

NCC CONSTRUCTION LTD  
Finland



# REPORT FOR THE 1.1 - 31.12.2006 ACCOUNTING PERIOD

## Turnover and results

The NCC Construction Group's turnover in 2006, calculated on the percentage of completion, was MEUR 697.0 (MEUR 628.1 in 2005 and MEUR 593.9 in 2004), being an increase on the previous year of MEUR 68.9.

The double entry of developer/contractor projects has been eliminated from the turnover in such a way that turnover is formed by the sum of spec construction during the implementation period, which corresponds to the selling prices of homes net of tax plus addition work and alterations. In order to standardize the Group's accounting conventions, the turnover of Finnish spec projects is matched with coevally arising construction costs. The information for comparative year has been altered in line with the new practice. As before, the margins on spec projects have been income-recognized according to the overall percentage of completion (sales rate times percentage of completion), so the method of presentation for the turnover has no effect on the net profit for the financial year.

Of the Group's turnover, spec projects or housing development accounted for MEUR 260.3 (MEUR 237.6/2005 and MEUR 192.7/2004), which is 37.3 (37.8/2005 and 32.5/2004) per cent.

International business accounted for MEUR 46.8 (23.2/2005 and 47.9/2004) of the Group's turnover, which is 6.7 (3.7/2005 and 8.1/2004) per cent. International business accounted for MEUR 27.9 (MEUR 10.0/2005 and MEUR 2.7/2004), which is 59.7 (43.1/2005 and 5.6/2004) per cent of housing development.

The Group's profit before extraordinary items and taxes was MEUR 40.3 (MEUR 33.5/2005 and MEUR 22.3/2004), being an increase on the previous year of MEUR 6.8. The Group's operating profit was MEUR 42.1 (34.5/2005 and 25.2/2004), which is 6.0 (5.5/2005 and 4.2/2004) per cent of turnover.

Return on investment in 2006 was 38.8 (28.7/2005 and 21.7/2004) per cent. Return on equity in 2006 was 32.6 (36.2/2005 and 28.0/2004) per cent.

The volume of building construction in Finland continued to be high and the situation for employment in the sector was good. In terms of both cubic metres and of the number of housing units, there were more building starts than had been estimated a year ago. Demand for housing continued to be kept up by low interest rates, rising living standards, migration and population growth.

The favourable business climate also made itself felt in NCC's net profit. Housing construction was still strong and profitable. NCC sold slightly fewer homes in Finland than in the previous year, but the backlog of unsold, completed homes remained reasonable at all times and the backlog of properties completed more than six months ago was reduced. The construction of houses, which was started a year ago, did not reach its sales target. Because demand for detached houses will continue to be strong in the future, the development of the IdeaHome concept is being continued on the basis of the customers' needs. In the autumn, the Eiranranta

luxury project in Helsinki was started, and the first of the three buildings was sold.

The results of contract construction were in line with the targets with a couple of exceptions, and there was a steady flow of tenders throughout the year. However, the competitive scenario was intense to such an extent it is necessary to tender for contracts on the very limits of profitability, which magnifies the effect of even small failures. In the Baltic countries, the housing construction practised through subsidiaries was successful.

## Balance sheet status

The NCC Construction Group's balance sheet total at year-end was MEUR 337.1 (288.6/2005 and 265.3/2004) and its shareholders' equity was MEUR 108.7 (85.8/2005 and 66.3/2004). The double entry of developer/contractor projects has been eliminated from the balance sheet in such a way that the balance sheet items of projects in progress related to developer/contractor projects are shown as a single item in the inventory.

Interest-bearing liabilities on the balance sheet were MEUR 19.9 (MEUR 42.1/2005 and MEUR 47.8/2004) at year-end. Net financing expenses were MEUR 1.8 (MEUR 1.0/2005 and MEUR 2.9/2004), which is 0.26 (0.16/2005 and 0.48/2004) per cent of turnover.

Loans to housing companies whose buildings were under construction totalled MEUR 99.1 (MEUR 74.3/2005 and MEUR 66.2/2004) at year-end, of which unsold items accounted for MEUR 56.1 (MEUR 41.3/2005 and MEUR 35.7/2004). The loan holdings of completed and unsold housing companies were MEUR 15.8 (MEUR 12.3/2005 and MEUR 4.5/2004). The loans of the housing companies in question are shown on the balance sheet in short-term liabilities and they are treated in the calculation of the key indicators as interest-free debts and their interest expense is included in the expenses of projects.

Cash in hand and at bank totalled MEUR 7.3 (MEUR 35.0/2005 and MEUR 18.1/2004). The equity ratio rose to 36.8 (32.6/2005 and 28.8/2004) per cent.

The company's liquidity was favourable throughout the financial year. Plots to be used for spec construction and for lease to housing companies were transferred and acquired through partnership agreements for ownership by investors.

## Investments

Net capital expenditure on fixed assets amounted to MEUR 1.3 (MEUR 1.3/2005 and MEUR 1.7/2004). The capital tied up in plots of land increased by MEUR 28.1 and totalled MEUR 125.9 (MEUR 97.8/2005 and MEUR 100.3/2004) at year-end. In addition to its own land inventory, NCC Construction Ltd and housing companies started or to be started have leasehold on the plots mentioned above which have become owned by investors. The permitted building volume of these plots is 54,190 square metres of floor area.

## Group structure

### Parent company and Group structure

NCC Construction Ltd is part of the Nordic NCC Construction Group. The parent company is NCC AB, which is one of the Nordic region's leading construction and real estate companies. NCC Construction Ltd's market area embraces the Baltic countries and Russia as well as Finland.

The sister companies of NCC Construction Ltd in Finland are NCC Property Development Oy and NCC Roads Oy. NCC Construction Ltd's business sectors are housing and building construction, NCC Property Development's field of business is property development, and NCC Roads' sector is asphalt and aggregate business.

NCC International Oy has an agency in Moscow at the address Ul.Giljarovskojo 4, Moscow, Russia. Register no. 7903.2.

### Changes in the Group structure of NCC Construction

There were no essential changes in the Group structure of NCC Construction during the financial year. At the end of the year, the senior partner's holdings were acquired in Vuorenvarma Ky, a dormant and inactive company.

### The profit centres

NCC's profit centres in charge of construction business are building construction and housing construction in the Helsinki Metropolitan Area, Uusimaa and Southern Häme, Southwest Finland, Central Finland, Eastern Finland, Northern Finland, construction in neighbouring regions, and construction design. Supporting functions are the service units, Group procurement, personnel administration and business development. Operations in the neighbouring regions are the responsibility of the subsidiary NCC International Oy, together with its subsidiaries and sister companies in the Baltic countries and Russia. Architectural, structural and HEPAC design is the responsibility of Optiplan Oy.

### Output

Construction turnover broke down into the following percentage figures:

	2006	2005	2004
New housing construction	48%	51%	53%
Other building construction	34%	34%	29%
Renovation	11%	11%	12%
Construction in neighbouring regions	7%	4%	6%

Housing construction by number of units:

	2006	2005	2004
Spec housing construction			
Starts:			
Finland	1,248	1,496	1,229
Neighbouring regions	413	412	138
	1,661	1,908	1,367
Complete:			
Finland	1,334	1,447	889
Neighbouring regions	369	60	0
	1,703	1,507	889
Sold:			
Finland	1,176	1,356	1,057
Neighbouring regions	288	251	30
	1,464	1,607	1,087
Unsold:			
Finland	153	131	57
Neighbouring regions	2	0	0
	155	131	57
Other housing construction			
Completed:	814	1,237	1,686
Starts:	1,095	813	1,324

## Orders in hand

The NCC Construction Group's non-income-recognised orders in hand at year-end were MEUR 500 (MEUR 427/2005 and MEUR 374/2004). New work, of which almost half was housing projects, was entered in the order books to the tune of MEUR 764 (MEUR 658/2005 and MEUR 532/2004). Of the orders held in Finland, 49 (51/2005 and 56/2004) per cent are in the Helsinki Metropolitan Area. Among the larger projects on the books are the Prisma shopping centre in Lohja, a housing centre under construction in Hyvinkää, Tampereen Business Park Tulli, Housing Company Helsingin Eiranrannan Estella, Lauttasaaris' Housing Company Helsingin Serica, and Housing Company Espoon Hassel.

The share of neighbouring regions in the order books rose to roughly 11 (8/2005 and 3/2004) per cent. The largest projects under construction were housing projects in Tallinn and Riga.

## Board of Directors, company management and auditor

### Board of Directors

Alf Göransson, chairman  
Ann-Sofie Danielsson  
Ulf Wallin  
Eva Charlotte Zethraeus Lindstedt  
Timo U. Korhonen

Kari Korpela served as secretary to the Board of Directors.

### Corporate management

Timo U. Korhonen, M.Sc. (Eng.) serves as the President of NCC Construction Ltd and Jukka Lahtinen, M.Sc. (Econ.) is the Executive Vice President.

### Auditors

The auditor of NCC Construction Oy is KPMG Wideri Oy Ab, with Juha Jokinen, APA, as the auditor in charge.

## Proposal by the Board of Directors for action arising from the profit/loss

The parent company's distributable shareholders' equity is 50,255,472.96 euros. The Group's distributable shareholders' equity is 66,441,043.43 euros, after the depreciation difference posted to the shareholders' equity is deducted from the consolidated shareholders' equity.

The Board proposes to the annual general meeting that dividend be paid in the amount of 25,000,000.00 euros and that the remainder of the net profit for the year be posted to retained profits.

There have been no essential changes in the company's financial position since the end of the financial year. The company's liquidity is good, and the proposed disposal of profits will not, in the Board's view, jeopardize the company's ability to pay.

## Company shares

Year	2006	2005	2004
Number of shares	5,365	5,365	5,365

All shares confer identical entitlement to dividends and company assets and their par value is 1,000.00 euros.

## Development

The cornerstone of NCC's development work is the strategy, combined with development needs generated by changes in the business climate. In 2006, the areas of emphasis were building the corporate image, the personnel's expertise and skills, products and services, and the production process.

The standardization of NCC's external image was continued in such a way that all operations support NCC's corporate image and underpin the company's profile.

A project to assess and improve the personnel's skills was continued by determining, for example, different levels of skills essential to NCC's operations and a systematic way of assessing these. The results of the assessment will be applied in the planning and monitoring of improvements in both the company and the employees.

The key points of development work on NCC TähtiKoti were interior styles, packaging structural solutions, and new concepts. Further development work on the house concept marketed under the name IdeaHome was a major commitment, as was the development of customer feedback systems and customer service procedures. The main thrusts in office construction were cost-effectiveness and commercialization as well as new customer offerings. In the Business Park concept, we advanced into the third generation, based partly on the Future Office survey and customer feedback from previous projects. The Repair Calendar was developed for building managers and governing boards as an aid in repairs services. The model can be used to calculate the extent of repairs to apartment buildings and their technical depreciation.

Project management was further developed in the areas of management systems, time management, financial management and logistics. Project risk management was improved with the development of tools for tendering risk analysis and for monitoring ongoing projects. In developing procurement, efforts were devoted to better leveraging the size of the Group and creating new procurement models and supplier networks as well as finding new sources of procurement. A specification work for a new procurement system supporting project operations was completed. Further improvements were made in construction data management. Under way are several product modelling pilot schemes and a Tekes research project in which a sophisticated data management process, tools and operational models are being developed. Also, NCC is participating in several public projects by the construction industry concerning data management. The design company Optiplan Oy has taken part in product modelling and other development projects which also developed commercialized standard design solutions for housing construction to meet new demands.

Research and development expenditure in the Group in 2006 totalled MEUR 3.1 (MEUR 2.3/2005 and MEUR 1.7/2004), which is the equivalent of 0.4 per cent of turnover (0.4/2005 and 0.3/2004). Research and development costs were booked as annual expenses.

## Social responsibility

### *Personnel*

At year-end, the parent company, NCC Construction Ltd, had 2,169 (2,090/2005 and 1,992/2004) employees. The Group had 2,492 (2,450/2005 and 2,327/2004) employees at year-end. NCC Construction Ltd had an average of 2,160 (2,041/2005 and 1,985/2004) employees during the year and the Group had an average of 2,501 (2,384/2005 and 2,321/2004). Further, 411 apprentices and summer employees had an opportunity to learn about the construction industry and the professional opportunities provided by NCC.

Efforts were devoted to personnel development, training and safety. The backbone of training activities for workers and office personnel was formed by vocational diploma training. Particular priorities were training were training for foremen, which was participated in by site agents, work supervisors and site engineers. Training in competition law

was attended by 125 specialists and supervisors. Almost 700 people took their safety card test during 2006. TR safety observation measurements were stepped up considerably and the entire company's TR level was over 90. In addition to this, there was active participation in development work on construction work safety on joint development projects by the construction sector.

In order to change attitudes to work safety, the film "Heräämisiä" (Awakenings) was produced, in addition to which various newflashes were carried out on worksites. An original approach was to hold morning exercise session at worksites. The aim of this was to improve work ergonomics and to reduce musculoskeletal illnesses. Early rehabilitation, support for returning to work and boosting rehabilitation were also among the key platforms. NCC provides its personnel with holistic health care, in addition to which the company sponsors broad-based leisure exercise.

Agreed development action was taken into the units' action plans on the basis of the results of the annual personnel survey. Management and supervisors skills were improved and the practice of supervisor-subordinate discussions was expanded to include manual workers as well.

### *External social responsibility*

NCC Construction takes social responsibility by supporting the things it sees as valuable. An important target group is young people, particularly students of construction. In the course of 2006, support was given among others to WWF's Baltic campaign. Christmas contributions were donated to a festive season campaign by the Mannerheim League for Child Welfare and the Finnish Red Cross for poor families. NCC has also supported various sports; sponsorship has mainly been channelled to youth sports.

### *Financial responsibility*

NCC's actions are guided by a Code of Conduct, which was updated during 2006. During 2006, the securing of the Corporate Governance guidelines was continued, in which the implementation of the ethical guidelines in the actions of NCC is examined. NCC continued to participate actively in eliminating the grey economy, which is widespread in the construction industry, from its own worksites. The methods used include checking out companies' ownership structure and their fulfilment of social requirements before a subcontracting agreement is signed.

### *Responsibility for the environment*

NCC bears its responsibility as a builder of an excellent and sustainable environment. In order to secure the quality of its operations, NCC began drawing up an architectural policy programme. It will lay down how the company in its own business will produce better environments for housing and working in the future.

Actions in line with the lifecycle strategy drawn up in 2005 were put into practice in business. Further improvements were made in the service concept for buildings' environmental and lifecycle characteristics (the EkoConcept), with the main thrust on renovation. A good example of this is NCC's old head office, the facilities of which were converted for use by Myyrmäki health centre.

Polluted soil on sites for construction was examined and purified on a considerable scale in all parts of Finland. More than two million euros was spent on purifying polluted soil in 2006.

In all construction, environmental risks and risks due to circumstances are figured in and opposed by implementing a project plan in line with the management system. Indoor-air classification is applied actively on all of NCC's projects.

Sorting has been arranged for waste matter resulting from operations and the proper onward treatment of waste is attended to.

### **Outlook for 2007**

The outlook for building construction in the next few years is still strikingly favourable in Finland. The confidence of builders, consumers and industry have remained high, both in their own financial trend and in Finland's. Companies in the construction industry have good order books and the number of construction permits granted in Finland is up on the previous year by roughly five per cent. Faith in the future is also underpinned by good prospects for the Finnish economy, as changes in the volume of construction in recent years have followed the growth curve in the national economy and GDP growth next year is forecast at approximately three per cent.

Demand for new homes will hold up, because the population is growing, internal migration is continuing and the average size of households is getting smaller. The rising living standard will also permit larger homes and more living space per person. According to a study by VTT, the Technical Research Centre of Finland, the need for construction of new homes (approx. 30,000) is expected to hold steady for the next ten years. NCC's share of the new apartment buildings and terraced houses built in Finland is roughly 15 per cent.

As a result of the more stable economy, banks are able to grant longer loan periods and competition between banks has reduced margins. However, an expected rise in interest rates next year is likely to dampen the number of new home loans taken, which will exert a drag on housing transactions and the rise in house prices.

There is a considerable operational risk in the extent to which the potential rise in interest rates will impact housing constructions and transactions. More than half of NCC's volume and profit in Finland is generated by housing construction. Construction costs have gone up by more than five per cent in a year, and expenses are expected to continue rising faster than other inflation. The net profit for the domestic market in the year ahead is not expected to grow, as rises in costs cannot be passed on to housing prices in full. In the longer term, the labour supply and the rising cost of personnel will also affect the industry's growth and profitability.

In the Baltic countries and St Petersburg, housing construction has strong growth potential and the demand for building there is at least as strong as in Finland. NCC's spec housing construction in Finland's neighbouring regions has grown for a couple of years at roughly 50 per cent annually, and contracting has correspondingly declined. Growth will continue along the same lines in the years ahead. Business in neighbouring regions will grow considerably as a proportion of NCC's overall volume in the next few years.

Prices for plots and homes in the Baltic countries and St Petersburg have risen very rapidly and there is a risk as to how well the trend in the markets can be forecast. Long-term independent housing construction can only be practised if expected inputs and outputs can be forecast reasonably accurately. In St Petersburg, housing construction has overheated and there is also a risk in the development of legislation in Russia as well as in the predictability of official actions.

## CONSOLIDATED INCOME STATE

		(€ 1,000)			
	Reference	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>Turnover</b>	1.1.	<b>696,986</b>	628,055	<b>645,619</b>	597,174
Increase (+)/ decrease (-) in stocks of finished and unfinished goods		<b>13,443</b>	7,082	<b>4,759</b>	656
Production for own use		<b>89</b>	0	<b>89</b>	0
Other operating income	1.2.	<b>486</b>	413	<b>483</b>	206
Materials and services	1.3.	<b>506,762</b>	447,695	<b>465,806</b>	427,918
Personnel expenses	1.4.	<b>102,088</b>	95,787	<b>92,230</b>	86,384
Depreciation and write-downs	1.5.	<b>1,566</b>	2,377	<b>1,226</b>	1,936
Other operating costs	1.6.	<b>58,465</b>	55,146	<b>55,069</b>	51,132
<b>Operating profit</b>		<b>42,123</b>	34,545	<b>36,619</b>	30,666
Financial income and expenses	1.7.	<b>-1,826</b>	-1,001	<b>-782</b>	-816
<b>Profit before extraordinary items</b>		<b>40,297</b>	33,544	<b>35,837</b>	29,850
Extraordinary items	1.8.	<b>-2,804</b>	-3,200	<b>-4,905</b>	-5,328
<b>Profit before appropriations and taxes</b>		<b>37,493</b>	30,344	<b>30,932</b>	24,522
Appropriations	1.9.			<b>265</b>	288
Direct taxes	1.10.	<b>-8,586</b>	-7,883	<b>-8,599</b>	-6,027
<b>Net profit for the year</b>		<b>28,907</b>	22,461	<b>22,598</b>	18,783

# CONSOLIDATED BALANCE SHEET

		(€ 1,000)			
	Reference	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>ASSETS</b>					
<b>Fixed assets</b>	2.1.				
Intangible assets	2.1.1.	<b>994</b>	1,039	<b>653</b>	652
Tangible assets	2.1.2.	<b>3,453</b>	3,448	<b>2,847</b>	2,964
Investments	2.1.3.	<b>999</b>	911	<b>4,615</b>	4,527
		<b>5,446</b>	5,398	<b>8,115</b>	8,143
<b>Current and non-current assets</b>					
Inventory	2.2.1.	<b>224,890</b>	162,472	<b>177,542</b>	140,122
Non-current receivables	2.2.2.	<b>2,945</b>	2,371		
Current receivables	2.2.3.	<b>96,555</b>	83,388	<b>99,834</b>	86,465
Cash in hand and at banks		<b>7,271</b>	34,976	<b>3,916</b>	32,978
		<b>331,661</b>	283,207	<b>281,292</b>	259,565
<b>Assets</b>		<b>337,107</b>	288,605	<b>289,407</b>	267,708
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Shareholders' equity</b>	2.3.				
Share capital		<b>5,365</b>	5,365	<b>5,365</b>	5,365
Share premium account		<b>36,412</b>	36,412	<b>36,412</b>	36,412
Retained profits		<b>37,984</b>	21,532	<b>27,658</b>	14,884
Net profit for the year		<b>28,907</b>	22,461	<b>22,598</b>	18,783
		<b>108,668</b>	85,770	<b>92,033</b>	75,444
<b>Minority interest</b>			2		
<b>Accumulation of appropriations</b>	2.4.			<b>608</b>	873
<b>Obligatory reserves</b>	2.5.	<b>14,484</b>	10,491	<b>12,295</b>	8,450
<b>Liabilities</b>	2.6.				
Non-current liabilities	2.6.2.	<b>4,200</b>	4,900	<b>4,200</b>	4,900
Current liabilities	2.6.3.	<b>209,755</b>	187,442	<b>180,271</b>	178,041
		<b>213,955</b>	192,342	<b>184,471</b>	182,941
<b>Liabilities and shareholders' equity</b>		<b>337,107</b>	288,605	<b>289,407</b>	267,708

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>Cash flow from business operations</b>				
Profit before extraordinary items	40,297	33,544	35,837	29,850
Adjustments:				
Profit and loss from disposal of material and immaterial goods	-323	-118	-320	-109
Planned depreciation	1,566	2,377	1,226	1,936
Financing income and expenses not paid	-65	128	52	128
Increase (+)/ decrease (-) in uninvoiced portion of handed-over and partially income-recognized projects and post-completion reserves	-7,896	-3,868	-3,802	30
Increase (+)/ decrease (-) in obligatory reserves	3,993	2,820	3,845	1,076
Cash flow before change in working capital	37,572	34,883	36,838	32,911
Change in working capital:				
Increase (-)/ decrease in trade receivables	-6,133	5,196	-6,775	4,288
Increase (-)/decrease in current non-interest-bearing receivables	850	-2,100	1,593	-3,858
Increase (-)/ decrease (+) in inventories	-62,418	-30,282	-37,420	-17,021
Increase (+)/ decrease in trade payables	454	471	111	-728
Increase (+)/decrease in advances received	16,704	15,363	986	17,476
Increase (+)/ decrease (-) in non-interest-bearing debts	22,694	16,609	17,277	18,517
Change in working capital:	-27,849	5,257	-24,228	18,674
Cash flow from business operations before taxes	9,723	40,140	12,610	51,585
Direct taxes paid	-7,925	-7,606	-7,353	-6,807
<b>Cash flow from business operations (A)</b>	<b>1,798</b>	<b>32,534</b>	<b>5,257</b>	<b>44,778</b>
<b>Cash flow from investments:</b>				
Investments in material and immaterial goods	-1,690	-1,683	-1,270	-1,216
Income from disposal of material and immaterial goods	396	369	392	462
<b>Cash flow from investments (B)</b>	<b>-1,294</b>	<b>-1,314</b>	<b>-878</b>	<b>-754</b>
<b>Cash flow from financing:</b>				
Increase (-)/ decrease (+) in interest-bearing loan receivables			-4,604	-6,902
Dividend	-6,009	-3,004	-6,009	-3,004
Increase (+)/ decrease (-) in interest-bearing debts	-22,200	-5,700	-22,200	-5,700
Group contribution received/ paid	0	-5,640	-628	-10,240
<b>Cash flow from financing (C)</b>	<b>-28,209</b>	<b>-14,344</b>	<b>-33,441</b>	<b>-25,846</b>
<b>Increase (+)/ decrease (-) in liquid assets (A+B+C)</b>	<b>-27,705</b>	<b>16,876</b>	<b>-29,062</b>	<b>18,178</b>
<b>Liquid assets at start of year</b>	<b>34,976</b>	<b>18,100</b>	<b>32,978</b>	<b>14,800</b>
<b>Liquid assets at year-end</b>	<b>7,271</b>	<b>34,976</b>	<b>3,916</b>	<b>32,978</b>

# ACCOUNTING CONVENTIONS

## CONSOLIDATION CONVENTIONS

### Scope of the consolidated financial statements

The consolidated financial statements combine the parent company, NCC Construction Ltd, and all the Group companies and associated companies included in fixed assets.

### Cross-holdings of shares

Acquisition accounting has been applied to the consolidated financial statements. The acquisition cost of shares in subsidiaries has been eliminated against the subsidiaries' shareholders' equity at the time of acquisition. The difference arising from the elimination has been treated in the balance sheet item in which it arose, or if the difference has not been allocated, the unallocated part has been treated as Group goodwill or a reserve. Group goodwill has been booked as an expense and Group reserves as income in their entirety in previous financial years.

### Internal transactions and margins

Intra-Group transactions, unrealized margins on internal deliveries, internal receivables and debts have been eliminated, as has internal distribution of profits.

### Minority interest

Minority interest has been shown as a separate item on the balance sheet. In accordance with the relevance principle the minority interest has not been separated in the income statement.

### Translation adjustments

The figures for the financial statements of foreign companies in the Group have been converted into euros at the rate issued by the ECB on the date of closing the books. Translation profits and losses arising from the elimination of foreign subsidiaries' shareholders equity have been entered in distributable equity.

### Associated companies

Associated companies have been consolidated by the equity method or, if no shareholder has a controlling interest in the company, the associated company has been consolidated line-by-line in proportion to the holding.

## TURNOVER AND PRINCIPLES OF INCOME-RECOGNITION

In the calculation of turnover, sales revenue is subjected to a deduction of indirect taxes, including value-added tax on own use of developer/contractor projects and a deduction of exchange-rate differences on the sales revenue of projects denominated in foreign currency where these are not hedged with forward rate agreements or other similar agreements. The amount of the value-added tax on own use of developer/contractor projects is given in the notes to the financial statements (section 1.1.)

In the case of spec development projects, the turnover is comprised of a sum which corresponds to the net selling prices of shares/apartments plus additional work and alterations carried out for the purchasers as a total for the completion period. As an exception to the Accountancy Board's general rule, the turnover for Finnish spec development projects is matched against temporally accrued construction costs, including the costs of plots, with part of its acquisition cost added in proportion to its degree of completion in accordance with forecast construction margin and the margin from actual share transactions. The exceptions to the Accountancy Board's general rule are given in the notes to the financial statements (sections 1.1. and 2.2.1.) The exceptions have no effect on the way in which the net profit is formulated.

In respect of partnership projects in which NCC Construction Ltd acts as a contractor for construction on a plot formerly owned by the company, turnover includes the share of the building work and the value of the plots at market prices.

### Income-recognition of long-term projects

Long-term projects are recognized as income on the basis of their percentage of completion. All projects are counted as long-term when they extend into two financial years. The percentage of completion method applies to all contracting agreements, cost-plus-fee contracts, target cost agreements, design-build agreements and other contracts as well as all spec projects in which a contract agreement is made with a company-owned housing society or building management company.

The percentage of completion method is applied from the month in which the construction work begins or the first sales invoice is recorded, ending in the month in which the job is handed over to the client.

The degree of completion of construction is calculated as a ratio of the actual projects costs relative to the forecast total costs. In spec projects, these costs include the costs of plots and others. In spec projects, the margin is income-recognized on the basis of the overall percentage of completion, as calculated

when the percentage of completion is multiplied by the sales rate. The sales rate is calculated as the ratio of the euro total of the total of forecast share transactions to the actual number of share transactions.

The residual value of work in progress after the application of the percentage of completion method is based on the variable acquisition costs of projects during the development and planning stage.

The mutual receivables and debts from the object companies associated with developer/contractor projects have been entered for developer/contractor projects under construction for inventories. These are further specified in section 2.2.1. of the notes on the balance sheet.

The proportion of unsold shares in properties of housing associations and real estate holding companies which are under construction and completed in the corporate loans have been recorded under non-interest-bearing short-term liabilities. The interest on these loans has been recorded under project expenses.

## ITEMS DENOMINATED IN FOREIGN CURRENCY

Receivables and debts in foreign currency have been translated into euros at the average rate quoted by the ECB on the date of closing the books. An exception to this is receivables hedged with forward rate agreements, which are valued at the forward rate.

Exchange rate differences on the receivables and debts, denominated in foreign currency, of long-term projects hedged with forward rate agreements or similar are given under Financing income and expenses.

## VALUATION OF INVENTORY

Inventory has been valued at the variable acquisition costs or the probable resale price, whichever is the lower. Value-added tax for own use is not included in the acquisition cost of inventory, so the inventory has been evaluated in the same way regardless of the form of production.

## VALUATION OF FIXED ASSETS

Fixed assets are entered on the balance sheet at the acquisition cost less planned depreciation. Planned depreciation has been calculated as straight-line depreciation on fixed assets over their economic life.

The depreciation periods are as follows:	Years
Intangible rights	5 - 10
Other non-current expenditure	5 - 10
Buildings and structures	10
Machinery and equipment	5 - 15

## PENSION ARRANGEMENTS AND THE MATCHING OF PENSION EXPENSES

Pensions have been arranged through pension insurance companies. Pension expenses are matched in the financial statements on an accrual basis.

## OBLIGATORY RESERVES

Those future expenses are booked as costs for the accounting period in the form of obligatory reserves to which the company has committed itself and to which equivalent revenue is unlikely to accrue. These include, for example, the estimated guarantee expenses of long-term projects that have been handed over and the loss exceeding the probable recognition as an expense of a long-term project in progress. The 10-year liability reservation for developer/builder projects has been estimated on the basis of experience derived from previous liability expenses.

## APPROPRIATIONS

Depreciation differences are appropriations. The total of the accumulated appropriations in the financial statements is divided into tax liability and shareholders' equity. The change in appropriations for the financial year, less tax liability, is included in the year's net profit. The part of the appropriations booked in shareholders' equity is not counted as part of the Group's disposable assets.

## INCOME TAXES

Entered in the income statement as income taxes are the taxes calculated under tax regulations on the Group companies' profit for the financial year, adjustments of previous years' taxes, and deferred taxes.

The deferred tax liability or credit is calculated for the interim differences between taxation and the financial statements, using the tax rate for following years confirmed as at the date of closing the books. The balance sheet includes the deferred tax liability in toto and the deferred tax credit is shown at the probable amount.

Deferred taxes are dealt with only in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>1.1. TURNOVER</b>				
<b>Turnover by divisions</b>				
Building construction in Finland	645,619	597,174	645,619	597,174
International operations	46,751	23,172		
Building design	8,331	9,078		
./. Less intra-Group	-3,715	-1,369		
Turnover, total	696,986	628,055	645,619	597,174
Value-added tax on own use of developer/contractor projects	39,000	40,771	39,000	40,771
Other difference in turnover compared to the accounting conventions of the Accountancy Board's general rules	-16,715	7,453	-16,715	7,453
Turnover as per Accountancy Board's general rules	719,271	676,279	667,904	645,398
<b>Turnover by market area</b>				
Finland	653,950	606,252	645,619	597,174
Russia	198	3,368		
Estonia	28,083	16,095		
Latvia	17,944	2,282		
Lithuania	526	1,427		
./. Less intra-Group	-3,715	-1,369		
Turnover, total	696,986	628,055	645,619	597,174
<b>Percentage in turnover of projects not yet handed over at year-end</b>				
	320,864	307,164	300,304	291,416
<b>Total not booked as return on projects (orders in hand)</b>				
	500,023	426,886	447,421	389,588
<b>1.2. Other operating income</b>				
Profits on the sale of fixed assets	330	360	327	155
Service income	0	4	0	0
Other	210	-134	156	51
./. Less intra-Group	-54	183		
Other operating income, total	486	413	483	206
<b>1.3. Materials and services</b>				
Materials, supplies and goods:				
Purchases during the year	186,794	134,886	168,894	124,508
Change in inventory (increase-/decrease+)	-39,975	4,147	-26,351	10,982
	146,819	139,033	142,543	135,490
External services	359,943	308,662	323,263	292,428
Materials and services, total	506,762	447,695	465,806	427,918
<b>1.4. Personnel expenses and number of personnel</b>				
Personnel expenses:				
Wages and salaries	82,617	75,891	74,817	68,341
Pension expenses	12,012	13,726	11,026	12,572
Other personnel expenses	7,459	6,170	6,387	5,471
Total	102,088	95,787	92,230	86,384
Management salaries and emoluments:				
Presidents	1,101	937	653	555

The agreed pensionable age for Board members employed by NCC Rakennus Oy is 60. The costs of the share option programme carried out by NCC AB has recognized as income statement years 1999 - 2001. The company has granted a loan to president Timo U. Korhonen. The amount of loan is 133,239.00 euros. The period of loan is until 30 April 2007 after which the loan will be repaid in full. The loan bears an interest of 3.25% and collateral has been provided for the loan.

# NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
Average number of personnel for year:				
- salaried	1,184	1,137	927	882
- wage-earners	1,317	1,247	1,233	1,159
<b>Total</b>	<b>2,501</b>	<b>2,384</b>	<b>2,160</b>	<b>2,041</b>
Number of personnel at year-end:				
- salaried	1,204	1,157	942	904
- wage-earners	1,288	1,293	1,227	1,186
<b>Total</b>	<b>2,492</b>	<b>2,450</b>	<b>2,169</b>	<b>2,090</b>
<b>1.5. Depreciation and write-downs</b>				
Intangible rights	372	365	234	230
Goodwill	0	729	0	645
Other long-term expenditure	1	2	1	2
Buildings and structures	1	1	1	1
Machinery and equipment	1,192	1,280	990	1,058
<b>Total</b>	<b>1,566</b>	<b>2,377</b>	<b>1,226</b>	<b>1,936</b>
<b>1.6. Other operating costs</b>				
Rents	20,064	17,038	18,799	16,130
Voluntary personnel expenses	3,091	2,889	2,857	2,660
External administrative services	2,892	2,981	2,859	3,106
Other office and admin. expenses	6,998	7,234	5,681	6,126
Other construction expenses	25,392	24,816	24,802	22,928
Other operating costs	28	188	71	182
<b>Other operating costs, total</b>	<b>58,465</b>	<b>55,146</b>	<b>55,069</b>	<b>51,132</b>
<b>1.7. Financial income and expenses</b>				
Dividend income				
From others	32	38	32	38
Other interest and financial income				
From Group companies	148	86	696	380
From others	64	176	22	38
	212	262	718	418
<b>Interest expenses and other financial expenses</b>				
From Group companies	-1,238	-991	-1,080	-1,006
From others	-832	-310	-452	-266
	-2,070	-1,301	-1,532	-1,272
<b>Financial income and expenses, total</b>	<b>-1,826</b>	<b>-1,001</b>	<b>-782</b>	<b>-816</b>
<b>1.8. Extraordinary items</b>				
Group contributions paid	2,804	3,200	4,905	5,328
<b>1.9. Appropriations</b>				
Difference between scheduled depreciation and depreciation in taxation			-265	-288
<b>1.10. Direct taxes</b>				
Income tax on actual business				
- for financial year	9,114	6,017	8,555	6,004
- for previous years	45	28	44	23
Change in deferred tax liability	-573	1,838		
<b>Direct taxes, total</b>	<b>8,586</b>	<b>7,883</b>	<b>8,599</b>	<b>6,027</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 2.1. FIXED ASSETS

### 2.1.1. Intangible assets

	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan.	3,633	20	3,653
Increases 1 Jan.-31 Dec.	279	50	329
Decreases 1 Jan.31 Dec.	-916	0	-916
<b>Acquisition costs 31 Dec.</b>	<b>2,996</b>	<b>70</b>	<b>3,066</b>
Accumulated depreciation and writedowns 1 Jan.	2,605	9	2,614
Accumulated depreciation of decreases and appropriations	-915	0	-915
Depreciation for financial year	372	1	373
<b>Accumulated depreciation 31 Dec.</b>	<b>2,062</b>	<b>10</b>	<b>2,072</b>
<b>Book value 31 Dec.</b>	<b>934</b>	<b>60</b>	<b>994</b>

### 2.1.2. Tangible assets

	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan.	8	13,380	96	13,484
Increases 1 Jan.-31 Dec.	0	1,210	0	1,210
Decreases 1 Jan-31 Dec.	0	-2,977	0	-2,977
<b>Acquisition cost 31 Dec.</b>	<b>8</b>	<b>11,613</b>	<b>96</b>	<b>11,717</b>
Accumulated depreciation and writedowns 1 Jan.	5	10,031	0	10,036
Accumulated depreciation of decreases and appropriations	0	-2,965	0	-2,965
Depreciation for financial year	1	1,192	0	1,193
<b>Accumulated depreciation 31 Dec.</b>	<b>6</b>	<b>8,258</b>	<b>0</b>	<b>8,264</b>
<b>Book value 31 Dec.</b>	<b>2</b>	<b>3,355</b>	<b>96</b>	<b>3,453</b>

## 2.1. FIXED ASSETS / PARENT COMPANY

### 2.1.1. Intangible assets

	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan.	1,915	20	1,935
Increases 1 Jan.-31 Dec.	185	50	235
Decreases 1 Jan-31 Dec	-1	0	-1
<b>Acquisition cost 31 Dec.</b>	<b>2,099</b>	<b>70</b>	<b>2,169</b>
Accumulated depreciation and write downs 1 Jan.	1,273	9	1,282
Accumulated depreciation of decreases and appropriations	-1	0	-1
Depreciation for financial year	234	1	235
<b>Accumulated depreciation 31 Dec.</b>	<b>1,506</b>	<b>10</b>	<b>1,516</b>
<b>Book value 31 Dec.</b>	<b>593</b>	<b>60</b>	<b>653</b>

### 2.1.2. Tangible assets

	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan.	8	9,196	95	9,299
Increases 1 Jan.-31 Dec.	0	885	0	885
Decreases 1 Jan-31 Dec	0	-80	0	-80
<b>Acquisition cost 31 Dec.</b>	<b>8</b>	<b>10,001</b>	<b>95</b>	<b>10,104</b>
Accumulated depreciation and writedowns 1 Jan.	5	6,330	0	6,335
Accumulated depreciation of decreases and appropriations	0	-69	0	-69
Depreciation for financial year	1	990	0	991
<b>Accumulated depreciation 31 Dec.</b>	<b>6</b>	<b>7,251</b>	<b>0</b>	<b>7,257</b>
<b>Book value 31 Dec.</b>	<b>2</b>	<b>2,750</b>	<b>95</b>	<b>2,847</b>

The machinery and equipment of the Construction Division are included in the balance sheet item Machinery and equipment. In accordance with the relevance principle the balance sheet value of plant has not been separated from Machinery and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>2.1.3. Investments</b>				
<b>Shares in Group companies</b>				
Acquisition cost 1 Jan./ 31 Dec.			3,595	3,595
<b>Shares in associated companies</b>				
Acquisition cost 1 Jan./ 31 Dec.			21	21
<b>Stocks and shares in other companies</b>				
Acquisition cost 1 Jan.	911	1,107	911	1,107
Increases 1 Jan.-31 Dec.	149	0	149	0
Decreases 1 Jan.-31 Dec.	-61	-196	-61	-196
Acquisition cost 31.12.	999	911	999	911
<b>Investments, total</b>	<b>999</b>	<b>911</b>	<b>4,615</b>	<b>4,527</b>

<b>Shares in subsidiaries held by the parent company</b>	Quantity	Holding%	Currency	Par value	Book value/€
NCC International Oy, Helsinki <sup>1)</sup>	7,965	99.56%	€	167	2,564
Optiplan Oy, Turku	100	100%	€	168	307
SIA NCC Konstrukcija, Latvia <sup>1)</sup>	3,760	10%	LVL	75	697
PMA-palvelut Oy, Helsinki	100	100%	€	17	17
NCC Koti LKV Oy, Vantaa	15	100%	€	3	3
NCC Ehitus As, Viro	4,000	100%	EEK	400	3
Vuorenvarma Ky, Vantaa		100%	€		4
Shares in subsidiaries, total					3,595

<b>Shares in associated companies held by the parent company</b>	Quantity	Holding%	Currency	Par value	Book value/€
Arandur Oy	210	33.33%	€	21	21

<b>Shares in subsidiaries held by subsidiaries</b>	Quantity	Holding%	Currency	Par value	Book value/€
NCC International Oy, Helsinki <sup>1)</sup>	35	0.44%	€	1	5
Vuorenvarma Ky, Vantaa, ääneton osuus <sup>1)</sup>					2
ZAO NCC, Moskova, Venäjä	100	100%	RUB	10	1
ZAO NCC North-West, Venäjä	100	100%	RUB	16	1
OOO NCC Real Estate, Venäjä		100%	RUB	10	0
SIA NCC Konstrukcija, Latvia	33,840	90%	LVL	677	2,749
UAB NCC Pletra, Liettua	100	100%	LTL	10	347

<sup>1)</sup> Group holding totals 100%.

# NOTES TO THE FINANCIAL STATEMENTS

Other stocks and shares held by the Group	Quantity	Holding%	Currency	Par value	Book value
Asunto Oy Tahkon Birdie	2,778		€		238
Kiinteistö Oy Ojamonpatruuna	23		€		82
Kiinteistö Oy Rukan Valkeisrinne	140		€		128
Kiinteistö Oy Rukan Tähtikelo	5,000		€		113
Tahko Golf Club Oy	14		€		58
Golf Talma Oy	1		€		11
Willimiehen Golf Oy	2		€		15
Technopolis Oyj	23,800		€		129
Tampereen Teknologiakeskus Oy	14		€		33
Keskinäinen Eläkevakuutusyhtiö Etera			€		7
Winecellars Oy Ab	1		€		2
Elisa Oyj	40,621		€		145
Loviisan Puhelinosuuskunta	4		€		2
Kymen Puhelin Oy	9		€		3
Puhelinosuuskunta KPY	13		€		6
PHP Holding Oy	17		€		8
Oulun Puhelin Oyj	4,000		€		9
Etelä-Satakunnan Puhelin Oy	1		€		0
Forssan Seudun Puhelin Oy	10		€		4
Aina Group Oy	4		€		2
Salon Seudun Puhelin Oy	6		€		3
Riihimäen Puhelin Oy	1		€		0
Lännen Puhelin Oy	3		€		1
Suomen Talotekniikan Kehityskeskus Oy	1		€		0
Other stocks and shares held by the Group					999

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>2.2. CURRENT ASSETS</b>				
<b>2.2.1. Inventory</b>				
Work in progress and unstarted	30,267	16,824	14,597	9,838
Under construction				
Advances received	-42,120	-24,076	-42,120	-24,076
Trade receivables from housing association companies	36,330	20,783	36,330	20,783
Loan receivables from housing association companies	0	87	0	87
Shares in companies under construction	112,163	91,928	112,163	91,928
Debts to housing association companies	-36,687	-39,149	-36,687	-39,149
Proportion of sold to company loans	-42,982	-33,041	-42,982	-33,041
	26,704	16,532	26,704	16,532
Plot-owning companies and plots	89,932	72,827	61,006	57,463
Loan receivables from plot-owning companies	43,844	28,657	41,153	28,657
Debts to plot-owning companies	-444	-884	-444	-884
	133,332	100,600	101,715	85,236
Completed apartments				
Shares in completed companies	18,831	16,197	18,770	16,197
Portions of shares of completed companies	15,756	12,319	15,756	12,319
	34,587	28,516	34,526	28,516
Inventory, total	224,890	162,472	177,542	140,122
Balance sheet value adjustment item for work in progress on developer/contractor projects under construction in accordance with the Accountancy Board's general rule.	62,760	46,045	62,760	46,045
Balance sheet value adjustment item for non-income-recognised advances on developer/contractor projects under construction in accordance with the Accountancy Board's general rule.	62,760	46,045	62,760	46,045

## NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>Income-recognition according to percentage of completion affects the balance sheet items as follows:</b>				
Assets				
Work in progress	336,753	306,661	300,782	285,222
Less percentage of completion income recognition	-306,486	-289,837	-286,185	-275,384
Work in progress and unstarted	30,267	16,824	14,597	9,838
Balance sheet value adjustment item for work in progress on developer/contractor projects under construction in accordance with the Accountancy Board's general rule				
	62,760	46,045	62,760	46,045
Work in progress and unstarted	93,027	62,869	77,357	55,883
Liabilities and shareholders' equity				
Advances received	426,802	371,414	384,583	351,769
Less percentage of completion income recognition	-342,549	-321,908	-318,297	-304,514
Less inventory netted	-42,120	-24,076	-42,120	-24,076
Advances received	42,133	25,430	24,166	23,179
<b>2.2.2. Non-current receivables</b>				
<b>Deferred tax receivables and liabilities</b>				
Deferred tax receivables				
On matching differences	3,103	2,598		
Deferred tax liability				
On appropriations	-158	-227		
	2,945	2,371		
<b>2.2.3. Current receivables</b>				
Trade receivables	64,577	56,286	61,686	53,145
Receivables from Group companies				
Trade receivables	834	2,992	917	2,683
Loan receivables	0	0	17,857	13,252
Accrued assets	138	4	5	41
	972	2,996	18,779	15,976
Loan receivables	906	774	906	775
Accrued assets	30,100	23,332	18,463	16,569
	31,006	24,106	19,369	17,344
Current receivables, total	96,555	83,388	99,834	86,465
<b>Material items included in accrued assets</b>				
Value-added taxes	2,848	2,262	1,103	1,241
Uninvoiced portion of projects handed-over and partially income-recognized	17,484	9,812	9,929	6,351
Advances received of plots	5,327	5,133	5,327	5,133
Other accrued assets	4,579	6,129	2,109	3,885
Accrued assets, total	30,238	23,336	18,468	16,610

## NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>2.3. Shareholders' equity</b>				
Share capital				
Share capital 1 Jan.	5,365	5,365	5,365	5,365
<b>Share capital 31 Dec.</b>	<b>5,365</b>	<b>5,365</b>	<b>5,365</b>	<b>5,365</b>
Share premium account				
Share premium account 1 Jan.	36,412	36,412	36,412	36,412
<b>Share premium account 31 Dec.</b>	<b>36,412</b>	<b>36,412</b>	<b>36,412</b>	<b>36,412</b>
Retained profits				
Retained profits 1 Jan.	43,993	24,536	33,667	17,888
Dividend	-6,009	-3,004	-6,009	-3,004
<b>Retained profits 31 Dec.</b>	<b>37,984</b>	<b>21,532</b>	<b>27,658</b>	<b>14,884</b>
<b>Net profit for financial year</b>	<b>28,907</b>	<b>22,461</b>	<b>22,598</b>	<b>18,783</b>
<b>Shareholders' equity total 31 Dec.</b>	<b>108,668</b>	<b>85,770</b>	<b>92,033</b>	<b>75,444</b>
<b>Distributable shareholders' equity</b>				
retained profits	37,984	21,532	27,658	14,884
Net profit for financial year	28,907	22,461	22,598	18,783
Portion of accumulated depreciation difference entered in shareholders' equity	-450	-646		
<b>Total</b>	<b>66,441</b>	<b>43,347</b>	<b>50,256</b>	<b>33,667</b>
<b>2.4. Accumulation of appropriations</b>				
<b>Accumulated depreciation difference, total</b>				
Depreciation difference 1 Jan.			873	1,161
Increase/ decrease			-265	-288
Depreciation difference 31 Dec.			<b>608</b>	<b>873</b>
Division of accumulated appropriations between tax liability and shareholders' equity				
Depreciation difference in separate companies' financial statements	608	873		
Deferred tax liability	-158	-227		
Portion of shareholders' equity	450	646		
<b>2.5. Obligatory reserves</b>				
Guarantee reserve	5,998	2,942	5,958	2,932
Contract loss reserve	851	527	843	503
10-years quarantee reserve	3,400	2,600	3,400	2,600
Rent quarantee reserve	241	0	0	0
Other obligatory reserves	3,994	4,422	2,094	2,415
<b>Total</b>	<b>14,484</b>	<b>10,491</b>	<b>12,295</b>	<b>8,450</b>
<b>2.6. LIABILITIES</b>				
<b>2.6.2. Non-current liabilities</b>				
Loans from pension insurance companies	4,200	4,900	4,200	4,900
<b>Non-current liabilities, total</b>	<b>4,200</b>	<b>4,900</b>	<b>4,200</b>	<b>4,900</b>
<b>Non-current liabilities, term to maturity after five years</b>				
Loans from pension insurance companies	1,400	2,100	1,400	2,100
<b>Total</b>	<b>1,400</b>	<b>2,100</b>	<b>1,400</b>	<b>2,100</b>

## NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2006	1.1.-31.12.2005	Parent Company 1.1.-31.12.2006	1.1.-31.12.2005
<b>2.6.3. Current liabilities</b>				
Loans from pension insurance companies	700	700	700	700
Advances received	36,232	23,996	18,593	21,722
Accounts payable	24,792	24,464	21,238	21,155
Debits to Group companies				
Advances received	5,902	1,434	5,573	1,457
Accounts payable	658	532	1,067	1,039
Other debts	15,000	36,500	15,000	36,500
Deferred liabilities	2,833	190	4,917	818
	<b>24,393</b>	<b>38,656</b>	<b>26,557</b>	<b>39,814</b>
Corporate loans raised on projects under construction, total	99,131	74,301	99,131	74,301
Proportion of corporate loans raised on sold apartments under construction	-42,982	-33,041	-42,982	-33,041
Proportion of corporate loans raised on unsold items under construction	56,149	41,260	56,149	41,260
Proportion of corporate loans on completed unsold items	15,756	12,319	15,756	12,319
Other debts	13,800	8,710	7,427	7,702
Deferred liabilities	37,933	37,337	33,851	33,369
<b>Current liabilities, total</b>	<b>209,755</b>	<b>187,442</b>	<b>180,271</b>	<b>178,041</b>
<b>Material items included in deferres liabilities</b>				
VAT and income taxes	5,265	2,861	5,203	2,778
Post-completion reserves on projects handed-over and partially income-recognized	11,930	12,154	11,930	12,154
Personnel expenses	17,385	16,637	16,259	15,540
Group contribution	2,805	0	4,905	628
Other deferred liabilities	3,381	5,875	471	3,087
Deferred liabilities, total	<b>40,766</b>	<b>37,527</b>	<b>38,768</b>	<b>34,187</b>
<b>2.6.4. Interest-bearing liabilities</b>				
Current	15,700	37,200	15,700	37,200
Non-current	4,200	4,900	4,200	4,900
Total	<b>19,900</b>	<b>42,100</b>	<b>19,900</b>	<b>42,100</b>
<b>2.7. CONTINGENT LIABILITIES</b>				
Leasing liabilities				
Future leasing costs-				
Within one year	4,945	4,271	4,053	3,656
Within one to five years	17,894	12,887	15,015	11,775
After five years	15,140	15,521	14,448	14,812
Leasing liabilities	<b>37,979</b>	<b>32,679</b>	<b>33,516</b>	<b>30,243</b>
Counter-commitment liabilities				
for own liabilities	110,812	101,811	110,273	101,003
for subsidiary's liabilities			539	808
	<b>110,812</b>	<b>101,811</b>	<b>110,812</b>	<b>101,811</b>
Derivative contracts				
Forward exchanges				
Current value	118			
Value of underlying commodity	7,297			

SIGNATURES OF ANNUAL FINANCIAL STATEMENTS AND REPORT

Helsinki 22 January 2007

**Alf Göransson**  
Chairman

**Ulf Wallin**

**Ann-Sofie Danielsson**

**Charlotte Lindstedt**

**Timo U. Korhonen**  
President

AUDITOR'S NOTE

The financial statements were drawn up in compliance with generally accepted accounting practice and the report on the audit carried out has been submitted today.

Helsinki, 15 March 2007

KPMG OY AB

**Juha Jokinen**  
APA

## AUDITORS' REPORT

To the shareholders of NCC Rakennus Oy

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of NCC Rakennus Oy for the financial period 1 January – 31 December 2006. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

In our opinion the report of the Board of Directors and financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The report of the Board of Directors and the financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of the Board of Directors is consistent with the financial statements. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Companies Act.

Helsinki, 15 March 2007

KPMG OY AB

**Juha Jokinen**

Authorized Public Accountant