivalents			2,416				2,416	2,416
Total assets	66	12	11,620	74			11,773	11,773
Long-term interest-bearing liabilities ²⁾						3,568	3,568	3,569
Other long-term liabilities		1				51	52	52
Provisions for pensions and similar obligations						2,840	2,840	2,840
Current interest-bearing liabilities ³⁾						796	796	797
Accounts payable						4,275	4,275	4,275
Accrued expenses and deferred income						1	1	1
Other current liabilities		13			60	8	81	81
Liabilities attributable to assets held for sale						133	133	133
Total liabilities		14			60	11,673	11,747	11,749

¹⁾ Statutorily measured at fair value.

²⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

³⁾ Loan of SEK 200 M from the NCC Group's Pension Foundation is included.

Note 37 Financial instruments and financial risk management, cont.

	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Parent Company, 2020					
Other long-term holdings of securities		45		45	45
Current receivables from Group companies	781			781	781
Balance in NCC Treasury AB	259			259	259
Total assets	1,041	45		1,086	1,086
Long-term interest-bearing liabilities ¹⁾			800	800	800
Other long-term liabilities			4	4	4
Accounts payable			8	8	8
Current liabilities to Group companies			765	765	765
Total liabilities			1,577	1,577	1,577

¹⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Parent Company, 2019					
Other long-term holdings of securities		45		45	45
Current receivables from Group companies	1,032			1,032	1,032
Balance in NCC Treasury AB	164			164	164
Total assets	1,197	45		1,242	1,242
Long-term interest-bearing liabilities ¹⁾			800	800	800
Other long-term liabilities			3	3	3
Accounts payable			12	12	12
Current interest-bearing liabilities ¹⁾			200	200	200
Current liabilities to Group companies			1,474	1,474	1,474
Total liabilities			2,489	2,489	2,489

¹⁾ Loan of SEK 1,000 M from the NCC Group's Pension Foundation is included.

The classification categories Financial assets measured at fair value through profit or loss and Financial liabilities measured at fair value through profit or loss are not applicable for the Parent Company. No reclassifications of financial assets and liabilities among the above categories were effected during the year. It has been determined that the fair value of the Parent Company's financial instruments did not materially deviate from the carrying amount.

In the tables below, 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 measured at fair value in NCC's balance sheet. When determining fair value, assets have been divided into 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. This category does not apply for the Parent Company.

Level 3: on the basis of input data that is not observable in the market.

Group	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets measured at fair value through profit or loss								
Short-term investments	104			104	10			10
Derivative instruments		10		10		56		56
Derivative instruments used in hedge accounting		9		9		12		12
Financial assets measured at fair value through other comprehensive income								
Equity instruments			68	68			74	74
Financial assets not measured at fair value								
Long-term interest-bearing receivables	126			126	144			144
Short-term investments	70			70	52			52
Total assets	300	19	68	387	206	68	74	348
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit or loss								
Derivative instruments		39		39		60		60
Derivative instruments used in hedge accounting		32		32		14		14
Financial liabilities not measured at fair value								
Other interest-bearing liabilities	1,582	2,970		4,552	1,600	2,898		4,498
Total liabilities	1,582	3,041		4,623	1,600	2,972		4,572

Note 37 Financial instruments and financial risk management, cont.

Offsetting of financial instruments

NCC has binding framework agreements on netting (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. NCC has not offset any amounts in the balance sheet.

Group	2020		2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount ¹⁾	19	71	68	74
Amount included in the netting agreement	-19	-19	-46	-46
Net amount after netting agreement	0	52	22	28

¹⁾ The gross carrying amount of financial assets includes SEK 0 M (1) for derivatives measured at fair value through profit or loss in other long-term receivables, SEK 10 M (55) in other receivables, SEK 1 M (7) for derivatives used in hedge accounting for other long-term receivables and SEK 8 M (5) in other receivables. The gross carrying amount of financial liabilities includes derivatives measured at fair value through profit or loss in other current liabilities of SEK 39 M (60), derivatives used in hedge accounting of other long-term liabilities of SEK 3 M (1) and other current liabilities of SEK 29 M (13).

The Parent Company has no derivatives outstanding.

Accounting policies

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 commitment 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 measured at fair value through profit or loss,
- Financial assets measured at fair value through other comprehensive income (equity instruments),
- Financial assets measured at amortized cost,
- Financial liabilities measured at fair value through profit or loss,
- Derivatives used in hedge accounting, and
- Other liabilities.

When entered for the first time, a financial asset is classified on the basis of NCC's business model for managing the financial asset and the character of the expected cash flows. Financial assets are only reclassified if the business model for the asset has been modified. A financial liability is recognized at amortized cost, apart from derivatives measured at fair value.

Financial assets measured at fair value through profit or loss

This category includes the Group's derivatives with a positive fair value and interest-bearing securities for which NCC's business model is to maximize the return on the asset within given risk limits. Fair value changes are recognized in financial items in profit or loss. A derivative instrument that is an identified and effective hedging instrument is not included in this category. For an account of hedging instruments, see Derivatives used in hedge accounting below.

Financial assets measured at amortized cost

These include accounts receivable and loan receivables, as well as investments in interest-bearing securities where the objective of the business model is to receive contractual cash flows up to maturity. These cash flows are received at predetermined points in time and solely comprise payment of principals and

interest on the outstanding principals. Investments in interest-bearing securities with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as long-term interest-bearing receivables. Other investments are recognized as short-term investments.

Financial assets measured at fair value through other comprehensive income (equity instruments)

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.

Financial liabilities measured at fair value through profit or loss

This category includes the Group's derivatives with a negative fair value, with the exception of derivatives that function as an identified and effective hedging instrument; see Derivatives used in hedge accounting below. Fair value changes are recognized in financial items.

Derivatives used in hedge accounting

Derivatives used in hedge accounting are measured at fair value in the balance sheet. The change in value of an effective hedging instrument is recognized in the hedging reserve in shareholders' equity through other comprehensive income.

Other financial liabilities

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

Impairment

NCC applies impairment requirements for expected loan losses on financial assets and a loss reserve for them is recognized as a deduction from the asset. This applies to financial assets recognized at amortized cost and FVOCI. A loss reserve is established in one of the following ways:

- for loss events that may be expected to be incurred within 12 months
- for loss events that may be expected to be incurred during the entire life of the asset.

A loss risk reserve for the entire life of the asset is established if, on the reporting date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months.

For accounts receivable, contract assets and lease receivables, loss risk reserves are always posted for the entire life of the asset according to the simplified model in IFRS 9. The measurement of expected loan losses must reflect an objective and probability-weighted amount, the time value of money, reasonable and verifiable data on previous events, current conditions and forecasts of future economic conditions. Although each invoice is measured individually, provisions are noted for invoices that are more than 180 days overdue unless special circumstances apply. Accounts receivable, contract assets and lease receivables are then written off when there is no reasonable expectation of repayment.

Hedge accounting

NCC applies hedge accounting in the following categories: hedging of exchange-rate risk in transaction flows, hedging of the Group's interest maturities and hedging of the price risk associated with bitumen and electricity. If the hedge no longer fulfills the criteria for hedge accounting or the hedging instrument is sold, matures, is settled or redeemed, hedge accounting ceases prospectively. When the hedge accounting of cash flow hedges has ceased, the amount that has been accumulated in the hedging reserve is kept in shareholders' equity until:

- it is included in the cost of the non-financial item at initial recognition (applies for hedging of a transaction that results in recognition of a non-financial item) or
- it is reclassified to profit or loss in the same period or periods that the hedged expected cash flow impacts profit/loss (applies for other cash flow hedges).

If the hedged cash flow is no longer expected to arise, the amount that has been accumulated in the hedging reserve is reclassified immediately to profit or loss.

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 forward rate of currency forward contracts is recognized in other comprehensive income, after taking tax

effects into account and being accumulated in the hedging reserve. Any ineffectiveness is recognized in profit or loss. Transfers of amounts from the hedging reserve to reflect the carrying amount of the purchase are effected so that this is recognized at the forward rate. The hedged flows can be both contracted and forecast transactions.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value, after considering income tax effects, are recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffectiveness is recognized in financial items. By hedging interest rates, variable interest on parts of NCC's financing becomes fixed.

Hedging of price risks associated with bitumen and electricity

By entering into oil forward contracts, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of the order. These oil forward contracts are classified as cash flow hedges. Changes in effective hedges due to changed prices are recognized in other comprehensive income and accumulated in the hedging reserve, and any ineffectiveness is recognized in operating profit/loss.

To smooth out fluctuations in the Swedish electricity market, NCC has elected, using electricity derivatives entered into gradually over a period of three years, to accumulate the volume of electricity until the particular date of delivery. Changes in effective hedges are recognized in other comprehensive income and accumulated in the hedging reserve, and any ineffectiveness is recognized in operating profit/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 rate differences arising from the translation of operating receivables and liabilities are recognized in operating profit/loss, while exchange rate 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 the impact on earnings 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.

Important estimates and assessments

Valuation of receivables

NCC's accounts receivable, including receivables for sold property projects, are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables.

Note 38

Information about the Parent Company

NCC AB, Corporation Identity 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 Nasdaq Exchange Stockholm/Large Cap List.

The address of the Head Office is NCC AB, Herrjärva Torg 4, SE-170 80 Solna, Sweden.

The consolidated financial statements for 2020 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes investments in associated companies, joint ventures and joint operations.

At December 31, 2020, Nordstjernan AB accounted for 17 percent of the share capital and 48 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Identity Number 556000-1421, has its registered Head Office in Stockholm.

Note 39

Events after the balance-sheet date

NCC's Senior Management Team was expanded to include members of the former extended management team. As of January 1, 2021, NCC's Senior Management Team comprises the following persons:

Tomas Carlsson, President and CEO; Susanne Lithander, Chief Financial Officer (CFO) and Heads of DOS (Development & Operation Services); Kenneth Nilsson, NCC Infrastructure; Henrik Landelius, NCC Building Sweden; Catarina Molén-Runnäs, NCC Building Nordics; Ylva Lagesson, NCC Industry; Joachim Holmberg, NCC Property Development; Ann-Marie Hedbeck, General Counsel; Marie Reifeldt, Head of HR; Maria Grimberg, Head of Communication; Klaus Kaae, Head of Purchasing (interim).

Note 40

Appropriation of the company's profit

The Board of Directors proposes that the available funds	3,038,978,856
Be appropriated as follows:	
Ordinary dividend to shareholders of SEK 5.00 per share ¹⁾	538,357,775
To be carried forward	2,500,621,081
Total, SEK	3,038,978,856

¹⁾ The total amount of the proposed dividend is calculated based on the number of shares outstanding on March 4, 2021.

Adoption

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements and the Annual Report have been compiled in compliance with international accounting standards, IFRS, as adopted by the EU, 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 March 4, 2021. 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 for adoption on March 30, 2021.

Solna, March 4, 2021

Alf Göransson
Chairman of the Board

Geir Magne Aarstad
Board member

Viveca Ax:son Johnson
Board member

Simon de Château
Board member

Mats Jönsson
Board member

Angela Langemar Olsson
Board member

Birgit Nørgaard
Board member

Karl-Johan Andersson
Board member
Employee representative

Karl G Sivertsson
Board member
Employee representative

Harald Stjernström
Board member
Employee representative

Tomas Carlsson
President and CEO

Our audit report was submitted on March 5, 2021

PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor in Charge

Erik Bergh
Authorized Public Accountant

Auditor's report

Unofficial translation.

To the general meeting of the shareholders of NCC AB (publ), corporate identity number 556034-5174

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 10-69 in this document.

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 parent company and the group as of 31 December 2020 and its financial performance and cash flow 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 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the NCC Group, the accounting processes and controls, and the industry in which NCC operates.

In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In a business such as NCC's, our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the financial statements. We have assessed the highest risk for misstatements in the financial statements to be the percentage-of-completion revenue recognition in some of the ongoing projects in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. In addition, we have identified a number of other risks that also reflect components of estimates and judgements, e.g. warranty provisions and disputes. Based on the risk assessment the central audit team developed an audit strategy according to which the group audit mirrors NCC's organisation and which starts in an audit of the five business areas. As a part of this strategy the audit has focused on the largest units within each business area, which are subject to a so-called full audit. The central audit team performs the audit of the parent company and the consolidated accounts and issues, based on the audit strategy, instructions to the audit teams for each business area. We also perform a centralised audit of, e.g., selected controls in the financial processes handled by NCC's group common shared service center as well as of relevant controls over NCC's group common information systems. The results of these examinations are shared with local audit teams.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter*Revenue and results recognition in construction projects*

Revenue and results recognition in construction projects 2020 revenue in NCC's construction and civil engineering operations amount to approximately SEK 43 (44) billion. In all material respects revenue is related to construction projects and is recognised over time, i.e., applying percentage-of-completion.

This means that recognised revenue and costs in construction projects are based on assumptions and estimates on future outcome as documented in the project forecasts. These forecasts include estimates of costs for, e.g., labour, material, subcontractors and warranty obligations. From time to time, the latter may require updated estimates also for completed projects. As applicable, forecasts also include assessments of claims on customers relating to, e.g. change or additional orders and deficiencies in tender conditions.

The elements of assumptions and estimates means that final results may deviate from those now reported. Given the elements of assumptions and estimates makes this a key audit matter. Refer to the sections "Revenue from construction and similar projects", "Critical estimates and assessments" (subsections "Percentage-of-completion profit recognition of projects", "Guarantee commitments" and "Guarantee obligations, legal disputes, etc") in note 1 Accounting Policies as well as note 3 Order stock and distribution of external net sales, note 27 Construction contracts, note 29 Other provisions and note 35 Pledged assets, sureties, guarantees and contingent liabilities (subsection "Contingent liabilities etc").

How our audit addressed the Key Audit Matter

We have evaluated and on a sample basis tested selected key controls in so-called tollgates in NCC's project process, from calculation to current project reporting. We have also evaluated processes, routines and methodology for project completion. We have performed analytical reviews of revenue and margins reported and evaluated management's routines for follow-up of the projects financial results and also discussed the latter with management.

On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have also tested the mathematical accuracy of the percentage-of-completion profit calculation.

We have discussed with NCC the principles, methods and assumptions on which estimates are based, including those forming the basis for warranty provisions for projects already completed. For selected projects, we have performed more in-depth procedures including, e.g., reading contract excerpts, review of project forecasts and discussions with project leaders and controllers on judgements, assumptions and estimates.

We have also obtained opinions from NCC's legal advisers on selected disputes. We have kept a dialogue also with group management and the audit committee on NCC's estimates and the principles, methods and assumptions on which these are based.

Our overall view is that NCC's assumptions and estimates lie within an acceptable range. However, we have communicated that many times these are difficult judgemental matters and that final outcome may deviate from the current assumptions, estimates and judgements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–9, 74–79 and 108. Other information also contains the remuneration report 2020 which we have received before the date of our auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards

in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of NCC AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of NCC AB (publ) by the general meeting of the shareholders on the 1 April 2020 and has been the company's auditor since the 5 April 2017.

Stockholm 5 March 2021
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Partner in charge

Erik Bergh
Authorized Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2016	2017	IFRS 15 2017	2018	2019	2020
Net sales	52,934	54,608	54,441	57,346	58,234	53,922
Production costs	-48,484	-50,460	-50,460	-55,205	-54,134	-49,589
Gross profit	4,450	4,148	3,981	2,140	4,101	4,333
Selling and administrative costs	-2,912	-2,933	-2,933	-2,875	-2,811	-2,967
Result from sales of owner-occupied properties	-10	1	1	12	-11	-3
Impairment losses on fixed assets	-97	-7	-7	-82	-22	-24
Capital gain from sales of Group companies	2	21	21		18	9
Result from participations in associated companies	20	11	11	42	21	12
Operating profit/loss	1,453	1,242	1,075	-764	1,296	1,360
Financial income	26	39	39	36	34	30
Financial expenses	-138	-130	-130	-121	-146	-110
Net financial items	-112	-91	-91	-85	-112	-80
Profit/loss after financial items	1,341	1,150	983	-849	1,184	1,281
Tax	-225	-141	-106	99	-309	-22
Profit/loss for the period	1,116	1,009	877	-750	875	1,259
Attributable to:						
NCC's shareholders	1,113	1,004	872	-756	873	1,259
Non-controlling interests	3	5	5	6	2	
Profit/loss for the year	1,116	1,009	877	-750	875	1,259

AMENDED ACCOUNTING POLICIES– IFRS 15, COMPARATIVE FIGURES FOR 2017 HAVE BEEN RESTATED

In the Annual Report, comparative figures for 2017 been restated due to the application of IFRS 15 as of January 1, 2018. This applies for all tables and figures pertaining to 2017, unless otherwise stated. The amendment entails briefly that the requirements have been strengthened in respect of recogniz-

ing revenues deriving from contract modifications related to alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The changes affect the Building Sweden, Building Nordics and Infrastructure business areas.

BALANCE SHEET, SEK M	2016	2017	IFRS 15 2017	2018	2019	2020
ASSETS						
<i>Fixed assets</i>						
Goodwill	1,851	1,848	1,848	1,861	1,893	1,800
Other intangible assets	275	335	335	339	368	342
Right-of-use assets				493	1,716	1,952
Owner-occupied properties	814	880	880	915	899	875
Machinery and equipment	2,569	2,712	2,712	2,559	2,611	2,306
Long-term holdings of securities	125	129	129	119	114	93
Long-term interest-bearing receivables	361	575	575	195	144	125
Other long-term receivables	62	26	26	119	34	19
Deferred tax assets	97	239	338	531	524	587
Total fixed assets	6,154	6,743	6,843	7,133	8,302	8,099
<i>Current assets</i>						
Right-of-use assets					51	11
Properties held for future development	1,780	1,696	1,696	1,633	1,391	1,492
Ongoing property projects	1,440	1,039	1,039	2,292	3,042	4,610
Completed property projects	808	870	870	308	936	496
Properties held for future development, housing	16					
Participations in associated companies				226	263	295
Materials and inventory	713	764	764	902	1,008	953
Tax receivables	42	241	241	146	50	58
Accounts receivable	7,682	8,882	8,882	9,629	8,674	7,084
Worked-up, non-invoiced revenues	1,737	1,671	1,554	1,276	1,360	1,349
Prepaid expenses and accrued income	1,061	1,170	1,170	1,418	1,556	907
Current interest-bearing receivables	152	167	167	163	226	126
Other receivables	446	687	687	608	555	740
Short-term investments	190	41	41	72	63	174
Cash and cash equivalents	3,093	3,063	3,063	1,197	2,416	2,155
Total current assets	19,161	20,292	20,174	19,868	21,589	20,450
TOTAL ASSETS	25,315	27,035	27,018	27,001	29,890	28,549
SHAREHOLDERS' EQUITY						
Shareholders' equity	5,553	5,516	5,168	2,931	3,044	3,972
Non-controlling interests	13	12	12	17		
Total shareholders' equity	5,566	5,528	5,179	2,948	3,044	3,972
LIABILITIES						
<i>Long-term liabilities</i>						
Long-term interest-bearing liabilities	2,288	1,669	1,669	1,342	3,649	3,965
Other long-term liabilities	54	54	54	8	52	60
Provisions for pensions and similar obligations	1,008	1,407	1,407	2,279	2,840	2,832
Deferred tax liabilities	407	438	438	297	170	196
Other provisions	1,686	1,889	1,889	2,563	2,777	2,586
Total long-term liabilities	5,443	5,456	5,456	6,488	9,488	9,639
<i>Current liabilities</i>						
Current interest-bearing liabilities	723	919	919	1,051	848	606
Accounts payable	4,427	5,179	5,179	5,164	4,275	4,487
Tax liabilities	115	95	95		100	66
Invoiced revenues not worked up	4,355	5,574	5,905	6,311	6,354	4,104
Accrued expenses and deferred income	3,205	3,207	3,207	3,452	3,878	3,727
Provisions	21	24	24	68	24	19
Other current liabilities	1,460	1,052	1,052	1,520	1,878	1,930
Total current liabilities	14,306	16,051	16,382	17,566	17,358	14,938
Total liabilities	19,749	21,507	21,838	24,054	26,846	24,577
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	25,315	27,035	27,018	27,001	29,890	28,549

KEY FIGURES	2016	2017	IFRS 15 2017	2018	2019	2020
Financial statements, SEK M						
Net sales	52,934	54,608	54,441	57,346	58,234	53,922
Operating profit/loss	1,453	1,242	1,075	-764	1,296	1,360
Profit/loss after financial items	1,341	1,150	983	-849	1,184	1,281
Profit/loss for the period	1,116	1,009	877	-750	875	1,259
Investments in fixed assets	1,406	1,238	1,238	1,669	2,992	1,921
Investments in property projects	1,612	1,152	1,152	2,602	3,281	3,353
Investments in housing projects ¹⁾	3,154					
Cash flow, SEK M						
Cash flow from operating activities	1,170	2,158	2,158	-375	2,214	1,569
Cash flow from investing activities	-1,181	-797	-797	-782	-701	-463
Cash flow before financing	-11	1,361	1,361	-1,157	1,512	1,106
Cash flow from financing activities	-1,087	-1,392	-1,392	-717	-308	-1,322
Change in cash and cash equivalents	-1,084	-30	-30	-1,866	1,219	-260
Profitability ratios						
Return on shareholders' equity, %	19	18	17	-18	32	37
Return on shareholders' equity, % ⁶⁾	118	18	17	-18	32	37
Return on capital employed, %	13	13	12	-9	13	12
Return on capital employed, % ⁶⁾	63	13	12	-9	13	12
Financial ratios at year-end, SEK M						
EBITDA %	4.7	3.6	3.3	0.8	4.7	5.2
EBITDA % ⁶⁾	17.0	3.6	3.3	0.8	4.7	5.2
Interest coverage ratio, multiple	6.6	9.8	8.5	-6.0	9.1	12.7
Interest coverage ratio, multiple ⁶⁾	31.1	9.8	8.5	-6.0	9.1	12.7
Equity/assets ratio, %	22	20	19	11	10	14
Interest-bearing liabilities/total assets, %	16	15	15	17	25	26
Net cash +/Net debt -	-222	-149	-149	-3,045	-4,489	-4,823
Debt/equity ratio, multiple	0.0	0.0	0.0	1.0	1.5	1.2
Capital employed at year-end	9,585	9,523	9,174	7,619	10,382	11,375
Capital employed, average	13,474	9,418	9,138	8,780	9,936	10,983
Capital turnover rate, multiple	4.1	5.8	6.0	6.5	5.9	4.9
Closing interest rate, % ²⁾	2.6	2.0	2.0	1.3	1.1	1.1
Average interest-rate maturity, years ²⁾	0.9	0.6	0.6	0.5	1.2	1.0
Order status, SEK M						
Orders received	56,506	56,990	56,777	61,842	58,048	51,199
Order backlog	47,940	51,806	51,734	56,837	57,800	50,945
Per share data, SEK						
Profit/loss after tax, before and after dilution	11.61	9.29	8.07	-7.00	8.09	11.68
Profit/loss after taxes, before and after dilution ⁶⁾	73.81	9.29	8.07	-7.00	8.09	11.68
Cash flow from operating activities, after dilution	10.88	19.97	19.97	-3.47	20.50	14.56
Cash flow before financing, after dilution	-0.05	12.59	12.59	-10.71	14.01	10.26
P/E ratio, before dilution	19	17	19	-20	19	13
P/E ratio, before dilution ⁶⁾	3	17	19	-20	19	13
Dividend, ordinary	8.00	8.00	8.00	4.00	2.50 ⁴⁾	5.00 ³⁾
Dividend yield, %	3.5	5.1	5.1	2.9	3.3	3.3
Shareholders' equity, before and after dilution	51.39	51.04	47.81	27.13	28.21	36.89
Share price/shareholders' equity, %	439	308	329	508	543	407
Share price at year-end, NCC B	225.40	157.30	157.30	137.80	153.20	150.00
Number of shares, millions						
Total number of issued shares ⁵⁾	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end	0.4	0.4	0.4	0.4	0.5	0.8
Total number of shares outstanding before dilution at year-end	108.1	108.1	108.1	108.0	107.9	107.7
Average number of shares outstanding before dilution for the period	108.1	108.1	108.1	108.1	108.0	107.8
Market capitalization before dilution, SEK M	24,325	16,997	16,997	14,896	16,548	16,144
Personnel						
Average no. of employees	16,793	17,762	17,762	16,523	15,273	14,388

¹⁾ This includes investments in the unsold share of ongoing proprietary housing projects and costs incurred before project starts.

²⁾ Excluding lease liability and excluding pension debt

³⁾ Dividend for 2020 pertains to the Board of Directors' motion to the AGM.

⁴⁾ Dividend for 2019 was resolved at the EGM on November 12, 2020.

⁵⁾ All shares issued by NCC are common shares.

⁶⁾ When calculating the key figure, the impact on earnings of SEK 6,724 M that arose from the spinoff of Bonava has been included.

For definitions of key figures, see p. 78.

Quarterly data

SEK M	QUARTERLY AMOUNTS, 2020					FULL YEAR	QUARTERLY AMOUNTS, 2019				FULL YEAR
	Q1	Q2	Q3	Q4	2020	2020	Q1	Q2	Q3	Q4	2019
Group											
Orders received	15,458	12,730	9,026	13,984	51,199	51,199	15,501	16,070	12,769	13,708	58,048
Order backlog	62,333	59,486	54,821	50,945	50,945	50,945	61,370	63,027	61,658	57,800	57,800
Net sales	11,766	14,431	12,820	14,905	53,922	53,922	11,434	14,610	13,951	18,239	58,234
Operating profit/loss	-69	483	567	379	1,360	1,360	-352	411	568	670	1,296
Profit/loss after financial items	-90	463	549	359	1,281	1,281	-370	380	536	639	1,184
Profit/loss after tax	-84	435	488	420	1,259	1,259	-314	322	459	408	875
Earnings per share after dilution, SEK	-0.78	4.03	4.53	3.90	11.68	11.68	-2.88	2.85	4.21	3.91	8.09
Cash flow before financing	1,018	-605	-63	756	1,106	1,106	-140	-1,109	-814	3,575	1,512
Equity/assets ratio, %	9	11	13	14	14	14	10	8	7	10	10
Net cash +/Net debt -	-4,474	-5,201	-5,052	-4,823	-4,823	-4,823	-4,844	-6,352	-8,124	-4,489	-4,489
NCC Infrastructure											
Orders received	4,415	3,015	2,922	2,476	12,828	12,828	4,840	3,428	4,466	3,868	16,601
Order backlog	20,775	19,219	18,141	15,754	15,754	15,754	22,460	21,770	22,002	20,389	20,389
Net sales	3,791	4,512	3,956	4,826	17,084	17,084	3,649	4,192	4,213	5,371	17,425
Operating profit/loss	39	92	110	123	364	364	8	81	46	78	212
Operating margin, %	1.0	2.0	2.8	2.6	2.1	2.1	0.2	1.9	1.1	1.4	1.2
NCC Building Sweden											
Orders received	4,458	3,729	2,438	3,860	14,484	14,484	2,579	2,368	3,687	4,107	12,741
Order backlog	17,630	17,898	17,602	17,670	17,670	17,670	17,619	16,261	16,717	16,561	16,561
Net sales	3,384	3,464	2,735	3,792	13,375	13,375	3,669	3,726	3,192	4,264	14,851
Operating profit/loss	87	90	78	126	381	381	110	76	75	103	364
Operating margin, %	2.6	2.6	2.9	3.3	2.9	2.9	3.0	2.0	2.4	2.4	2.5
NCC Building Nordics											
Orders received	3,247	2,179	1,247	5,203	11,877	11,877	4,187	6,210	2,683	3,001	16,080
Order backlog	16,916	15,178	13,671	14,856	14,856	14,856	13,132	16,738	16,694	15,807	15,807
Net sales	2,856	3,142	2,795	3,342	12,134	12,134	2,567	2,803	2,914	3,485	11,769
Operating profit/loss	50	62	50	181	343	343	34	46	53	99	231
Operating margin, %	1.7	2.0	1.8	5.4	2.8	2.8	1.3	1.6	1.8	2.8	2.0
NCC Industry											
Orders received	3,412	3,677	2,399	2,762	12,251	12,251	3,372	3,991	2,450	3,040	12,852
Order backlog	5,098	5,119	3,402	2,595	2,595	2,595	5,188	5,487	3,631	2,967	2,967
Net sales	1,314	3,554	4,101	3,559	12,528	12,528	1,265	3,721	4,311	3,674	12,971
Operating profit/loss	-362	258	395	89	379	379	-385	322	387	187	511
Operating margin, %	-27.6	7.2	9.6	2.5	3.0	3.0	-30.5	8.6	9.0	5.1	3.9
Capital employed	5,470	5,910	5,825	5,025	5,025	5,025	5,409	6,397	6,393	5,507	5,507
NCC Property Development											
Net sales	1,577	679	18	464	2,737	2,737	411	321	335	1,989	3,056
Operating profit/loss	323	68	-11	54	434	434	-20	40	19	273	313
Capital employed	4,624	5,337	5,793	6,433	6,433	6,433	4,746	5,534	6,107	4,935	4,935
Operating margin, %	20.5	10.1	-58.5	11.6	15.9	15.9	-4.8	12.5	5.6	13.7	10.2

NCC Industry's operations and certain operations in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure are impacted by seasonal variations due to weather conditions. Earnings in the first quarter are normally weaker than the rest of the year.

Definitions

Financial key figures

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 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 capital employed is used to optimize the Group's capital allocation and value generation.

Dividend yield

Dividend as a percentage of the market price at year-end.

Operating net

Profit from property management before depreciation.

EBITDA

Operating profit in accordance with the income statement with depreciation and impairment losses reversed (not construction-related projects) including impairment losses on properties classed as current assets and excluding depreciation of leases.

Average interest-rate maturity

The remaining interest-rate maturity weighted by interest-bearing liabilities outstanding.

Corporate net debt

Total net debt excluding lease liability and excluding pension debt.

Average shareholders' equity

Average of recognized shareholders' equity at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate

Net sales divided by average capital employed.

Net investments

Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classified as current assets.

Net sales

The net sales of construction operations are recognized in accordance with the percentage-of-completion profit recognition principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. Property sales are recognized on the date when material risks and benefits 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.

Net debt/EBITDA

Corporate net debt divided by EBITDA.

Orders received

Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as well as sold completed housing units from inventory.

Order backlog

Year-end value of the remaining unrecognized project revenues for projects received, including proprietary projects for sale that have not been completed.

P/E ratio

Year-end market price of the shares, divided by earnings per share after taxes.

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.

Interest-bearing Corporate Debt

Interest-bearing liabilities excluding lease liability and excluding pension debt.

Interest coverage ratio

Profit after financial items following the reversal of financial expenses divided by financial expense.

Operating margin

Operating profit as a percentage of net sales.

Debt/equity ratio

Net debt divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

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.

Total return

Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Total net debt

Interest-bearing liabilities and provisions for pensions and similar obligations less cash and cash equivalents, short-term investments and interest-bearing receivables.

Closing date interest rate

Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

Exchange-rate effect

Impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Exchange-rate difference

Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currency are translated into SEK.

Buyback of company shares (treasury shares) in share data

Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.



Sustainability report

The construction industry has a considerable impact on society and, as one of the leading construction and commercial property development companies in the Nordic region, NCC plays an important role in the transition toward a more sustainable society throughout the value chain. Each generation needs to develop and maintain the physical environment to be able to meet changes in society. This work needs to be conducted so that it has a generally positive impact on society and continuously evolves in a sustainable direction. As a construction company, we are proud of the finished result of our work, but equally proud of the road that got us there.

NCC is a knowledge-based company in which sustainability is a key competency and a business-critical factor. Being at the forefront of sustainable solutions for our customers, maximizing the positive impact of our work and continuously working to minimize negative effects are integrated in our way of working. In order to succeed, one important aspect is to actively listen and communicate with customers and other stakeholders so that we understand their needs and objectives and are thereby able to integrate sustainability in the most efficient way into all parts of the operations.

NCC aims to proactively contribute to reducing carbon emissions throughout the value chain, reducing the use of virgin materials and ensuring that our products are built sustainably and can be reused. Through the construction process and manufacturing, NCC will create value for all stakeholders in the value chain. For NCC, sustainability involves considering the needs of current and future generations, identifying competitive advantages in a sustainable construction process and taking long-term responsibility in day-to-day operations.

Our sustainability targets must be of the utmost relevance to NCC's stakeholders and guide our decisions and priorities within the company. NCC applies internal objectives in a number of sustainability areas. Effective 2021, the company has set external targets in two areas: Health and Safety and Climate and Energy. These are two high-priority focus areas for the entire operation in respect of our aim to proactively work to promote sustainable development for all stakeholders.

Reduced climate impact in practice

Through NCC's five business areas, we have excellent potential to lower the climate impact of our own manufacturing of materials and production as well as of the operation and maintenance of the finished products. NCC Industry's asphalt production accounts for the major part of the Group's own carbon emissions. By switching from fossil to renewable

fuels, the business area's climate impact has been reduced by 43 percent in recent years. NCC Building and NCC Infrastructure have developed standard solutions, prefabricated products and processes in order to ensure that exact amounts of materials are ordered, thus reducing the waste generated at construction sites. NCC prioritizes sustainable materials and products and enables the recovery and reuse of the waste generated in the construction process.

NCC is also a leader in constructing commercial properties and housing with low energy requirements. Through the NCC Property Development business area, we can provide support to urban planning concerning the health and wellbeing of people in both office buildings and their surroundings.

In 2020, NCC published its first investor report for Green Bonds and also initiated an assessment of its operations in relation to the EU's taxonomy for identifying environmentally sustainable investments.

No significant changes impacting our reporting in 2020 occurred in the organization, the share capital structure or the supply chain.

Continued focus

In 2020, we saw additional initiatives and activities in the form of roadmaps and objectives at national, regional and local levels that match the Nordic countries' ambitious climate targets. Industries are also uniting behind joint roadmaps and are thus placing pressure on themselves and also indirectly on other players. As part of the construction industry's desire to reach the emissions targets that have been set, we will see an increased focus on renovation of existing buildings and infrastructure, on energy use at construction sites, on the energy needed to produce building materials and on heating and cooling. We also note increasing market requirements for circular processes – the reuse and recycling of materials. The accelerating threat against biodiversity is another that was further actualized in 2020, whereby companies were subjected to take greater responsibility.

NCC thus needs to work even more proactively on how the Group can produce and use materials more efficiently. In 2020, NCC initiated work to set targets and to systematically measure parts of our Scope 3 emissions, and link the data to projects and their virtual models that enable us, for example, to trace materials, increase circularity and build in a resource-efficient manner.

Although the coronavirus pandemic put the entire world under great pressure in 2020, we have not noted any reduced interest or lower expectations in any sustainability areas.

The SDGs and NCC's sustainability framework

UN's Sustainable Development Goals become important tools

The UN and leaders of the world have united behind 17 goals and 169 targets to tackle the most urgent social, economic and environmental challenges in the period up to 2030.

For NCC, the Sustainable Development Goals (SDGs) are a tool to, firstly, identify whether we are on the right track and, secondly, predict the challenges and opportunities of the future. Agenda 2030 and the SDGs thereby help to ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active.

NCC has selected four SDGs where the Group has the greatest potential to contribute through various societal solutions, and another 11 SDGs that are fundamental to our operations and for the Group's offerings. NCC has also evaluated the SDGs at the target level and selected 50 of the 169 targets as relevant and guiding.

NCC intends to continue its efforts to implement the SDGs in its operations, in part by developing new solutions and involving more functions in business areas and their operations in order to increase commitment and participation.

Focus on positive impact through core business

NCC's expertise, know-how and solutions will influence sustainable development in places where people live, work, travel and spend their

spare time together. Accordingly, NCC has an important role to play in the Nordic contribution to achieving the SDGs 7, 9, 11 and 12. By planning and shaping the physical environment, we can increase safety, security, well-being and inclusion. [We will achieve this, for example, by creating inclusive societies with housing and infrastructure that remove physical and mental barriers.] It will also involve building resilient solutions and communities that can manage climate changes in the form of, for example, rising temperatures and higher sea levels. Work to increase resource efficiency, develop new circular material flows and reduce amounts of waste, as well as our efforts towards independence from fossil fuels, are also important aspects in reducing NCC's environmental impact and increasing its operational efficiency.

Resource management

The Group has long been proactive in its work to formulate offerings and work methods that improve the situation for both people and the environment. Accordingly, NCC regards the SDGs 3, 6, 13, 14 and 15 as fundamental to its operations and a prerequisite for the long-term retention of the natural resources needed by NCC.

The health and well-being of people can be promoted by intelligent buildings and sustainable infrastructure. By integrating green areas into urban environments and promoting various species in our quarries, NCC also contributes to increasing biodiversity and sustainable ecosystems.

NCC's positive impact through its core business



NCC's resource management



NCC's foundation



Although we in the Nordic region currently have relatively favorable access to clean water, NCC regards clean water and life below water as important goals to promote, for example, through ecosystem services and water efficiency throughout the value chain.

We are guided by our values

NCC is a value-guided company and this includes implementing activities aimed at achieving the SDGs 4, 5, 8, 10, 16 and 17. In areas within the company, we raise awareness and competencies through in-house training. NCC complies with principles for equality, reduced inequality, decent labor conditions and economic growth, which can be directly linked to the SDGs 5, 8 and 10. Operations are characterized by trust and cooperation, without corruption and other unethical methods, and ethics are high on the agenda. The company will also continue to promote employment for young people, ensure a safe work environment and proactively work to end all types of discrimination. Cooperation and partnerships with various stakeholders are fundamental to make the transformation to a sustainable world by 2030, as reflected in the SDGs 16 and 17. Read more at: www.ncc.group/globalgoals.

The sustainability framework

NCC's sustainability framework provides the foundation for the Group's sustainability work in order to create conditions for people to work, reside, travel and live in a sustainable manner, and simultaneously to increase value for shareholders, customers and society as a whole. NCC's sustainability framework has served as a foundation for the Group's sustainability work since 2016. It illuminates the most important areas: Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. These areas link closely with the SDGs and demonstrate that NCC has an important role to play in the transition of society.

The targets and outcomes for the year are reported on p. 82. As of 2021, NCC has set new sustainability targets. The new targets focus on Climate and Energy and Health and Safety.

SELECTION OF MEMBERSHIPS, INITIATIVES AND NETWORKS INVOLVING SUSTAINABILITY

Signed undertakings

- UN Global Compact
- Agreement on counteracting bribery and corruption (The Swedish Anti-Corruption Institute)
- Fossil-free Sweden
 - Sveriges Bygg- och anläggningssektor* (Swedish construction and civil-engineering sector)
 - Sveriges Bergmaterialindustrin* (The Swedish Aggregates Producers Association)
 - Betonginitiativet* (Concrete)

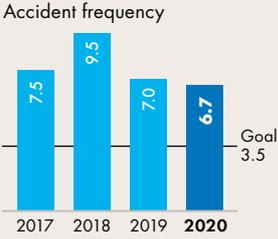
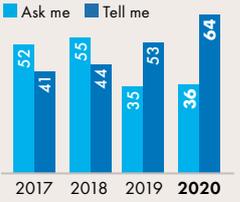
Memberships for which NCC has a seat on the Board of Directors

- Sweden Green Building Council
- Southern Sweden Chamber of Commerce
- Western Sweden Chamber of Commerce
- Urban Land Institute (ULI)
- Gate 21
- Föreningen for Byggeriets Samfundsansvar (Danish Association for Responsible Construction)

Other memberships, networks and support for initiatives

Overall focus	• Byens netværk • Stockholm Chamber of Commerce • Byggesocietetet (Danish construction and real estate trade organization) • ErhvervsKlyngen for Byggeri & Anlæg
Climate impact	• CDP • TCFD • Næring for klima (Business for Climate) • Bygg 21 signaturen • Climate partnerships
Environmental focus	• Confederation of Finnish Construction Industries (CFCI) • Gate 21 • Combibent
Circularity	• Circular Sweden • Nordic Innovation

Targets and outcomes

Focus area	Description and examples of areas	Outcome 2020	Comments on outcome
 <p>Health and Safety We work in a zero accident environment</p>	<ul style="list-style-type: none"> Safe and secure worksites Design and choices of materials that promote good health for all stakeholders in the value chain 	<p>Accident frequency</p>  <p>2017 2018 2019 2020</p>	<p>Target until 2020: 50 % reduction compared with 2015 and ≤3,5 in number of accidents¹⁾.</p> <p>Accident frequency declined from 7.0 in 2019 to 6.7 in 2020, which is the lowest level recorded since the measurement began. NCC is working proactively and NCC's work is described in the section on Health and Safety. Occupational health and safety continues to be one of our long-term targets and after 2020 we will measure and present the outcome in LTIF 4²⁾.</p>
 <p>Social inclusion We are an empowering partner in an inclusive society</p>	<ul style="list-style-type: none"> Better quality of life for workers, customers and society Diversity and equality of workforce Increased social sustainability in procurement processes Empower local communities 	<p>Target for gender: No gender should represent a higher share of a team than 70 %. Outcome 2020: 48 % (45 %).</p> <p>Target, diversity: The team should mirror society regarding ethnicity. Outcome 2020: 47 % (46 %).</p> <p>Target, age: No age group (≤34, 35–49, ≥50 years old) represent a higher share of a business area than 70 %. Outcome 2020: The target has been fulfilled at business area level.</p>	<p>Since 2019, management groups from the Senior Management Team to department management or the equivalent are included in the survey on gender diversity. NCC has come closer to the goal of reflecting society. In 2020, NCC's Senior Management Team comprised three women and four men.</p>
 <p>Materials and Waste We close the loop</p>	<ul style="list-style-type: none"> Sustainable materials Circular supplies Resource efficiency and waste minimization 	<p>Ton waste per turnover, SEK M</p>  <p>2017 2018 2019 2020</p>	<p>Outcome 2020: Sorting: 58 %</p> <p>NCC has increased its sorting and reduced the total amount of waste. We have noted a great success by minimizing total waste by 40 % in relation to sales.</p> <p>As a result of targeted action and commitment within the organization, the amount of construction waste was reduced in 2020, in both absolute terms and in relation to sales of the construction operations. The total amount of waste decreased by 29 percent compared with 2015 and 5 percent compared with 2019. The amount of waste per unit of sales was reduced from 1.64 tons in 2015 to 0.98 tons/SEK M in 2020, or by 40 percent in relation to sales.</p>
 <p>Climate and Energy We are climate neutral</p>	<ul style="list-style-type: none"> Reduced energy use and less GHG emissions Climate adaptation Biodiversity as an asset 	<p>Emissions of greenhouse gases from its own operations per turnover, CO₂e (tonnes)/SEK M</p>  <p>2017 2018 2019 2020</p>	<p>Outcome 2020: Reduction in CO₂e emissions: 42 %</p> <p>Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015. This was due to energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 42 percent since 2015.</p>
 <p>Compliance We are a trustworthy partner acting with high ethical standards and transparency</p>	<ul style="list-style-type: none"> Fair business and no corruption Greater transparency and control of supply chains Sustainable purchasing 	<p>Number of Ask-me questions and Tell-me matters</p>  <p>2017 2018 2019 2020</p>	<p>Index rating in NCC Pulse</p>  <p>80 (79)</p> <p>High rating: 75–100 Average rating: 60–74 Low rating: 0–59</p> <p>The index comprises questions about NCC's values: honesty, trust, respect and pioneering spirit. The index also includes the reliability of reporting of irregularities, and how well individuals use NCC's Code of Conduct as a guide for how we should conduct ourselves at NCC.</p>
 <p>Portfolio performance We provide superior sustainable solutions</p>	<ul style="list-style-type: none"> Provide superior sustainable solutions to our customers and the society 	<p>To be able to track NCC's portfolio performance in line with the market's increasing demand for sustainable products and services, NCC measures the company's portfolio performance by monitoring net sales of sustainable products, services and concepts.</p>	

¹⁾ Work-related incidents resulting in one or more days of absence per million hours worked. (LTIF1)

²⁾ Work-related incidents resulting in four or more days of absence per million hours worked. (LTIF4)

Sustainability governance

Sustainability work in NCC is governed, inter alia, by the Group’s framework for sustainability, the Code of Conduct and other policies, such as a Sustainability Policy featuring an Environmental Policy, a Health and Safety Policy and a Diversity Policy. NCC supports the UN’s Global Compact initiative and has thus taken a stance in relation to issues involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO’s declaration on fundamental principles and rights at work, the OECD’s principles and norms for multinational companies and the Rio Declaration on the precautionary principle, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

In 2020, NCC decided to integrate sustainability closer to the business. This means that we have completed a review of how sustainability is governed and have created new structures for how sustainability targets are set and followed up. Both internal and external goals will be followed up several times per year by the Senior Management Team through business area managers and function managers. In order to succeed, activities that support progress will be linked to each target and the outcome will be followed up continuously during the year. As a support for following up the targets, we use an inhouse-developed digital collection system, whereby NCC’s suppliers can directly provide NCC with information on purchased volumes and other relevant data, such as emissions. This will enable NCC to robustly and thoroughly monitor the information and take adequate actions in the event of deviations.

Code of Conduct

NCC’s Code of Conduct describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC’s values and the voluntary initiatives undertaken by the Group, such as the UN Global Compact. Principles for human rights, work methods, the environment and anti-corruption are stated in these initiatives. 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 Senior Management Team is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Awareness of the Code of Conduct is very high at NCC. According to NCC’s employee survey, NCC Pulse, employees believe to a continued increasing extent that NCC’s values and Code of Conduct provide guidance in their work. No cases of anti-competitive behavior led to legal action in 2020.

NCC’s Code of Conduct for suppliers

NCC’s business partners play an important role in the operations and NCC expects that they will also respect and live up to the Group’s values and sign NCC’s Code of Conduct for Suppliers. The Code of Conduct applies to all parties who supply NCC with products, personnel or services, including direct and indirect suppliers, service suppliers, subcontractors, intermediaries and agents, as well as, where relevant, employees of suppliers and their subcontractors and agents.

NCC Compass

NCC Compass serves as a support to managers and employees in their daily work and to make the right decisions NCC have the NCC Compass. The tool is easily accessible on the company’s intranet and, in addition to requirements, guidelines and general advice, also features an Ask Me and a Tell Me function.

The Ask Me function was created to assist employees in making the right decisions. This function is managed by specially trained employees, Navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails. Tell Me is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner by specially trained internal resources jointly, when needed, with external expertise, to guarantee legally secure treatment.

Information on how the Group manages personal data and any inquiries and incidents in accordance with GDPR is available on both NCC’s external website and intranet. NCC continuously provides compliance, anti-corruption and GDPR training to its employees.

Sustainability organization

The CEO is ultimately responsible for NCC’s sustainability efforts and NCC’s Senior Management Team takes decisions concerning which of the Group-wide sustainability targets are to be followed up. The sustainability work is conducted in the five business areas and is coordinated regularly both by country and at the Group level when relevant. Operations-specific targets are set in the business areas and, if a Group-wide focus is relevant, joint targets have been formulated. Sustainability Reporting and Control is the Group unit responsible for reporting the Group-wide targets, while the managers of each business area report, in collaboration with their sustainability organization, the outcome of their targets. Following the reorganization in spring 2020, parts of the responsibility for sustainability were also migrated from the Group organization, and functions will now take responsibility for their sustainability-related activities; for example, such functions as communications, purchasing and HR. In 2020, and further into 2021, cooperation was established between business areas, the Group’s sustainability team and functions, and forums, responsibilities and activities were continuously created and formalized. As part of the reorganization, NCC reviewed its governance of sustainability and which collaborations are effective, and will continue to evaluate our work methods and make the requisite changes. The above-mentioned forums are responsible for these matters.

Sustainability training for employees

Sustainability is a high-priority area for NCC and, since the launch of sustainability training in 2017, just over 4,600 white collar employees at NCC have completed or started a virtual interactive course in sustainability comprising the six components of NCC’s sustainability framework.

Compliance organization

NCC’s compliance efforts are conducted via the NCC Group Compliance Officer together with selected representatives of Group staff functions and all business areas.

Health and safety organization

The occupational health and safety work is headed by the Group head of health and safety in collaboration with the Group’s Health and Safety team, which includes work environment developers, representatives of the communications and purchasing organization and health and safety managers in each business area. The organization and its work are described in greater details on pp. 84–86.

NCC’S POLICIES

Area	Anti-corruption	The environment	Social issues incl. HR and human rights
Policies	<ul style="list-style-type: none"> Code of Conduct Code of Conduct for Suppliers NCC Compass Tax policy 	<ul style="list-style-type: none"> Code of Conduct Code of Conduct for Suppliers Sustainability Policy featuring an Environmental Policy 	<ul style="list-style-type: none"> Code of Conduct Code of Conduct for Suppliers NCC Compass Health and Safety Policy Diversity Policy Directive on alcohol and drug use
Main areas	<ul style="list-style-type: none"> Business ethics Compliance and tools for business ethics 	<ul style="list-style-type: none"> Environmental responsibility Product and service development Precautionary approach 	<ul style="list-style-type: none"> Human rights Occupational Health and Safety Recruitment Training and education

Our focus areas



Health and safety

GRI 403 Occupational health and safety
GRI 404 Training and education

As part of efforts to ensure a safe and secure work environment, good health and safety is one of NCC's key priorities and guides all of our occupational health and safety work. NCC's occupational health and safety work is based on our vision: Zero accidents.

Management system

NCC's systematic occupational health and safety (OHS) work is governed by the Group's OHS management system. NCC's health and safety policy and directives, our processes and procedures are integrated into the management systems used by the Group and our business areas. They are based on ISO 45001, under which Infrastructure in Denmark and Norway, Building in Denmark and Building in Finland's Special Projects department are certified. The management approach to occupational health and safety work is based on the EU directive 89/391/EEC (including Norway), which has been included in national laws and ordinances, as well as other national regulations.

The management system for health and safety encompasses everyone who works at NCC's worksites; i.e. NCC employees, in-sourced

personnel, suppliers and sub-suppliers. A total of 15.2 percent of NCC's employees work in operations that are certified according to ISO 5001. NCC's internal OHS organization maintains the management system. Internal audits occur regularly, while those parts that are ISO 45001 certified are also audited externally.

OHS work is headed by the Group's Head of Health and Safety in collaboration with the Group's work environment team, which includes work environment developers, representatives of the communications and purchasing organization and health and safety managers in each business area. The team meets regularly and establishes joint targets, while following up OHS work. OHS tasks are delegated and documented in the organization, with ultimate responsibility resting with the CEO. Day-to-day health and safety work is conducted in NCC's business areas, where responsibility for systematic OHS work is delegated to managers with personnel responsibility. NCC's crisis line and crisis procedures ensure that NCC's management is always informed of serious accidents and incidents, and that the related knowledge is communicated to the operations.

Work-related injuries¹⁾ in relation to absence

		Lost-time injuries		Injuries not leading to lost time		Other injuries	
		2020	2019	2020	2019	2020	2019
Sweden	NCC employees	103	116	399	418	16	32
	Subcontractors	86	133	197	223	5	1
Norway	NCC employees	6	10	49	76	1	0
	Subcontractors	5	4	11	14	0	0
Denmark	NCC employees	33	28	133	117	6	12
	Subcontractors	19	28	32	16	2	2
Finland	NCC employees	13	20	28	117	20	12
	Subcontractors	57	53	28	34	7	9
Total	NCC employees	155	176	609	728	43	56
	Subcontractors	167	218	268	287	14	12

¹⁾ Dislocation, strain and stretch injuries, broken bones, sores and other superficial injuries are the most frequently occurring injuries in all countries. Most accidents in ages of 25-30 years.

Absentee rate¹⁾, NCC employees

	Sickness leave, % All types of illness and poor health	
	2020	2019
Sweden	3.5	2.9
Norway	5.8	4.7
Denmark	3.7	3.6
Finland	4.2	3.8
Total	3.6	3.1

¹⁾ From NCC systems for OHS and payroll systems.

Work-related injuries, injury frequency and fatalities

		Work-related fatalities ⁴⁾		Frequency	Very serious work-related injuries ³⁾		Frequency		Injuries resulting in one day or more days of sickness absence		Injury frequency per million hours worked ²⁾	
		2020	2019		2020	2019	2020	2019	2020	2019	2020	2019
Sweden	NCC employees	0	0	0	4	3	0.29	0.02	103	116	7.4	7.5
	Subcontractors	1	1	0.11	0	0	0	0	86	133	9.3	14.4
Norway	NCC employees	0	0	0	0	0	0	0	6	10	2	3
	Subcontractors	0	0	0	0	0	0	0	5	4	0.9	0.6
Denmark	NCC employees	0	0	0	4	0	1.13	0	33	28	9.3	8
	Subcontractors	0	0	0	0	0	0	0	19	28	5.1	8.9
Finland	NCC employees	0	0	0	2	2	0.80	0.07	13	20	5.2	7.2
	Subcontractors	0	0	0	0	0	0	0	57	53	13.7	13.3
Total	NCC ¹⁾	0	0	0	10	5	0.42	0.02	155	176	6.7	7.0
	Subcontractors	1	1	0	0	0	0	0	167	218	7.4	9.5

¹⁾ Total NCC employees, including Safida Montage.

²⁾ From NCC systems for OHS and payroll systems.

³⁾ Any differences in time between a return to work and the time it takes to fully recover are not reported.

⁴⁾ All fatalities have occurred in production operations.

Risk work

NCC's OHS work is based on risk identification and elimination. Risk assessments are conducted to identify risks in various situations, such as when changes are made in work processes and in the operations. Daily safety briefings are the procedure used at our production worksites to make everyone aware of current/potential risks for the work to be performed during the day, and to ensure that these risks are addressed before work commences. NCC's Time Out procedure also provides employees with a mandate to call for a Time Out if a new, unexpected situation arises, and to thereafter make all perceived risky and/or unhealthy situations safe and thus be able to resume work in a safe manner.

NCC's Group-wide OHS reporting tool is used to collect, evaluate and analyze data in order to take actions and prevent the recurrence of incidents. Analyses are performed and measures are proposed in the OHS organization. As required, Group and business area management teams take decisions concerning actions.

Reporting encompasses accidents, incidents and positive and negative observations. Data is validated by the OHS organization, which is also responsible for ensuring the quality of the validation process. This occurs by means of maintaining and developing the process, and ensuring that the system users have sufficient competencies.

Members of the OHS organization have OHS qualifications according to the national education system or equivalent expertise, and receive the skills development required to continue to manage the risk and risk-assessment process.

NCC has taken specific actions to reduce contagion from the coronavirus and to ensure that we have contagion-free workplaces. A large number of information measures, together with risk-assessment tools and systematic management of contagion risks and outbreaks of the disease, have enabled us to keep NCC's production workplaces active and open.

Employee involvement

An important tool for creating inclusion and commitment, and for influencing the employees' own work environment is NCC's OHS reporting system. It is based on the observations and reports made by those working at NCC's worksites. Everyone who works at a NCC worksite has the opportunity to anonymously make reports in NCC's reporting system for OHS. All matters are followed up and communicated through, for example, weekly meetings. Additional ways of influencing the employees' own work environment are through audits, through OHS representatives, such as safety officers, and through NCC's OHS Councils. The OHS Councils consist of representatives of all trade unions and encompass all employees who have influence over decision making on NCC's OHS matters. NCC also has Tell Me, a whistleblower function that enables anonymous reporting of work-related incidents. The Awareness Day theme day and the Health & Safety Week, which are aimed at promoting safe behavior, are arranged annually to further create engagement and involvement among employees.

Work environment partnerships

To alleviate negative effects on OHS and create favorable conditions for improving the work environment, NCC cooperates both internally and externally. For example, NCC has a Code of Conduct for Suppliers and suppliers of products and services linked to projects are subjected to clear-cut stipulations and requirements. NCC participates in several external forums at international and national levels aimed at generating positive effects on the work environment and exchanging experiences. These include the ENCORD European network, Håll Nollan in Sweden and the Danish collaboration Business Panel at the National Research Centre for the Working Environment (advisory board for research institution).

Occupational healthcare

Occupational healthcare is provided by NCC at a national level through external care providers. The service is provided at least at the minimum level stipulated in each country's social insurance legislation. We ensure that the organization's need of support is fulfilled through dialogue and continuous follow-up meetings. At a minimum, NCC is provided with annual evaluations. All personal data is processed according to GDPR. Personal health and medical care is provided during the employees' working hours.

Frisklinjen (Health Line) is an example of a service provided in Sweden. This service adds structure and support for the handling of sickness and health reports. Frisklinjen gives employees access to professional healthcare advice, identifies early signals of ill health and thus increases the potential to take action at an early stage. With data from Frisklinjen, the healthcare provider can also call attention to repeated short-term absence and

work-related illness. NCC requires trade union agreements in which health and medical care is included for workers who are not directly employed.

Health and safety training

At NCC, OHS training is based on laws, regulations and risk analysis, as well as NCC's strategic focus and corporate values. It could, for example, pertain to increased awareness of personal protection equipment, machine safety, being prepared for emergency situations, ergonomic workplaces, chemicals and fire safety. The training encompasses various formats such as lectures, group discussions and activities, workshops or online courses. Decisions concerning training, evaluation and frequency are made by the OHS Councils as well as trade union representatives. The lowest level of this training is provided free of charge by NCC. The impact of the training is followed up through KPIs from OHS reporting tool and employee survey and from OHS statistics.

Skills development

Access to the right competencies is a key issue for the entire industry. As a knowledge-based company, NCC's ability to attract, develop and retain employees with the right skills is decisive to the operation's success. NCC offers its employees a sustainable career through continuous skills development adapted to the individual's and NCC's needs.

The formats for training and development vary from traditional teaching and e-learning to composite training programs. Many of the training programs are offered as e-learning, in part to increase the scope to participate in training and in part to increase the efficiency of implementation. Other training and programs offer on-site participation, whereby networking and learning from one another are key elements. During the year, NCC systematized methods and developed training modules for experience-based learning linked to the employee's ordinary workday and assignments. Research shows that a significant part of the individual's learning occurs through practical experiences at work, such as by collaborating with others, accepting challenges and learning from mistakes. There are also mentor programs where employees receive advice and support provided by an experienced NCC colleague. During the year, NCC expanded its efforts to enhance the skills of key personnel in the production workforce. A comprehensive mapping of the competencies of more than 300 managers in production was implemented to be able to adapt skills development at an individual and team level. Since it proved to be highly effective in being able to offer the right development opportunities to the right individual, the initiative will be extended into the following year.

Individual development opportunities

All employees who start working at NCC must have an onboarding plan that ensures that the individual has all of the training/education of relevance to his/her current position. Subsequently, planning of the employee's skills development is switched to a development plan. It is evaluated and updated at the annual performance review. NCC offers a large range of skills development in various areas: technical knowledge, leadership, work environment, project management and accounting. Certain training is mandatory for certain positions. The range of training is designed to satisfy the individual's need to develop in his/her current position, while also offering opportunities to take new steps and retain his/her attractiveness in the labor market.

NCC can offer individual skills-enhancement training based on a comprehensive catalog of courses. The range also includes longer training programs, composite courses that focus on giving opportunities to develop into new roles in the company. Since sufficient access to good managers and leaders is a key factor in developing both the company and the individual, NCC has management programs for various phases in the executive's development. Manager-training programs include the Supervisor Academy, where blue-collar employees are given an opportunity to train as supervisors, and the Site Manager Program, where supervisors or the equivalent can take the next step in their careers and train to become site managers. To be able to develop employees with key skills, NCC has formulated the Group-wide NCC Mega Project Management Program. This program is targeted at those employees who are able and want to take the step to heading large-scale, complex construction projects, which is a core competency at NCC. The Strategic Leadership Program is intended for future management talents at NCC and, during the year, NCC, in collaboration with IMD Business School in Lausanne, developed a Senior Executive Program. Another example is Practical Leadership, a training program aimed at strengthening the managers' skills in dealing with everyday situations.

Comments on statistics

The number of work-related lost-time injuries per million hours worked is reported on a quarterly and annual basis according to the International Labor Organisation. In cases where OHS responsibility has been delegated to a party other than NCC, any incidents or accidents among subcontractors are not included in the reported statistics.

High-risk areas for illnesses that have been identified in production are working with asbestos, strain injuries and working with quartzite

dust. Organizational and social health is a risk throughout the organization. NCC takes action on the basis of country-specific legal requirements for identified high-risk areas for illnesses. NCC conducts broad-based work to further strengthen the safety culture and eliminate accidents and close calls. These include testing and evaluating NCC's virtual and physical safety barriers and reviewing the implementation of further barriers.

**Social inclusion**

GRI 405 Diversity and equal opportunity
GRI 406 Non-discrimination

NCC endeavors to be a driving force in efforts to achieve an inclusive society. By cooperating with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe and secure and inclusive environments. This is exemplified by NCC's Socially Sustainable Projects concept, which defines and clarifies projects in respect of work involving social aspects.

Diversity and equal opportunity

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees perform, develop and have job satisfaction. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. The guiding framework for efforts to promote diversity and equality comprises the Group's Diversity Policy, NCC's Code of Conduct and NCC Compass.

NCC's Diversity Policy is based on the conviction that diversity contributes to increased business value, and that NCC will become a better business partner for customers if the company reflects the society that we are involved in building. The Code of Conduct and NCC Compass clarify how NCC supports and respects international human rights conventions. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, functional disability or age. NCC does not accept any form of discrimination and acts forcefully when incidents are reported.

Initiative for increased diversity

NCC pursues a number of proactive initiatives for increasing diversity and equality, both in the construction industry and in the Group. One example is NCC's Diversity Councils that supports management teams and spreads good examples to increase diversity and inclusion in our operations. NCC conducted systematic work on its corporate values in 2019 and 2020. Nearly half of the employees in NCC Infrastructure in Sweden and NCC Building Sweden have attended value-based workshops. A total of 100 moderators from these two business areas have been trained in holding these workshops and will thereafter act as ambassadors in core values-related activities, while disseminating and enhancing knowledge of diversity, inclusion and NCC's values within the organization. In 2020, a virtual continuation of value-based workshops was launched in all areas of the Swedish operations. This training is designed to introduce new employees to NCC's values and also serves as a natural follow-up and reminder to all employees who have previously attended value-based workshops.

Gender diversity¹⁾ at NCC

PROPORTION, %	2020		2019	
	Women	Men	Women	Men
Board of Directors	43	57	50	50
Senior Management Team	43	57	25	75
Management teams	34	66	32	68
Managers	18	82	17	83
Employees	16	84	15	85
White-collar employees	27	73	26	74
Blue-collar employees	2	98	2	98

¹⁾ As of 2019, the number of management teams in the survey has been expanded to include all management teams from the Senior Management Team to department management or the equivalent.

Age diversity¹⁾ at NCC

PROPORTION, %	2020			2019		
	<30 years old	30–50 years old	>50 years old	<30 years old	30–50 years old	>50 years old
Board of Directors	0	29	71	0	13	87
Senior Management Team	0	43	57	0	38	62
Management teams	1	57	42	0	58	42
Managers	2	59	39	2	59	39
Employees	15	50	36	16	49	35
White-collar employees	10	56	34	11	56	33
Blue-collar employees	20	42	38	21	41	37

¹⁾ In 2020, NCC reports the breakdown of ages on the basis of new age spans that are GRI adapted. In the summary above, figures for 2019 have also been broken down on the basis of new age spans.

Other examples of initiatives to enhance diversity are:

- Stella, NCC's network for highlighting women at NCC by exchanging experiences, helping them to develop in their roles and ensuring that more women assume senior positions at NCC. Stella was founded in 1998 and currently has more than 500 members.
- Participation in the Diversitas network, Norway's leading network for diversity and equal opportunity in the industry.

Employment contracts and collective agreements 2020

NUMBER OF EMPLOYEES ¹⁾	Number of employees	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT		EMPLOYEES WITH COLLECTIVE BARGAINING AGREEMENTS	PERCENTAGE WITH COLLECTIVE AGREEMENTS
		Men	Women	Men	Women		
Sweden	8,539	6,892	1,338	268	41	8,539	100
Norway	1,440	1,213	159	58	10	1,440	100
Denmark	2,269	1,945	280	37	7	1,325	58
Finland	1,393	1,079	276	32	6	1,200	82
Total, NCC	13,641	11,129	2,053	395	64	12,504	92

¹⁾ Employee data pertains to the number of employees at the end of 2020 and was collected from the Group's HR and payroll system.

Employment contracts, white-collar workers, 2020

NUMBER OF EMPLOYEES ¹⁾	FULL-TIME		PART-TIME	
	Men	Women	Men	Women
Sweden	3,218	1,244	35	67
Norway	473	135	2	7
Denmark	744	235	13	28
Finland	670	231	14	11
Total, NCC	5,105	1,845	64	113

¹⁾ Employee data pertains to the number of employees at the end of 2020 and was collected from the Group's HR and payroll system.

Non-discrimination

No confirmed cases of violations of human rights were reported during the year. In NCC's anonymous employee satisfaction survey, NCC Pulse, 5 percent (5) responded that they had experienced discrimination due to gender or age, harassment or bullying during 2020. However, fewer employees responded yes to this question compared with 2019. NCC has formulated an action plan to counter harassment, discrimination and bullying. The discrimination issue is also illuminated

in conjunction with value-based workshops in management teams and workshops in operating activities. NCC's Ask Me/Tell Me functions are available for all types of issues, both external and internal, where events that are not perceived as being compliant with NCC's Code of Conduct can be reported anonymously.

A risk of human rights crimes in NCC's value chain also exists and this could also arise at the purchasing level in risk areas. NCC has a thorough process for supplier assessment in third countries, which includes assessing and ensuring that we do not do business with suppliers who do not respect human rights. No violations were reported during the year.

Employees

NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer in all markets. 92 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered by collective agreements. In Denmark and Finland, fewer are covered by collective agreements; local agreements are applied instead. Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.



Materials and waste

GRI 301 Material
GRI 306 Waste

The construction process is material intensive and considerable resources are required for completing a building or a structure. Thus, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as by means of project engineering and design that facilitates reuse and recycling. The aim for 2016–2020 is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. After 2020, NCC has decided to focus on waste minimization and circularity in the various business areas. The business areas have set relevant goals and support activities, which are followed up in the Senior Management Team through business area managers. NCC compiles statistics via the waste-management suppliers and they are summarized per unit (division or business area). The information is then summarized for NCC.

Traceability throughout the production chain

NCC aims to produce buildings and civil engineering structures that are content-declared and only comprise products that are sound

from an environmental and health perspective. Ultimately, the aim is that buildings will increasingly be designed to allow for their input materials to be recycled when the service life of the building expires. In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain. NCC's work in the digitization area also supports our sustainability ambitions and drives development in the right direction. Our digital models support these efforts by, for example, minimizing production waste, helping to make the right choices of materials while considering their lifecycle impact, managing chemical contents and increasing recycling of building materials in renovation and demolition.

Circular initiatives

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of

reducing construction waste and reintroducing it into production are being developed. NCC's Reused by NCC platform enables projects to share surplus materials with other projects within the Group. NCC also participates, together with suppliers, in a number of external initiatives designed, for example, to take care of pallets and waste flooring. NCC also contributes to research projects in collaboration with other players concerning the recycling of flat glass, concrete, plastics and gypsum and is an active partner in strategic innovation initiatives, such as Smart Built Environment, InfraSweden2030 and Re:Source.

Together with the Group's waste-management partners, NCC collaborates in a number of areas to enable the recycling or reuse of materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic.

NCC also continuously improves its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2020, recycled asphalt granulate accounted for 26 percent (25) of hot mix asphalt production.

Recycling of construction pallets

Every year, NCC handles large amounts of construction pallets, which are occasionally disposed of in containers at construction sites. The program initiated by NCC Building Sweden and NCC Infrastructure to increase the proportion of pallets resold to the Byggpall returnable system continued with favorable results in 2020. The Byggpall returnable system is an industry initiative aimed at collecting and recycling construction pallets. The initiative contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and carbon emissions from the production of new pallets. In 2020, NCC returned just over 38,200 pallets.

Mass control

NCC MassControl is a virtual tool for planning and following up the transport of waste building materials during civil engineering projects. Using this tool reduces lead times, increases productivity and optimizes load amounts. Having the right load amount results in fewer transports and thus reduces carbon emissions. Working digitally improves NCC's follow-up and the reporting of waste building materials is simplified significantly.

Comments on outcome

NCC is continuing to reduce the amount of waste. This is an excellent result and, in relation to our sales, the reduction has been 40 percent since 2015. Focusing on waste and what NCC generates provides us with a platform for cooperating with our suppliers and for identifying waste streams with the potential to be circular. We did not achieve our sorting target of 70 percent. NCC has actively chosen not to include inert materials, which would improve the statistics. We look at our success and derive knowledge from it, ahead of a continued focus on waste minimization and circular flows.

Amounts of waste¹⁾ by type and disposal method

	2020		2019	
	total weight, tons	%	total weight, tons	%
Non-hazardous waste				
Sorting (mixed waste)	8,189	17	9,802	19
Energy recycling (combustible waste)	9,023	19	8,894	18
Landfill	2,194	5	2,887	6
Reuse/materials recycling	27,563	58	27,662	55
Special treatment (hazardous waste)	611	1	813	2
Total amount of waste	47,580		50,058	

¹⁾ The data has been collected from NCC's waste-management partners.

The total amount of waste decreased by 29 percent compared with 2015 and 5 percent compared with 2019. The amount of waste per SEK 1 M of sales was reduced from 1.64 tons/SEK M in 2015 to 0.98 tons/SEK M in 2020. Work is continuing to reduce the amount of waste and to ensure that the rate of sorting continues to increase during 2020. The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are sorted separately and reused to a large extent and are thus not included in statistics on tons of waste per SEK M. Nor do the tables include inert materials such as concrete and bricks. The tables only show on-site amounts and the waste collected by NCC during 2015-2020. This means that complete compliance with GRI is not in place; however, NCC will start work to study the potential for this.

Waste recycled by handling method

TONS	Total 2020	2019	2018
Hazardous waste	0	0	0
Non-hazardous waste			
Being prepared for reuse	27,563	27,662	26,548
Total	27,563	27,662	26,548

Waste that is not recycled, by handling method

TONS	Total 2020	2019	2018
Hazardous waste			
Special treatment	611	813	629
Non-hazardous waste			
Combustion with energy recycling	9,023	8,894	12,112
Landfill	2,194	2,887	3,863
Total	11,828	12,594	16,604



Climate and Energy

GRI 302 Energy
GRI 305 Emissions

The construction industry emits considerable amounts of greenhouse gases, resulting in a major climate impact. The climate issue is thereby a prioritized area for NCC, which is now expanding the current target for Scopes 1 and 2 to a reduction in carbon emissions of 60 percent by 2030 compared with base year 2015. We are also adding targets for Scope 3 and setting our sights on reducing indirect emissions by 50 percent by 2030. Accordingly, NCC will contribute to lower climate impact throughout its value chain. The outcome of the sustainability targets in the climate area are followed up in the Senior Management Team, together with activities that will help us achieve the targets.

Towards climate neutrality

To reduce the Group's climate impact, we continued to focus on the fuel mix, energy efficiency, renewable electricity and process improvements, but also on initiatives to reduce the climate impact of the materials and transport used by NCC. These measures also contribute to increased competitiveness and reduced costs for the Group's customers. Through our focus on reducing our climate impact from Scope 3, NCC will influence suppliers and thus the industry to deliver products with a lower climate impact and more efficient transport.

In 2020 and 2021, we will map our Scope 3 and identify processes and measures for achieving the established targets.

NCC has participated in Fossil-free Sweden since 2018. This initiative forms a platform for collaboration and dialogue among more than 300 players intent on making Sweden independent of fossil fuels. In April 2018, the construction and civil engineering industry submitted a joint roadmap, signed by NCC, to the Swedish government showing how the industry can use existing technology to halve its emissions by 2030. Work on implementing the roadmap continued in 2020 and, internally, NCC Building Sweden and Infrastructure launched an action plan that will lead to climate neutrality. NCC is also involved in efforts in Denmark, Finland and Norway designed to move the industry toward climate neutrality. Sveriges Bergmaterialindustrin (The Swedish Aggregates Producers Association) has formulated a roadmap that relates to NCC's aggregate operations.

NCC's asphalt production accounts for just over 60 percent of the Group's own carbon emissions. A large share of the carbon emissions derives from the combustion of fossil fuels at the 63 stationary plants that produce hot mix asphalt. By switching to renewable fuels, such as wood pellets or bio-oil, and reducing the moisture level in stone materials and asphalt granulate, the Group's climate impact has been mitigated in recent years. In Sweden, NCC has converted 28 of a total of 29 asphalt plant for the use of biofuel. NCC is also endeavoring to develop more environmentally compatible products, in part by increasing the portion of recycled asphalt in production. Another example of environmental activities is NCC Green Asphalt, which is hot mix asphalt produced by a manufacturing method that generates significantly lower carbon emissions than conventional production of hot mix asphalt. NCC currently has some 60 facilities that can produce NCC Green Asphalt, corresponding to more than 80 percent of the stationary and mobile facilities. To reduce the Group's other carbon emissions, NCC's business areas are working on a range of initiatives such as energy-efficiency improvements, an increased mix of renewable fuel in machinery and vehicles, energy-efficient portacabins and a continued transition to green-labeled electricity. In Norway, a considerable focus is on fossil-free worksites, meaning ones that only use fossil-free fuels or electric machinery. NCC participates annually in the CDP's Climate Changes assessment, in which additional details about the Group's energy consumption and emissions are reported.

In November 2020, NCC released a Green Bond Investor Report that summarizes its initiatives for the property development projects and asphalt plants that have benefited from the green corporate bonds and the carbon reduction that they account for. The property projects are certified at BREEAM excellent or DGNB Gold and consume at least 20 percent less energy than the legal requirement. In its asphalt plants, NCC has invested in fuel conversion, measures to reduce moisture levels in recycled materials and energy-savings measures. This resulted in a reduction of 25,000 tons in carbon emissions between 2012 and 2019. Also refer to p. 92, Portfolio performance.

District heating/district cooling use within the organization

MWh	2020	Change compared with base year 2015, %	2019	2018	2017	2016	2015
District cooling	75	-64	598	624	22	1,286	209
District heating	29,560	-40	42,508	29,156	29,207	48,933	49,239
District heating/district cooling, total	29,635	-40	43,106	29,780	29,229	50,219	49,448

The need for district heating and district cooling varies from year to year. The amount of district heating and district cooling that is purchased depends to a large extent on the projects that were under way during the year, their placement and the phase at which they found themselves.

Electricity use in the organization

MWh	2020	Change compared with base year 2015, %	2019	2018	2017	2016	2015
Electricity from renewable sources ¹⁾	159,561	56	157,204	152,259	118,754	108,927	102,360
Other electricity	12,037	-91	13,535	18,559	55,259	102,861	131,120
Electricity, total	171,598	-27	170,736	170,817	174,013	211,787	233,480

¹⁾ Hydroelectric and wind power.

A key aspect of work toward achieving the target of halving GHG emissions by 2020 is improved energy efficiency, and replacing fossil-based energy with energy from renewable sources. In 2020, 93 percent of all electricity purchased by NCC was either eco-labeled as "Bra Miljöval" (good environmental choice) or origin-labeled using guarantees of origin. The amount of fossil-based electricity has been reduced by 91 percent since 2015.

Definitions

For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol. The market-based calculation method is used to measure GHG emissions from electricity and heating. "Location based" is also reported, but this does not form the foundation for measurements concerning our climate goals. NCC does not use climate compensation. Information on purchases of fuels, electricity and heating/cooling energy is collected from NCC's suppliers. Tolero, an in-house developed digital tool, has been used to compile the statistics, and data per user is shown here. This is then summarized for the whole of NCC and forms the foundation for our energy and climate footprint. The emission factors that form the basis for measuring carbon emissions are obtained from suppliers. In those cases where we do not use supplier-specific emission factors, emission factors from DEFRA or the Swedish Environmental Protection Agency are used, depending on applicability.

Measurement of carbon emissions in three scopes

NCC measures its operations' carbon emissions in Scope 1 and 2, as well as parts of Scope 3, with Scope 1 referring to emissions related to the use of fuel in asphalt plants and from own vehicles and machinery, while Scope 2 refers to emissions related to the production of the electricity, district heating and district cooling used by the operations. Scope 3 refers to indirect emissions from purchased material and external services, travel, subcontractors' vehicles and machinery, transportation, demolition of the Group's products and waste. In many industries, the largest emissions are in Scope 3, which is why it is important to also measure and set targets for these. In construction and civil engineering, considerable indirect emissions derive from key input materials and services, such as concrete, steel and transportation. NCC has started to map these emissions and has set a new sustainability target of reducing its Scope 3, within indicated important categories, by 50 percent by 2030. In 2020, NCC's digital collection system for sustainability measurements was expanded to also include Scope 3. By collecting and measuring carbon emissions in a more robust and efficient manner, we gain greater understanding of the climate impact of various choices of materials. The intention is for suppliers to report data directly in the system and to thus more clearly visualize Scope 3.

Risks and opportunities

Climate change is expected to affect both societies and people, and can be linked to both risks and opportunities for NCC. The Group manages this through risk assessments, climate adaptation of operations and targeted efforts to reduce our climate impact. Demand for new business models is also growing, as customers become aware of the opportunities that, for example, digitization and sharing services generate. NCC supports the recommendations that the TCFD (Taskforce on Climate-related Financial Disclosures) has formulated concerning reporting of climate-related information.

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers. Among other things, NCC has developed products that are resilient to forthcoming changes in the climate by, for example, being able to quickly deal with large amounts of water and enabling water to more easily penetrate soil. NCC is also working on site- and project-adapted solutions for outdoor environments, whereby development and construction are combined with retained diversity of natural services, such as temperature regulation, noise abatement, surface water management, aesthetics and opportunities for recreation. Furthermore, NCC continuously reviews its production processes and works to enhance their efficiency, thus diminishing the negative impact on the environment.

Internal processes

NCC depends on a large quantity of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. To minimize the impact, NCC endeavors to achieve a long-term reduction in its climate impact, phase out fossil fuels and move towards a more circular use of raw materials. Climate change, such as extreme weather and flooding, could also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes could have

a negative impact the safety of employees, as well as on the storage of materials at construction sites. NCC manages this risk by performing risk assessments of all projects.

Reduction in climate impact

Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015. This was due to energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 42 percent since 2015.

The target of achieving a 50-percent reduction by 2020 was extremely ambitious and was significant in driving NCC's transition toward fossil-free operations. Without this distinct and progressive target, our transition toward fossil-free operations would not have been pursued with the same intensity. We are very proud to have reduced our carbon dependence and our climate footprint, but we are not satisfied. We are continuing our transition and are also including Scope 3 in NCC's journey towards climate neutrality.

Environmental product declarations and LCAs

An environmental product declaration (EPD) describes the environmental impact of a product or service and helps customers make more informed product choices. NCC has developed a process for making its own EPDs for stone and asphalt products from the NCC Industry business area, and most of the EPDs are readily available. The process was certified by Bureau Veritas in November 2019. With knowledge of a product's environmental performance, NCC can conduct systematic work to reduce the product's carbon footprint.

Total energy consumption in the organization

MWh	2020	2019	2018	2017	2016	2015
Energy consumption, total	1,112,013	1,206,097	1,201,831	1,268,992	1,256,865	1,422,063
Reduction in energy consumption relative base year	-310,050	-215,966	-220,232	-153,071	-165,198	-

¹⁾ Total energy consumption is a sum of energy usage for electricity, district heating and cooling and fuels.

Use of fuel¹⁾ within the organization

MWh	2020	Change compared with base year 2015, %	2019	2018	2017	2016	2015
Renewable fuels	141,137	35	137,273	111,879	114,206	87,893	104,786
Fossil fuels	769,643	-26	854,982	889,356	951,544	906,966	1,034,349
Fuels, total	910,780	-20	992,255	1,001,234	1,065,750	995,859	1 139,135

¹⁾ Fuels include purchased fuels for vehicles, heating, industrial processes and, for example, drying processes at construction sites. NCC continues to reduce its use of fossil fuels. Since 2015, use has been reduced by 26 percent, due largely to the continued conversion to biofuels in the Swedish asphalt plants.

GHG emissions from NCC's operations

MARKET-BASED	2020	Change compared with base year 2015, %	2019	2018	2017	2016	2015
GHG emissions ¹⁾ CO ₂ e (tons, 000)	185	-41	216	227	260	267	312
- of which, Scope 1 ²⁾	179	-30	209	217	234	223	255
- of which, Scope 2 ³⁾	6	-89	7	10	26	44	57
Net sales, SEK M	53,922		58,234	57,346	54,608	52,934	53,116
Emission intensity: CO ₂ e (tons)/SEK M	3.4	-42	3.7	4.0	4.8	5.0	5.9
CO ₂ e (kg)/MWh	0.167	-39	0.218	0.227	0.244	0.268	0.274
Location based ⁴⁾	9,933	-59	121 84	11,360	11,078	8929	24280

¹⁾ The greenhouse gases N₂O, CH₄ and CO₂ are included in the calculations.

²⁾ Refers to direct emissions from NCC's operations, of which 0.7 (tons 000) derived from the combustion of biomass (2020).

³⁾ Refers to indirect emissions from electricity and heat.

⁴⁾ 2015-2019 from NCC's CDP Report, 2020 from Greenhouse gas emission intensity of electricity generation in Europe — European Environment Agency (europa.eu).

Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015. This was due to energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to sales, NCC's GHG emissions from own operations have been reduced by 42 percent since 2015.

NCC uses life cycle analyses, LCAs, to formulate EPDs. Using LCA calculations, NCC is able to make simulations and then implement changes in production that reduce the environmental impact.

In Finland for the past ten years, NCC has been using an in-house-developed calculation tool to calculate carbon emissions. In 2020, NCC experienced increased demands from customers, whereby LCAs and reduced climate footprint were decisive factors in securing

projects. EPDs are an important step in NCC's endeavors to increase transparency and also enable NCC to deliver requested Scope 3 information to its customers, which few suppliers in the industry can do today.

NCC is well equipped ahead of forthcoming Swedish legislation concerning climate calculations in connection with new construction, and in 2021 will already be able to offer climate calculations combined with various solutions for reducing climate footprint.



Compliance

GRI 205 Anti-corruption **GRI 305** Supplier environmental assessment
GRI 206 Anti-competitive behavior **GRI 414** Supplier social assessment

NCC will always be a trustworthy partner acting with high ethical standards and transparency. The Group's Code of Conduct is an important feature of the compliance agenda, both as an internal compass for describing how the Group should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct constitutes a component of NCC's agreements with suppliers. Other stakeholders are informed about the Code of Conduct through NCC's website, contracts and agreements. NCC works continuously to ensure compliance with its Code of Conduct in all of the Group's partnerships, and to ensure that no violations occur, for example, in connection with competitive situations and in terms of business ethics. We are evaluating management systems for compliance by analyzing statistics from the Ask Me/Tell Me functions, employee questionnaires such as Pulse and the results of internal audits. The Ask Me function received 36 questions (35) during the year, which was in line with the preceding year. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. Through the Tell Me whistleblower function, 36 (30) suspected violations were reported in 2020, somewhat higher than in 2019. A number of incidents were also reported in other ways. This resulted in a total of 64 (53) suspected violations of the Code of Conduct. The incidents involved such matters as fraud and theft, conflicts of interests and other transgressions from NCC's Code of Conduct. Of the matters closed during the year, one led to dismissal and 26 to other actions, such as discussions, changes in procedures and processes or targeted communication measures. In 2020, 1,022 employees received training in compliance and anti-corruption, including 444 in Sweden, 115 in Norway, 309 in Denmark, 138 in Finland and 16 in Poland. A total of 1,197 employees also underwent GDPR training during the year.

NCC is a member of Transparency International Sweden and the Swedish Anti-corruption Institute, we comply with the Code of Business Conduct issued by the Swedish Anti-Corruption Institute and have a policy and guidelines for our anti-corruption efforts. NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other industry players in Sweden, a joint policy has been formulated: "Agreement on counteracting bribery and corruption." NCC also participated in the formation of a Swedish Ethical Trading Initiative (ETI), a joint initiative to promote good labor conditions in producing countries.

Following an analysis of the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance to NCC: Bribery and corruption, competition law and conflicts of interest. During the year, NCC investigated six cases of suspected corruption. NCC was not able to confirm corruption in any of the investigations (one investigation is still open). In one investigation, however, NCC could prove that an employee had ordered work and materials from NCC for private use without having them invoiced. The employee chose to leave NCC during the course of the investigation. Five cases

of conflicts of interest involving transactions with own companies, organizations and related parties that contravened NCC's rules were also dealt with during the year.

Sustainable purchasing

Continuously developing sustainable and competitive purchasing is a key issue for NCC. Purchasing work is based on the Group's Code of Conduct. In 2020, NCC updated the Code of Conduct for suppliers. Read more about NCC's Code of Conduct under Sustainability governance.

NCC has business relationships with several thousands of suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. NCC has divided its total purchasing volume in a category-based model. The ten largest production-related categories are Transport/Civil-engineering contracts, Technical installations, Building materials/Water and sewage materials/Tools and supplies, Road/Park/Railways, Rental materials, Interiors, Bearing structures, Production materials industry, Concrete/Molds/Rebar and Exteriors.

NCC's supplier base consists predominantly of Nordic suppliers, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of framework agreement suppliers, international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control. NCC has about 1,500 framework agreements, which accounted for 32 percent of the total purchasing volume during the year. NCC collaborates actively with strategic suppliers in order to develop and increase sustainable computerized solutions. In cooperation with strategic suppliers, work is also under way to reduce consumption and increase productivity.

NCC's purchasing system encompasses the entire organization. We work continuously to develop the quality of follow-ups of the Group's suppliers. According to NCC's purchasing processes, new suppliers are assessed before any cooperation commences. The scope of this assessment varies depending on the type of supplier. However, NCC still has no quantitative data to report on the follow-up of supplier assessments in terms of the entire Group. To assess, monitor and develop non-Nordic suppliers, NCC focuses specifically on audits of social responsibility, quality, environment and work environment.

To ensure compliance with NCC's requirements and advances in these areas, NCC applies a one- to three-year supplier-assessment and supplier-performance audit cycle. Non-compliances that are noted during the supplier assessment and that are not corrected according to the action plan could lead to termination of the cooperation with the supplier. For suppliers in high-risk countries (according to Amfori BSCI's definition), our audits performed by internal staff are strengthened by the tools we have access to through our membership of Amfori BSCI.



Portfolio performance

NCC-1 Company-specific disclosures: Sustainability-certified buildings

The Group's product portfolio includes a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets and strengthen its competitiveness and ability to generate long-term profitable growth.

Sustainability-certified projects

NCC offers its customers all the types of environmental certifications that are available for both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM, LEED, DGNB and Citylab are used for housing and infrastructure projects, as well as whole city districts. BREEAM and DGNB are used for the projects that NCC develops itself.

Sustainable site

NCC has also developed its own work method called Sustainable site, which entails a shared platform upon which to base the sustainability work at all NCC worksites, regardless of country or type of operation. Work methods are checked against a checklist. Sustainable Sites is mandatory for all projects in NCC Building Sweden with a project value exceeding SEK 50 M and in NCC Infrastructure Sweden for projects with a project value exceeding SEK 100 M. In 2020, NCC Industry started to map its quarries in the stone materials sector using the Sustainable Sites method, with 20 registered quarries. For quality control, sustainable worksites are checked during environmental rounds and internal audits. Implementation in Building Nordics also continued in 2020.

Sustainable solutions and products

NCC contributes to favorable social and urban development by providing sustainable solutions. In 2020, NCC Industry continued to develop its portfolio of sustainable products, services and methods and collected them under the joint heading of "Smart choices for a better world": Examples of products and solutions within Smart choices for a better world are products for reducing environmental impact from a lifecycle perspective, such as NCC Green Asphalt and NCC Machine Sand, solutions for managing the negative impact of climate change such as NCC Armour Stone and NCC DrænStabil, and solutions for creating and retaining biodiversity, such as NCC Kielo, which is a method for increasing biodiversity in NCC's quarries.

Green corporate bonds for green projects

NCC issued green bonds for the first time in 2019. Bonds at a value of SEK 1.6 billion were issued on Nasdaq Stockholm. Also in 2019, NCC re-financed SEK 100 M through a green private placement. The bonds have financed investments in sustainable property development projects, conversion to renewable energy sources in asphalt production, energy efficiency programs and reduced moisture levels in recycled asphalt.

The green framework for the bonds was verified by the Center for International Climate and Environmental Research (CICERO), an independent research center connected to the University of Oslo. The framework is classified as Medium Green, the second highest level in CICERO's ratings, and the governance structure was ranked as Excellent, which is the highest rating.

The NCC Green Bond Investor Report was released in autumn 2020. The report includes an assurance issued by PWC without observations and can be found at www.ncc.com.

Sustainability-certified buildings

CERTIFICATION SYSTEMS	NORDIC SWAN ECO-LABEL Number	BREEAM		LEED		DGNB		MILJÖBYGGNAD	
		Grade	Number	Grade	Number	Grade	Number	Grade	Number
NCC		Pass		Bronze		Bronze		Bronze	2
		Good		Silver		Silver		Silver	13
		Very Good	1	Gold	1	Gold	3	Gold	2
		Excellent	2	Platinum	1	Platinum			
		Outstanding							
Total 2020 (2019)	2 (3)		3 (9)		2 (4)		3 (0)		17 (12)

That buildings are constructed to satisfy ambitious certification requirements has become a matter of course in many construction projects; however, it is not equally self-evident that the building will be actually certified. As of 2019, preliminary certifications are not included in the table; only certifications implemented during the year.

Stakeholder dialogue and materiality analysis

NCC uses the results of stakeholder dialogues, analyses of strategic issues and driving forces in society to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. In order to understand and gain an insight into the stakeholders needs, expectations and challenges, NCC continuously engages in an open dialogue with the stakeholders. The principal stakeholder groups are: Shareholders/investors/banks, customers, suppliers/subcontractors, employees and NGOs. For example, the annual Group-wide employee questionnaire is an important tool for the internal stakeholder dialogue.

NCC's sustainability framework is rooted in a web-based survey of more than 2,800 stakeholders that was conducted in 2016 to enable stakeholders to provide feedback on NCC's material issues. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders included healthy and safe workplaces, sound business

practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health-related and environmental criteria.

NCC also regularly engages in other types of dialogues, such as in the form of a quarterly customer survey (Net Promoter Score) and the annual employee survey (NCC Pulse). NCC also measures the Group's reputation among decision-makers, interest organizations and the general public. Among other actions in 2020, a major survey was conducted through in-depth interviews with NCC's customers in Sweden, Norway, Denmark and Finland. The most significant aspects that were identified do not differ noticeably from the 2016 survey. In the environment area, the focus is on the climate issue, recycling and choices of sustainable materials and in social sustainability, the focus is on health and safety. Active sustainability work is a prerequisite and an expectation; it is also business critical and incorporates both business-critical aspects and future opportunities. Among investors, interest is increasing in the companies' ability to prepare for new political initiatives linked to risk minimization and new business opportunities.

Stakeholder	Issues in focus	Example of dialogue form and follow-up
Suppliers	Responsible ethical enterprise. Code of Conduct Professional entrepreneurship, Ongoing risk assessment and risk management. Climate and environmental awareness and measures to reduce the climate and environmental impact. Responsibility throughout the value chain. Focus on resource efficiency, recycling and choices of sustainable materials.	Procurements, supplier environmental assessments, personal meetings, daily contacts, meetings with suppliers, supplier audits, sustainability dialogues and partnership projects.
Shareholders, investors, banks	Responsible ethical enterprise, Long-term economic value growth. Responsibility throughout the value chain. Ongoing risk assessment and risk management. Climate awareness and measures for reducing environmental and climate impact. Safety and health.	Annual General Meeting, meetings with analysts, questionnaires from ethical and environmental funds, meetings with investors, national and international estimations.
Employees; current and potential	Responsible ethical enterprise. Inclusive worksites. Safe and secure workplaces. Skills and career development. Good management. Equal treatment, equal opportunities and diversity. Climate and environmental awareness and sustainability. Community involvement, such as in the form of integration efforts and traineeships.	Daily dialogues, employee surveys, work environment measurements, work environment dialogues, workplace meetings, in-house training, incident follow-ups, target and performance reviews, external surveys of the employer brand, student relations and collaboration with the education sector.
Customers	Responsible ethical enterprise. Professional entrepreneurship. Cooperation and partnerships. Knowledge and skills. Resource capacity, quality, availability. Good working and employment conditions. Inclusive worksites. Safe and secure worksites. Certifications. Climate and environmental awareness and measures to reduce the climate and environmental impact. Focus on resource efficiency, recycling and choices of sustainable materials. Contributing through sustainable innovation and sustainable solutions. Support customers in achieving their climate and environmental targets. Contributing to local social development. Adaptation of cities and municipalities to climate change, environmental challenges and social requirements.	Personal meetings, daily contacts, networks, partnership projects, dialogue meetings, customer meetings, fairs, customer questionnaires, question forms from customers, procurements and audits. Worksite visits, partnering projects, information meetings, networks, contacts with county councils/municipalities, environmental reports and neighbor dialogues.
Suppliers	Responsible ethical enterprise. Code of Conduct .Professional entrepreneurship, Ongoing risk assessment and risk management. Climate and environmental awareness and measures to reduce the climate and environmental impact. Responsibility throughout the value chain. Focus on resource efficiency, recycling and choices of sustainable materials.	Procurements, supplier environmental assessments, personal meetings, daily contacts, meetings with suppliers, supplier audits, sustainability dialogues and partnership projects.

NCC's material aspects

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects pervade every link of the value chain, and their significant impact on the value chain is presented in the table below.

There have been no changes in significant sustainability issues; however, as of the current Annual Report, NCC has switched to reporting on the 2018 standard for GRI 403 Occupational Health and Safety and the 2020 standard applying to GRI 306 Waste.

Economic value generated and distributed

SEK M	2020	2019
Economic value generated		
Customers	53,940	58,262
Economic value distributed		
Suppliers	-41,092	-44,673
Employees	-8,671	-9,392
Lenders	-80	-112
State (expensed tax and social security fees)	-2,839	-3,211
Shareholders ¹⁾	-538	-540
Economic value retained	720	334

¹⁾ Proposed dividend.

Material topics and boundaries

	Significant impact		
	of suppliers	of NCC's operations	of customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	
Anti-competitive behavior	●	●	
ENVIRONMENTAL IMPACT			
Material		●	●
Energy		●	●
Emissions		●	
Waste ¹⁾		●	●
Supplier assessment	●	●	
SOCIAL IMPACT			
Health and Safety		●	
Training		●	
Diversity/equality		●	
Supplier assessment	●	●	
Non-discrimination		●	
Product and service labeling		●	●

¹⁾ Limited to NCC's building and construction operations.

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. We have applied the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information since 2010. The Sustainability Report, which pertains to the 2020 fiscal year, has been prepared according to GRI Standard level Core and also constitutes NCC's Communication on Progress under the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp. 80–92. For the GRI index, refer to the following pages. The report has not been examined by a third party. The Report on the 2020 fiscal year was published on March 8, 2021. The most recent sustainability report was published in the 2019 Annual Report. Unless otherwise stated, all the information pertains to the entire NCC Group.

Contact: CFO, Head of Finance and DOS (Development & Operations Services), Susanne Lithander, +46 8 585 510 00, susanne.lithander@ncc.se

STATUTORY SUSTAINABILITY REPORT

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report on the following pages: 1–9, 21–23 and 80–92.

NCC's business model and sustainability framework are presented on pp. 80–81, environment on pp. 80 and 87–91, social conditions on pp. 82, 86–87 and 91, personnel on pp. 82, 86–87 and 91, human rights on pp. 80–82, 85 and 89 and anticorruption on pp. 82 and 91. Risk descriptions are presented on pp. 21–23.

Unless otherwise stated, the information pertains to the entire NCC Group, including subsidiaries.

**AUDITOR'S STATEMENT ON THE
STATUTORY SUSTAINABILITY REPORT**

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2020 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 5 March 2021
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor-in-charge

Erik Bergh
Authorized Public Accountant

GRI index

GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
GRI 101: Foundation 2016				
GRI 102: General Disclosures 2016				
Organizational profile				
	102-1	Name of the organization	10	
	102-2	Activities, brands, products and services	1, 10	
	102-3	Location of headquarters	10	
	102-4	Location of operations	1, 10	
	102-5	Ownership and legal form	20, 98	
	102-6	Markets served	1, 10	
	102-7	Scale of the organization	1, 11, 24, 25, 86–87	
	102-8	Information on employees and other workers	87	
	102-9	Supply chain	91	
	102-10	Significant changes to the organization and its supply chain	80	
	102-11	Precautionary Principle or approach	7	83
	102-12	External initiatives	81, 83	
	102-13	Membership of organizations	81, 91	
Strategy				
	102-14	Statement from senior decision-maker	2–3	
	102-15	Key impacts, risks and opportunities	21–22, 94	
Ethics and integrity				
	102-16	Values, principles, standards and norms of behavior	1–10	4, 81
Governance				
	102-18	Governance structure	83, 98–99	
Stakeholder engagement				
	102-40	List of stakeholder groups	93	
	102-41	Collective bargaining agreements	3	86–87
	102-42	Identifying and selecting stakeholders	93	
	102-43	Approach to stakeholder engagement	93	
	102-44	Key topics and concerns raised	93	
Reporting practice				
	102-45	Entities included in the consolidated financial statements	45, 94	
	102-46	Defining report content and topic Boundaries	94	
	102-47	List of material topics	94	
	102-48	Restatements of information		No restatements.
	102-49	Changes in reporting	94	No changes.
	102-50	Reporting period	10, 94	
	102-51	Date of most recent report	94	
	102-52	Reporting cycle	94	
	102-53	Contact point for questions regarding the report	94	
	102-54	Claims of reporting in accordance with the GRI Standards	94	
	102-55	GRI content index	95–97	
	102-56	External assurance	94	
GRI 200: Economic standards				
Economic performance				
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	80–81, 83, 92–93, 98–103	
GRI 201: Economic Performance 201	201-1	Direct economic value generated and distributed	94	
	201-2	Financial implications and other risks and opportunities due to climate change	89–90	
Anti-corruption				
			10	
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	80-82, 83, 91, 93-94, 99	
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	91	
	205-2	Communication and training about anti-corruption policies and procedures	89–91	
	205-3	Confirmed incidents of corruption and actions taken	91	
Anti-competitive behavior				
			10	
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	80-82, 83, 91, 93-94, 99	
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices, and results	83	

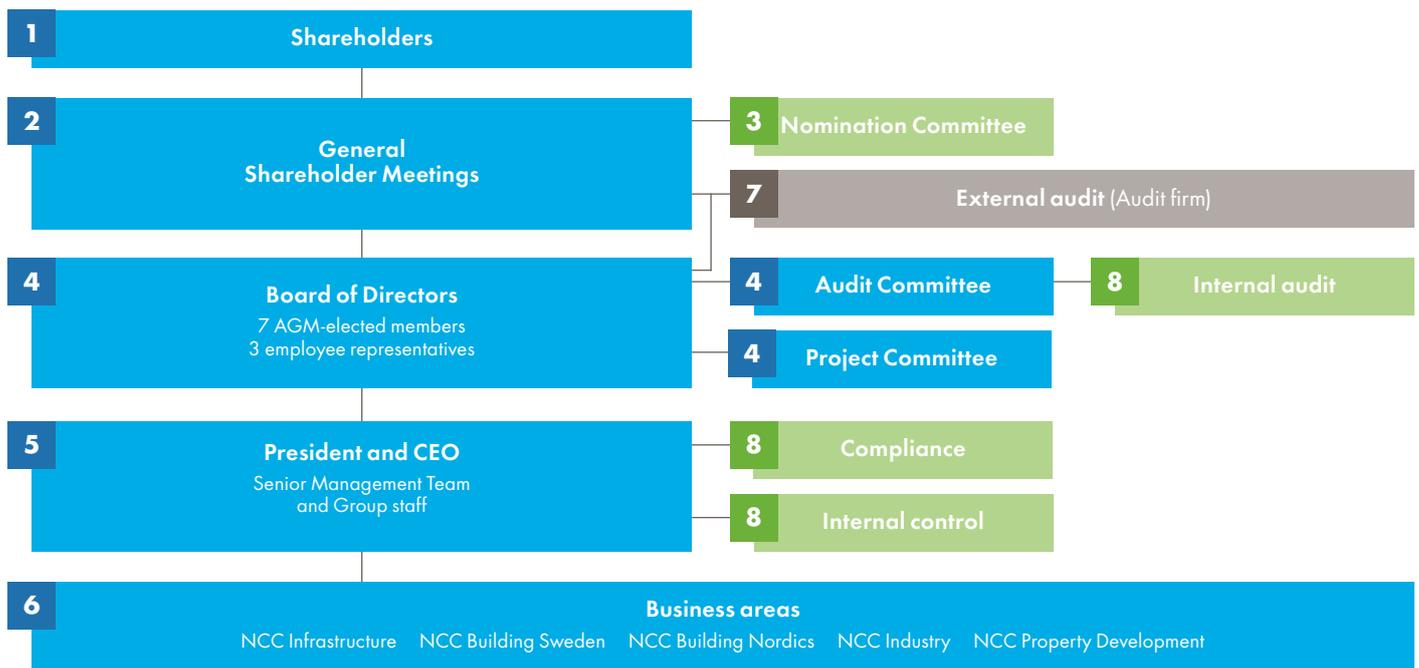
GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
GRI 300: Environmental standards				
Material		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	6, 80-83, 87-88, 93-94, 99	
GRI 301: Materials	301-2	Recycled input materials used	87-88	Material in NCC's industrial operations.
Energy		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	6, 80-83, 88-89, 93-94, 99	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	88-91	
	302-4	Reduction of energy consumption		NCC recognizes total reduction in energy consumption
Emissions		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	6, 80-83, 88-91, 93-94, 99	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	88-91	
	305-2	Energy indirect (Scope 2) GHG emissions	88-91	
	305-4	GHG emissions intensity	88-91	
	305-5	Reduction in GHG emissions		NCC recognizes total reduction in energy consumption
Waste		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	6, 80-83, 87-88, 93-94, 99	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts		No information is available on the waste's impact relative the value chain. We are studying the potential to collect this information in the future.
	306-2	Management of significant waste-related impacts	87-88	
	306-4	Waste diverted from disposal	87-88	Information on the amount of waste handled on-site and off-site, respectively, is not available. We are studying the potential to collect this information in the future.
	306-5	Waste directed to disposal	87-88	
Supplier environmental assessment		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	80-83, 91, 93-94, 99	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria		Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.

GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
GRI 400: Social standards				
Occupational health and safety				
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	8-9, 80-83, 84-86, 93-94, 99	
GRI 403: Occupational Health and Safety 2018	403-1	Health and safety management systems	84-86	
	403-2	Hazard identification, risk assessment, and incident investigation	84-86	
	403-3	Occupational health services	84-86	
	403-4	Worker participation, consultation, and communication on occupational health and safety	84-86	
	403-5	Worker training on occupational health and safety	84-86	
	405-6	Promotion of worker health	84-86	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	84-86	
	403-8	Workers covered an occupational health and safety management system	84-86	
	403-9	Work-related injuries	8, 84-86	LTIF 1 is reported
	403-10	Work-related ill health	86	Risky work elements are described.
Training			1-10	
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	84-86	
GRI 404: Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	84-86	
Diversity and equal opportunity			6	
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	8-9, 80-83, 86-87, 93-94, 99	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	86-87	Age breakdown is reported in accordance with the categories in NCC's diversity objectives.
Non-discrimination			6	
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	8-9, 80-83, 86-87, 93-94, 99	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	86-87	No cases have been confirmed but this is reported anonymously in the employee survey.
Supplier social assessment			1-6, 10	
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	80-83, 91, 93-94, 99	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria		Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.
Marketing and labeling			9	
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	80-83, 92, 93-94, 99	
Company-specific disclosures: Sustainability-certified buildings	NCC-1	Type and number of sustainability certifications, rating and labeling schemes	92	

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 by and conforms with Swedish company law and other rules that apply to listed companies, such as the Swedish Code of Corporate Governance, Nasdaq Stockholm’s Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation.

NCC’s control structure 2020



How NCC is governed

1 Shareholders

The number of shareholders in NCC AB at year-end 2020 was 40,072, with Nordstjernan AB as the largest individual holder accounting for 16.83 percent of the share capital and 48.03 percent of the voting rights.

2 General Shareholder Meetings

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. There are no stipulations in the Articles of Association concerning the appointment and dismissal of Board Members or concerning amendments of the Articles of Association. 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. The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association.

3 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. Another task of the Nomination Committee is to nominate auditors and propose the fees to be paid to them. The Nomination

Committee’s work complies with the instructions adopted by the AGM. The Board of Directors is evaluated within the framework of the Nomination Committee’s work.

The Audit Committee assists the Nomination Committee in evaluating the work of the auditors.

4 Board of Directors, Audit Committee and Project Committee

The Board shall consist of not fewer than five and not more than ten members elected by the Annual General Meeting (AGM) for a term of one year. The employees are represented on the Board. During 2020, seven Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Board Members, see pp. 104–105. The Chairman of the Board is Alf Göransson (for details concerning the Chairman’s age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 104). The Chairman of the Board directs the work conducted by the Board and maintains regular contact with the President and CEO in order to continuously monitor the Group’s operations and development. The Chairman represents the company in ownership matters and is a co-opted member of the Nomination Committee but has no voting right.

The Board’s Audit Committee comprises Board Members Angela Langemar Olsson, Mats Jönsson and Birgit Nørgaard. The Chairman

of the Audit Committee is Angela Langemar Olsson. The Board of Directors' Project Committee comprises Board Members Alf Göransson and Geir Magne Aarstad. The Project Committee is chaired by Alf Göransson.

5 CEO and Senior Management Team

The President and CEO of the company is Tomas Carlsson (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 106. 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," p. 102). The company has not appointed any Deputy Chief Executive Officer.

NCC's Senior Management Team (SMT) consisted during 2020 of the President and CEO, the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development and the Chief Financial Officer, who is also Head of Development & Operations Services (DOS). For information on members of the SMT, see pp. 106-107.

The SMT mainly focuses on strategic and other Group-wide matters and generally meets once per month.

6 Governance of business areas

The Group is composed of business areas. Each business area is headed by a business area manager and has a supervisory council whose members include the President and CEO, CFO and Senior Legal Counsel. The approval of the President and CEO or NCC AB's Board of Directors is required for certain decisions.

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.

7 Auditors

The AGM appoints an Authorized Public Accountant to examine the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. The current auditor is appointed for a period of one year. PricewaterhouseCoopers AB (PwC) will serve as the company's auditor until the close of the AGM in 2021. Authorized Public Accountant Ann-Christine Hägglund has been appointed PwC's auditor-in-charge.

For more information on the auditor, see p. 105.

8 Internal Governance and Control

NCC's operations require a considerable amount of delegated responsibility. A Group-wide directive is in place to clarify exactly who is entitled to make decisions concerning various matters. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties and contracting undertakings. There are also a number of other Group-wide governing documents concerning such matters as 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 headed 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 business area manager, the CEO and the CFO. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the business area manager responsible for the project. Tenders for projects exceeding SEK 500 M are subject to special assessment at Group level and are approved by the CEO. The Board's Project Committee is involved in projects exceeding SEK 1,500 M. Projects exceeding SEK 300 M are also followed up via the NCC

Project Trend Report (PTR) process. Proprietary property development 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 of less than SEK 50 M are the responsibility of the particular business area.

Concerning the internal audit, see page 103, item 5, Follow-up.

Compliance

The Compliance function's responsibility is to investigate and evaluate matters concerning regulatory compliance within the organization to ensure that management and the employees comply with laws, regulations and ethical guidelines involving the principal risk areas, such as anti-corruption and competition law. The Compliance function also monitors implementation of programs for ensuring proper processing of personal data in the Group. This function is also responsible for overall strategy and coordination of sustainability matters. On a semi-annual basis, NCC's Group Compliance Officer summarizes, in a written Compliance Report, any incidents and the status of ongoing inquiries, which are then reported to the NCC Board. The function is headed by the Group Compliance Officer, who reports to the Senior Legal Counsel. For more information, refer to the separate Sustainability Report.

NCC's compliance-related efforts are conducted via the NCC Group Compliance Officer together with selected representatives in each business area and Group staff.

Sustainability work

The CEO is ultimately responsible for NCC's sustainability efforts. The SMT is responsible for establishing and following up sustainability targets. Operational sustainability work is performed in NCC's business areas. The business areas are responsible for establishing strategies and activities for achieving the targets. This work is coordinated by the business areas' sustainability managers. This coordination occurs between the business areas and also through other functions in the organization, such as the purchasing and HR functions. Group Sustainability Reporting & Control is responsible for reporting, data collection and assuring the quality of data for forthcoming requirements. NCC's compliance-related efforts are conducted via the NCC Group Compliance Officer.

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Rules of procedure for Board work and instructions for the CEO
- Audit Committee's rules of procedure
- Project Committee's rules of procedure
- The Group's and business areas' directives on delegation of authorities and internal governance
- NCC's Code of Conduct and Code of Conduct for suppliers
- Group Tax Policy, Group Treasury Policy and Information Policy
- Other governing documents in the form of policies, directives, regulations, guidelines and instructions for the CEO

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement of NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act
- Market Abuse Regulation

Corporate governance at NCC in 2020

Annual General Meeting 2020

NCC's 2020 Annual General Meeting (AGM) was held at Norra Latin in Stockholm on April 1. The AGM was attended by 189 shareholders, in person or through powers of attorney, representing 56.4 percent of the share capital and 69.4 percent of the total number of votes. The minutes of the AGM are available at www.ncc.se. The 2020 AGM passed the following resolutions, among others: No dividend is to be paid and the Parent Company funds available for distribution by the AGM were carried forward.

A new Chairman of the Board was elected. It was resolved that fees for the Board of Directors and its committees would total SEK 4,650,000.

Guidelines were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive program (LTI 2020) for senior executives and key personnel.

To cover the commitment under LTI 2020, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to the participants of LTI 2020.

It is also to be possible to transfer a maximum of 500,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2018, LTI 2019 and LTI 2020).

Income statements and balance sheets for 2019 were adopted and discharge from liability was granted to the Board and the CEO.

Extraordinary General Meeting 2020

An Extraordinary General Meeting was held virtually on November 12, 2020 by postal voting, pursuant to Section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198). At this Extraordinary General Meeting it was resolved that a dividend of SEK 2.50 per share would be paid to the shareholders for the 2019 fiscal year. An amendment of the Articles of Association was also resolved, which empowered the company to implement general meetings by means of postal voting and/or the collection of powers of attorney.

Work of the Board of Directors

In 2020, NCC's Board held seven scheduled meetings, four unscheduled meetings and the statutory meeting directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, financial accounts, major investments and divestments, plus other decisions that have to be addressed by the Board. During 2020, the Board of Directors continuously evaluated the situation caused by the coronavirus, resulting in a proposal to withdraw the dividend ahead of the AGM. Following further assessments, a dividend was proposed for resolution by the Extraordinary General Meeting. Due to the coronavirus, the Board did not implement worksite visits to the same extent as in prior years. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters, and the Senior Legal Counsel served as secretary.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial reporting and preparing matters related to the company's financial statements and audit; refer to p. 103 Item 5, Follow-up. In 2020, the Audit Committee held seven meetings at which all members were present.

The Board's Project Committee assists in the preparation, analysis

and decisions regarding tenders in contracting operations for projects exceeding SEK 1.5 billion. In 2020, the Committee addressed five projects and held five meetings, attended by all members.

The Board's evaluation of its work was conducted by asking all Board Members to anonymously respond to a questionnaire. The results were then compiled and discussed by the Board. This documentation was also presented to the Nomination Committee.

Buyback of company shares

The company holds 764,267 Series B shares to cover its commitments under long-term incentive programs. In 2020, 0 shares were sold to cover costs, 0 shares were transferred to participants in LTI 2017 and 234,000 shares were bought back.

Remuneration of the Senior Management Team

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involving remuneration and other terms of employment for the Senior Management Team (SMT). 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 SMT are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and adopted by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman of the Board. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits.

The 2020 AGM resolved on a long-term performance-based incentive program (LTI 2020), comprising the CEO, members of the SMT and an additional approximately 172 executives in the Group. LTI 2020 is a three-year program that entitles the participants to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2022. 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. The Board follows up and evaluates application of the remuneration program applicable for the company's senior executives. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise the SMT. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on pp. 37-40.

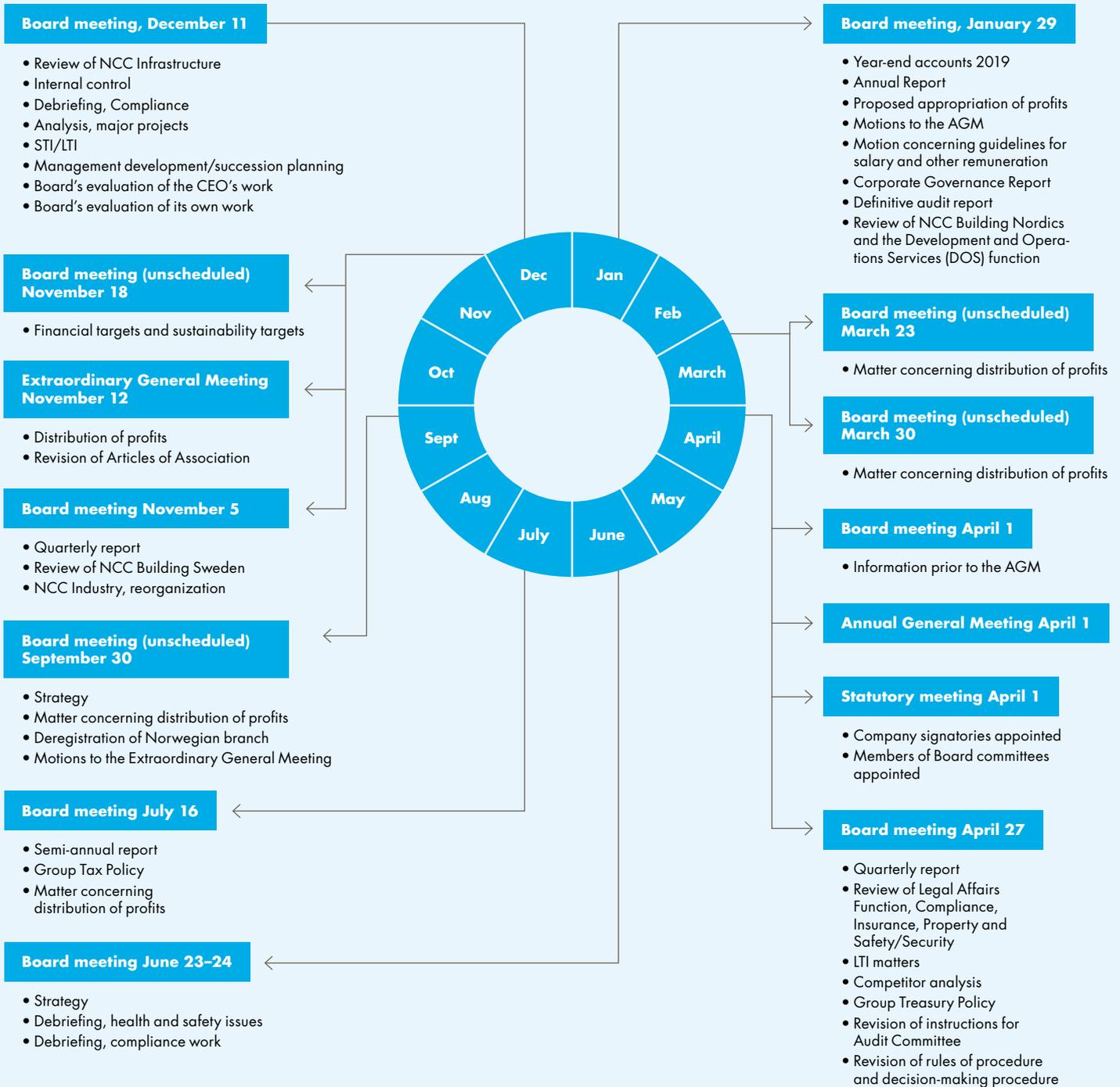
Nomination Committee 2020

The AGM on April 1, 2020 reelected Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Anders Oscarsson (equity manager AMF/AMF Funds) and Simon Blecher (fund manager Carnegie Funds) and elected Mats Gustafsson (fund manager and head of corporate of governance at Lannebo Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chairman. At the request of AMF & AMF Funds, Anders Oscarsson was later replaced by Peter Guve (equity manager AMF Funds). Alf Göransson, Chairman of the NCC Board, is a co-opted member of the Nomination Committee but has no voting right. No remuneration was paid to members of the Nomination Committee. The Diversity Policy applied by the Nomination Committee complies with Article 4.1 of the Swedish Code of Corporate Governance.

The Nomination Committee's proposals to the 2021 AGM are available at ncc.se.

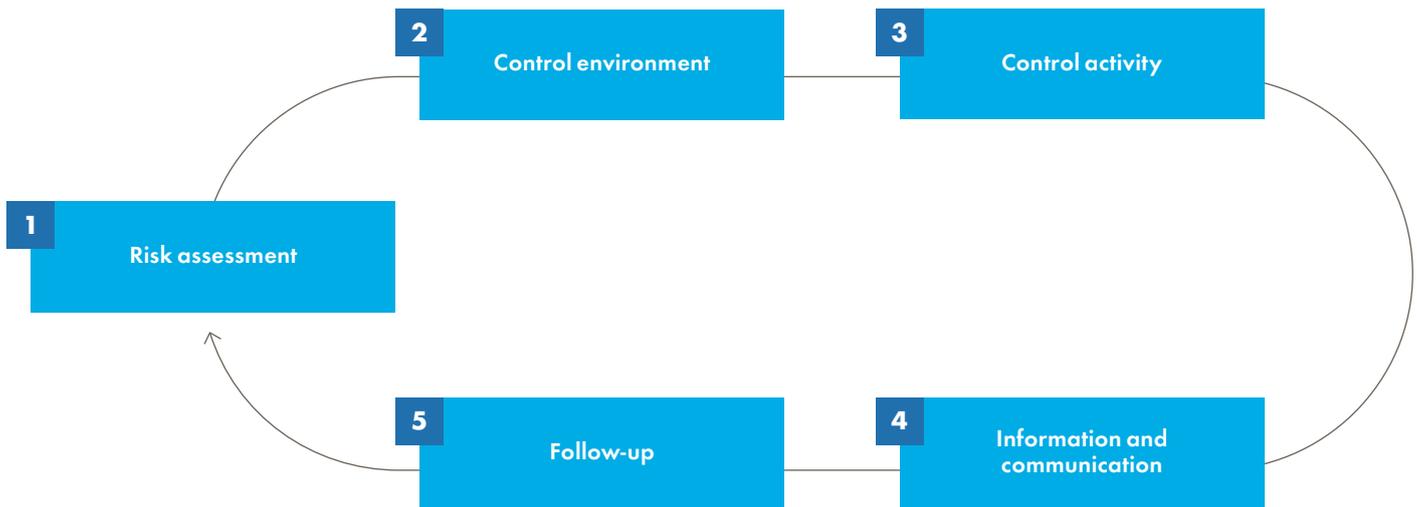
BOARD OF DIRECTORS' WORKING YEAR 2020

In addition to such standing items as investments and divestments within NCC Property Development, and Finance



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 in the preparation of the company's consolidated financial statements. Information on this is provided in this section.



1 Risk assessment and risk management

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial reporting, are addressed within the company's established processes.

The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial reporting. 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 estimates and assessments, such as valuations of land held for future development and ongoing development projects, 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 the Group, the CEO and the CFO always attend these meetings. 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.
- **Business area meetings** in the various business areas, which are held at least five times per year. Those participating in the meeting, in addition to the head of the business area and members of its management team, are the Group's CEO, CFO and Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome, forecast and alternative budget. Forecasts are formulated and are checked in connection with the quarters ending March, June and September, and for the following-year budget in November.
- NCC AB's Board receives monthly **financial reports** and NCC's current financial status is presented at each Board meeting.
- **Quarterly follow-up** of material claims and disputes, which are also reported to the Board.

- Annual analysis of business operations and the SRM Committee in order to manage the Group's strategic risks.

Financial risk positions, such as interest-rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Treasury. NCC's Group Treasury Policy stipulates that NCC Corporate Treasury must always be consulted and, in cases where Corporate Treasury sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and discrepancies in insurance coverage. These risks are monitored by the Compliance function and NCC Försäkring.

2 Control environment

The Board has overall responsibility for internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, directives, guidelines, control framework, manuals and job descriptions. These must be documented and kept available. In NCC, this means that the Board establishes rules of procedure for the Board's work each year, including instructions for the CEO. According to this instruction, the CEO is responsible for ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is an international organization that governs and conducts its operations in a Nordic operational structure. Operational management of the Group is based on a Group directive on the delegation of authorities and internal governance adopted annually by the Board. The directive stipulates the matters that require the Board's approval. In turn, this is reflected in the corresponding directives and attestation regulations applying to the business areas. The basis for the internal control of financial reporting comprises everything that is documented and communicated in governing documents, such as internal policies, directives, guidelines, control framework, instructions and other manuals. The NCC Group's legal governance occurs on the basis of a uniform corporate structure with subsidiaries in each country.

3 Control activities

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units.

The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal control of identified risks. Operational control systems form the basis for the established control structure for the business operations and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and authorization to start up projects. 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 SSCs, in part NCC Business Services (NBS), which manages most of the financial transactions of the Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. There is also Development & Operations Services (DOS), which has central responsibility for the shared IT systems in NCC.

The functions require that their processes include activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control matrixes that connect risks and control and ensure that the control is documented and that proof of control exists.

4 Information and communication

Information and communication regarding the internal policies, directives, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (MyNCC).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. It 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. MyNCC includes, among other documents, the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- Attestation instructions

All financial reporting must comply with the above rules and regulations.

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. Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

A debriefing on internal control occurs annually at a meeting of the NCC AB Board. Debriefing also occurs at business area level. The CFO of the NCC Group is responsible for ensuring that information and communication regarding the internal control have been established and are effective.

5 Follow-up

Follow-ups to safeguard the efficiency and 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 of the Board's assessment of internal control.

Operational control systems, which are the business areas' management systems, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are followed up via business area meetings in the various business areas and, if targeted action is considered necessary, the financial control and controller organization is utilized, or external consultants are engaged with suitable expertise for the assignment.

NCC has an independent internal audit function. The function is led by the head of the internal audit and is responsible for providing independent and objective assurance and evaluation of risk management and internal control processes. The function plans its work in consultation with the Audit Committee and it reports directly to the Board of Directors through the Audit Committee.

PwC participated in all of the Audit Committee's meetings in 2020. The duties of the Audit Committee in terms of financial reporting include monitoring the efficiency of the company's internal controls, internal audit and risk management. The Board meets the external auditor at least once a year. In addition, the Chairman of the Board has direct contact with the external auditor 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 considered and followed up within the particular unit. NCC's external auditor also reviewed the company's nine-month report.

For more information on governance and control of 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.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2020 on pages 98–107 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 5 March 2021
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorised Public Accountant
Auditor-in-charge

Erik Bergh
Authorised Public Accountant

Board of Directors



Alf Göransson

Chairman of the Board
Chairman of Project Committee

Born 1957. International B.Sc. in Economics and Business Administration
Elected (year): 2019 (member), Chairman since 2020

Other assignments: Chairman of the Board of Loomis, Hexpol and AxFast and Board Member of Sweco, Attendo, Melker Schörling AB and Sandberg Development Group.

Previous experience includes: CEO of Securitas, CEO of NCC and CEO of Svedala Industri.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 1,061,000

Shareholding in NCC AB:* 4,000

Series B shares



Geir Magne Aarstad

Board Member
Member of Project Committee

Born 1960. M.Sc. in Engineering
Elected (year): 2017

Other assignments: Chairman and partner of GRAA AS.

Previous experience includes: CEO of AL Rahhi Contracting Company Ltd (Saudi Arabia), CEO of Skanska Norway and regional head of Skanska Norway.

Independent in relation to the company and the SMT: Yes

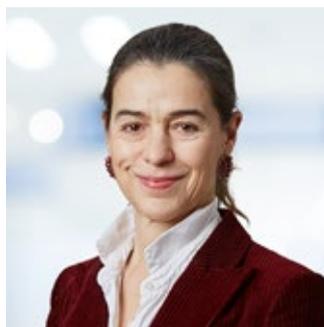
Independent in relation to major shareholders: Yes

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 600,000

Shareholding in NCC AB:* 5,200

Series B shares via private companies



Viveca Ax:son Johnson

Board Member

Born 1963.

Elected (year): 2014

Other assignments: Chairman of the Board of Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board Member of Bonava AB, Rosti Group AB, FPG Media AB and the Axel and Margaret Ax:son Johnson Foundation.

Previous experience includes: Deputy Chairman of Nordstjernan, Chairman and various positions in the Nordstjernan Group.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: No

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 500,000

Shareholding in NCC AB:* 64,000 (including related-party holdings), as well as 25,000 Series A shares and 41,000 Series B shares via private companies



Simon de Château

Board Member

Born 1970. M.Sc. in Business Administration

Elected (year): 2020

Other assignments: Chairman and founder of Alma Property Partners. Board Member of Atrium Ljungberg AB and Akka Egendom AB. Previous experience includes: Partner and CEO of Sveafastigheter AB, Partner and Head of Corporate Finance and Research at Leimdörfer.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (12)

(elected at the AGM on April 1, 2020)

Total remuneration: SEK 363,000

Shareholding in NCC AB:* 40,000

Series B shares



Mats Jönsson

Board Member
Member of Audit Committee

Born 1957. M.Sc. in Engineering
Elected (year): 2017

Other assignments: Chairman of the Board of Tengbomgruppen and Lekolar and Board Member of Bonava, Coor and Assemblin.

Previous experience includes: President and CEO of Coor Service Management, Business Unit Manager of Skanska Services and Division Manager of Skanska Sweden.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 625,000

Shareholding in NCC AB:* 20,000

Series B shares



Angela Langemar Olsson

Board Member
Chairman of Audit Committee

Born 1970. M.Sc. in Economics
Senior Investment Manager, Nordstjernan AB.

Elected (year): 2018

Other assignments: Chairman of the Board of Sunparadise Group AG, Board Member of Bonava AB and Sticklinge Udde AB.

Previous experience includes: CFO, Nordstjernan AB, Group Controller, Hufvudstaden AB and Assistant Controller, Swedish Match AB.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: No

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 661,000

Shareholding in NCC AB:* 5,700

Series B shares



Birgit Nørgaard

Board Member
Member of Audit Committee

Born 1958. M.Sc. Economics and MBA

Elected (year): 2017

Other assignments: Chairman of the Board of NRSL Holding A/S, NO Invest A/S and Norisol A/S, Deputy Chairman of the Board of NNE A/S, the Danish Government's IT Council and Dansk Vækstkapital I. Board Member of DSV A/S, WSP Global Inc., RGS Nordic A/S, ABP and Dansk Vækstkapital II.

Previous experience includes: President and CEO of Carl Bro A/S, COO of Grontmij NV and CFO of Danisco Distillers A/S.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 12 (12)

Total remuneration: SEK 591,000

Shareholding in NCC AB:* 3,000

Series B shares



Karl G. Sivertsson
Board Member
Employee representative

Born 1961. Carpenter and crane operator.
Elected (year): 2009
Employed by NCC since 1981. Shop steward in NCC. Employee representative of Swedish Building Workers Union (Byggnads).
Other assignments: Board Member of Byggnads' Central Northern Sweden region and deputy member of Byggnads' central committee.
Shareholding in NCC AB:* 200 Series B shares



Karl-Johan Andersson
Board Member
Employee representative

Born 1964. Paver.
Elected (year): 2011
Employed by NCC since 1984. Shop steward in NCC. Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).
Other assignments: Chairman of SEKO's Road and Rail Department in Skåne. Chairman of SEKO's negotiating organization at NCC.
Shareholding in NCC AB:* 0



Harald Stjernström
Board Member
Employee representative

Born 1962. Project Manager within NCC Building, Building Stockholm Dept.
Elected (year): 2018
Employed by NCC since 1984. Shop steward in NCC. Employee representative of Ledarna (Swedish Association of Supervisors).
Shareholding in NCC AB:* 0



Bengt Göransson
Deputy
Employee representative

Born 1959. Installation Manager
Elected (year): 2017
Employed by NCC since 2013. Shop steward in NCC. Employee representative of Unionen.
Shareholding in NCC AB:* 0



Mats Johansson
Deputy employee representative

Born 1955. Construction carpenter.
Elected (year): 2011
Employed by NCC since 1977. Shop steward at NCC, and occupational health and safety officer. Employee representative of Swedish Building Workers Union (Byggnads).
Other assignments: Board Member of AB Ronneby Industrifastigheter and Deputy Chairman of Byggnads in the Småland/Blekinge region.
Shareholding in NCC AB:* 510 Series B shares

Auditors – PricewaterhouseCoopers AB

Ann-Christine Hägglund

Auditor-in-charge. Born 1966.
Other significant assignments: Auditor-in-Charge at JM, Scandi Standard and Business Sweden.

Erik Bergh

Authorized Public Accountant. Born 1979.
Other significant assignments: Co-signing auditor in Cloetta AB and Radisson Hospitality AB.

SECRETARY OF THE BOARD

Ann-Marie Hedbeck

Born 1972. Master of Laws
NCC AB's Senior Legal Counsel since 2018.
Previous experience includes: Chief Legal Counsel in NCC Infrastructure and Senior Legal Counsel at Skanska AB. Employed by NCC since 2017.
Shareholding in NCC AB: 0

Senior Management Team



Tomas Carlsson
President and CEO

Born 1965. M.Sc. in Engineering and MBA.
President and CEO since 2018.
Employed by NCC since 2018 and 1991–2012.

Previous experience includes: CEO of Sweco, Head of NCC Construction Sweden and Regional Manager of NCC Construction Western Sweden.

Other assignments: Board Member of Alimak Group AB.

Shareholding in NCC AB:* 59,570 Series B shares and 299,128 call options on Series B shares.



Joachim Holmberg
Head of NCC Property Development business area

Born 1971. M.Sc. in Engineering
Head of NCC Property Development since 2019.
Employed by NCC since 2019.

Previous experience includes: Head of Skanska Sweden's Commercial Project Development, Operational Development Head of Skanska Sweden's commercial project development, District Manager Skanska Sweden, Project Manager Skanska Sweden.

Shareholding in NCC AB:* 3,000 Series B shares.



Ylva Lagesson
Head of NCC Industry business area

Born 1971. M.Sc. in Engineering
Head of NCC Industry since November 5, 2020.

Employed by NCC since 2018 as well as 1997–2000 and 2006–2017.

Previous experience includes: Head of Development and Operations Services (DOS) at NCC, CEO of Nobelhuset AB. Prior to that, such positions as Deputy Division Manager of NCC Building, Head of Market and Operational Development at NCC Construction Sweden and a number of construction contract and production roles.

Other assignments: Board Member of Aros Bostadsutveckling and Board Member of Svensk byggtjänst.

Shareholding in NCC AB:* 3,000 Series B shares.



Henrik Landelius
Head of NCC Building Sweden business area

Born 1975. M.Sc. in Engineering
Head of NCC Building Sweden since 2018.

Employed by NCC since 2014 and 2005–2011.

Previous experience includes: Division Manager of NCC Building Sweden, Vice President of NCC Construction Sweden, Head of Project Development Fastighets AB L E Lundberg, CEO of Byggnads AB L E Lundberg and Business Manager NCC Construction Sweden.

Shareholding in NCC AB:* 2,000 Series B shares and 6,311 call options on Series B shares.



Susanne Lithander
CFO, Head of Finance and DOS (Development & Operations Services)

Born 1961. B.Sc. in Economics
Chief Financial Officer since 2018.
Employed by NCC since 2018.

Previous experience includes: CFO of Billerud Korsnäs, CEO of Mercuri International and several key positions at Ericsson.

Other assignments: Board Member of Svedbergs.

Shareholding in NCC AB:* 1,935 Series B Shares.



Catarina Molén-Runnäs
Head of NCC Building Nordics business area

Born 1966. M.Sc. in Engineering
Head of NCC Building Nordics since 2020.

Employed by NCC since 2020.

Previous experience includes: CEO Nordic Property Management and CPO Nordic Choice Hotels. Project and property development in the Nordic region and Germany for a number of years, and a background in NCC, 1988–1999.

Shareholding in NCC AB:* 0



Kenneth Nilsson
Head of NCC Infrastructure business area

Born 1961. M.Sc. in Engineering.
Head of NCC Infrastructure since 2018.

Employed by NCC since 2018.

Previous experience includes: 20 years of experience from various executive positions at Skanska, such as Deputy CEO of Skanska Sweden and Head of Skanska's Road and Civil Engineering operations, and CEO of Skanska in Finland. An additional ten years of experience as foreman, project manager and supervisor.

Shareholding in NCC AB:* 14,957 call options on Series B shares.

As of January 1, 2021, the Senior Management Team also comprises:



Maria Grimberg
Head of Communication

Born 1969. M.Sc. in Economics
NCC AB's Head of Communication since 2019.

Employed by NCC since 2019.

Previous experience includes: Communication consultant and manager at JKL AB.

Other assignments: Chairman of the Board, Insamlingsstiftelsen Operation Smile Sverige.

Shareholding in NCC AB:* 2,000 Series B shares.



Ann-Marie Hedbeck
Senior Legal Counsel

Born 1972. Master of Laws
NCC AB's Senior Legal Counsel since 2018.

Employed by NCC since 2017.

Previous experience includes: Chief Legal Counsel in NCC Infrastructure and Senior Legal Counsel at Skanska AB.

Shareholding in NCC AB:* 0



Marie Reifeldt
Head of HR

Born 1963. B.Sc. in Social Work
Head of HR at NCC AB since 2018
Employed by NCC since 2007.

Previous experience includes: HR Manager at NCC Construction Sverige AB, Corporate HR Manager at Bravida group, Head of HR at Teracom AB, HR Manager at Stokab AB and HR Manager at Stockholm Energi Elnät AB.

Shareholding in NCC AB:* 1,812 Series B shares.

Jyri Salonen was Business Area Manager of NCC Industry and a SMT member through November 5, 2020.

Harri Savolainen was head of Purchasing and a SMT member through December 2020.

As of January 1, 2021, Klaus Kaae is acting head of Purchasing.

Financial information and contact details

NCC will publish financial information regarding the 2021 fiscal year on the following dates:

March 30	Annual General Meeting
April 28	Interim report, January-March
July 21	Interim report, January-June
November 2	Interim report, January-September
February 2, 2022	Year-end report 2021

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 or Annual Report.

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 key figures. NCC's press releases 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 Maria Grimberg (Tel: +46 70 896 12 88; e-mail: ir@ncc.se).

Annual General Meeting (AGM)

The AGM will be held on March 30, 2021 by postal voting, without the physical presence of shareholders, proxies or external parties. For more information concerning registering participation at the AGM via postal voting, refer to the official notification of the AGM.

Notice of the AGM is available on the NCC Group's website, www.ncc.se, and was published in Post- och Inrikes Tidningar on February 26, 2021. Confirmation that the official notification had been issued was announced 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.

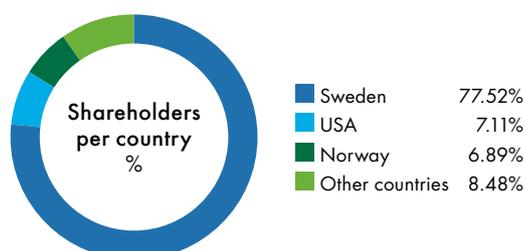
Shareholder information on NCC.com

All financial information concerning the NCC Group and everything that concerns you as an NCC shareholder is available on NCC's website under the Investor Relations tab.

NCC's ten largest shareholders*

Namn	NCC A	NCC B	Kapital	Röster
Nordstjernen	10,000,000	8,251,759	16.83%	48.03%
Carnegie Fonder		6,515,000	6.01%	2.89%
AMF Pension & Fonder		5,911,498	5.45%	2.62%
Lannebo Fonder		5,285,939	4.87%	2.35%
Handelsbanken Fonder		5,127,120	4.73%	2.27%
Livförsäkringsbolaget Skandia	336,061	789,354	1.04%	1.84%
ODIN Fonder		4,075,200	3.76%	1.81%
Vanguard	146,446	2,537,927	2.48%	1.78%
Länsförsäkringar Fonder		3,298,287	3.04%	1.46%
Norges Bank	4,239	2,739,066	2.53%	1.23%
Total, ten largest shareholders	10,486,746	44,531,150	50.74%	66.28%
Other shareholders	2,508,570	50,909,356	49.26%	33.72%

* As of dec 31, 2020.



SUBSCRIPTION SERVICE

Contact our subscription service to subscribe for the information you would like to receive.

NCC SHARE AND FINANCIAL KEY FIGURES

Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

Here, you will find a list of the analysts who regularly monitor NCC.

MORE INFORMATION/CONTACT

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Head of Communication
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Please read our virtual Annual Report:
<https://annualreport.ncc.se/>



Production: NCC and Narva.

This is a translation of the Swedish original. In case of discrepancies between this English translation and the Swedish original, the latter shall prevail.

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Digitization enabling better decisions

Leveraging digital information across the various project phases facilitates data-supported decisions and ensures efficient collaboration with all parties. Våghuset (see front cover) has worked with virtual design and construction (VDC), encompassing such aspects as joint project engineering, database management, and digital management of production issues, disseminating know-how from VDC managers to VDC coordinators and onward to the other roles in the project. A collaboration that positively impacts the project's results.



NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC contributes to a positive impact of construction for its customers and society. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. In 2020, NCC had sales of SEK 54 billion, and 14,500 employees. The NCC shares are listed on Nasdaq Stockholm.

NCC AB, SE-170 80 Solna, +46 8 585 510 00, ncc.se