

INTERNAL CONTROL REPORT

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL PERTAINING TO FINANCIAL REPORTING FOR THE 2009 FISCAL YEAR

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been prepared pursuant to Rule 10.5 of the Swedish Code of Corporate Governance and is thus limited to the internal control of financial reporting.

This report does not represent part of the formal annual report documentation.

The NCC Group is a decentralized international organization with business areas structured in a corporate format based on rules concerning the companies' governance in accordance with company law. Each year, the Board of Directors establishes rules of procedure for the work of the Board of Directors and an instruction concerning the division of work between the Board and the Chief Executive Officer. Operational management of the Group is based on decision-making regulations within the NCC Group that are adopted annually by the Board. The decision-making regulations stipulate the matters that require the Board's approval or confirmation. In turn, this is reflected in the decision-making regulations and attestation regulations applying for the subsidiaries. At Board meetings, the CEO and, where applicable, subsidiary presidents present the matters that require treatment by the Board.

The CEO must ensure that the Board receives factual, exhaustive and relevant information to enable the Board to make well-founded decisions, and to keep it continuously informed of the development of the Company's operations and its financial position.

In addition, NCC's auditor, PricewaterhouseCoopers AB, must report the results of its examination and proposed measures to the NCC Board on two occasions per year, including one occasion without the attendance of Company management. 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. Actions must be taken concerning the views that arise and these actions must be followed up systematically within the particular unit.

The control environment, organization, decision-making paths, authorities and responsibilities that are documented and communicated in control documents, as well as internal policies, guidelines and manuals, form the basis for the internal control pertaining to financial reporting.

Information and communication regarding the internal policies, guidelines, manuals and codes to which the financial reporting is subject is available on NCC Starnet Ekonomi (NCC's Intranet). Starnet Ekonomi is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and Nasdaq OMX Stockholm. NCC's Chief Financial Officer has principal responsibility for Starnet Ekonomi which includes the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and costs.
- Definitions of the terms used within NCC.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- The organization of the financial control function.
- Time schedules for audit and reporting occasions, among others.
- Decision-making regulations.
- Attestation instructions.

All financial reporting must comply with the rules and regulations found on Starnet Ekonomi.

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 a specially formulated template. Instructions and regulations concerning both written and figure-based reporting are available on Starnet Ekonomi. The rules and regulations are updated under the auspices of the Chief Financial Officer. In addition, regular training programs and conferences are arranged for management and financial control personnel pertaining to joint principles concerning the requirements to which the internal control is subject. This is within the Chief Financial Officer's sphere of responsibility.

NCC applies a **risk-assessment and risk-management method** to ensure that the risks to which the Company is exposed are managed within the established framework. The material risks that have to be taken into account are operating risks, development risks, seasonal risks, the risk of errors in profit recognition, financial risks and insurance risks.

Within NCC, this is done in several different ways:

- **Monthly meetings** with the president and financial manager of each particular business area. These meetings are always attended by the CEO and the Chief Financial Officer. The monthly meetings 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, in accordance with the decision-making regulations.
- **Board meetings** in the various business areas, which are held at least five times per year. Minutes are taken of these meetings. The members of each particular board include NCC AB's CEO and the Chief Financial Officer, as well as the Senior Legal Counsel. These meetings address the complete income statement, balance sheet and cash flow statement in terms of both outcome and forecast, alternatively budget. The meetings also address tenders and investments, in accordance with the decision-making regulations. Investments and divestments of real estate exceeding SEK 100 M must be approved by NCC AB's Board. All investments exceeding SEK 20 M must be approved by NCC AB's CEO.
- **Major tenders** to be submitted by the business area (exceeding SEK 300 M) must be approved by NCC AB's CEO. Tenders exceeding SEK 500 M must be endorsed by NCC AB's Board.
- NCC AB's Board receives monthly **financial reports** and the current financial status is presented at each Board meeting.

Financial risk positions, such as interest rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, NCC Corporate Finance. NCC's **finance policy** stipulates that NCC Corporate Finance must always be consulted and, in cases where Corporate Finance sees fit, must manage financial matters.

At NCC, financial reporting and the management of risks are based on a number of **control activities** that are conducted at various levels of the companies and business areas. This occurs in part via the IT systems that support the various operational processes and in part through appropriately designed manual controls intended to prevent, discover and correct faults and non-conformities. Great importance is attached to ensuring that the transactions included in the financial reporting are correct.

NCC also attaches considerable weight to the follow-up of projects.

Follow-ups to safeguard the quality of the internal controls are conducted in various ways within NCC. Since the introduction of the Swedish Code of Corporate Governance, NCC has developed a system (framework) for documented self-evaluation of internal controls. Such self-evaluation is performed regularly for NCC's business areas and Group office, and constitutes part of the basis for the Board's assessment of the internal controls.

Controls to ensure that projects are running smoothly are evaluated through operational audits, which lead to continuous evaluations and follow-ups to check that any shortcomings are being rectified. The internal controls are also followed up via Board work within the various business areas and, in cases where it is considered that targeted action is required, the financial control and controller organization is utilized.

NCC's auditor, PricewaterhouseCoopers AB, also examines a selection of NCC's controls as part of its audit process. In view of the follow-ups conducted via the operational audits and through the financial control and controller organization, the Board is of the opinion that there is no need for a special internal examination function. In the light of the above, the Board of Directors considers that NCC has a well-balanced control structure. This report has not been examined by the company's auditors.