

NCC CONSTRUCTION LTD
Finland, 2007



REPORT FOR THE 1.1 - 31.12.2007 ACCOUNTING PERIOD

Turnover and results

The NCC Construction Group's turnover in 2007, calculated on the percentage of completion, was MEUR 803.3 (MEUR 697.0 in 2006 and MEUR 628.1 in 2005), being an increase on the previous year of MEUR 106.3.

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 debt plus additional work and alterations. The turnover of spec projects is matched with coevally arising construction costs. The margins on spec projects have been income-recognized according to the overall percentage of completion (sales rate times percentage of completion).

Of the Group's turnover, spec projects or housing development accounted for MEUR 283.8 (MEUR 260.3/2006 and MEUR 237.6/2005), which is 35.3 (37.3/2006 and 37.8/2005) per cent.

Of the Group's turnover, spec projects or housing development accounted for MEUR 89.9 (MEUR 46.8/2006 and MEUR 23.2/2005), which is 11.2 (6.7/2006 and 3.7/2005) per cent.

The Group's profit before extraordinary items and taxes was MEUR 44.2 (MEUR 40.3/2006 and MEUR 33.5/2005), being an increase on the previous year of MEUR 3.9. The Group's operating profit was MEUR 46.9 (MEUR 42.1/2006 and MEUR 34.5/2005), which is 5.8 (6.0/2006 and 5.5/2005) per cent of turnover.

Return on investment in 2007 was 32.6 (32.8/2006 and 28.7/2005) per cent. Return on equity in 2007 was 31.2 (32.6/2006 and 33.7/2005) per cent.

The boom in building construction in Finland has continued slightly longer and more strongly than was expected. Good net profits by construction companies and large backlogs of orders have also maintained the construction sector's faith in the future. Right at the end of the year signs began to be seen of a downturn in demand for housing, which is partly a consequence of rising interest rates and partly due to uncertainty over the overall economic trend. The number of housing starts in Finland was already lower than in 2005 and 2006, which is expected to even out the imbalance in housing demand and/or supply.

The increase in turnover of NCC's Finnish operations (9.7%) was in line with growth in the building sector. Of the profit centres, the largest growth was in Northern Finland, where the project under way on the Tornio border doubled the unit's turnover compared with the previous year. The turnover of operations in the Baltic countries doubled according to expectations. The construction company UAB Titanas acquired last year in Lithuania affected growth for half of the year.

NCC's housing construction was again profitable in spite of a considerable increase in costs during the financial year. An increase in the number of completed dwellings unsold postponed recognitions of earnings, but they also increased the balance sheet and boosted capital and service charge expenditures. On the other hand, a slight downturn in housing starts released capital. The functions of the low-rise production unit which had operated in the Helsinki Metropolitan Area were merged with Residential Construction Unit West.

The results of contract construction were mostly in line with the targets, and orders were good throughout the year. A drag was exerted on a few projects by a larger increase in costs than expected, and because margins were small, small failures eroded the net profit of the entire business sector. Some projects awarded were never started because the client considered the tendered prices too high. It was decided to terminate some projects developed by the sister company NCC Property Development Oy built by a separate construction unit and to combine them with the Helsinki Metropolitan Area building construction unit's Design and Build unit.

In the Baltic countries, good results were posted by Estonia and Latvia. The Latvian Stirnu II project for 121 apartments was wholly income-recognized with a good margin in 2007. Demand for new

housing in the region began to decline strikingly sharply in the late summer. Start-ups of spec projects were postponed for this reason, freeing up production capacity for other construction.

Balance sheet status

The NCC Construction Group's balance sheet total at year-end was MEUR 423.2 (MEUR 337.1/2006 and MEUR 288.6/2005) and its shareholders' equity was MEUR 116.8 (MEUR 108.7/2006 and MEUR 85.8/2005). 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 45.8 (MEUR 19.9/2006 and MEUR 42.1/2005) at year-end. Net financing expenses were MEUR 2.7 (MEUR 1.8/2006 and MEUR 1.0/2005), which is 0.33 (0.26/2006 and 0.16/2005) per cent of turnover.

Loans to housing companies whose buildings were under construction totalled MEUR 109.4 (99.1/2006 and 74.3/2005) at year-end, of which unsold items accounted for MEUR 62.5 (MEUR 56.1/2006 and MEUR 41.3/2005). The loan holdings of completed and unsold housing companies were MEUR 25.0 (MEUR 15.8/2006 and MEUR 12.3/2005). 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 18.8 (MEUR 7.3/2006 and MEUR 35.0/2005). Dividends paid during the financial year amounted to MEUR 25.0 and Group contributions to MEUR 2.8. The equity ratio declined to 32.0 (36.8/2006 and 32.6/2005) per cent.

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

Investments

Net capital expenditure on fixed assets amounted to MEUR 4.1 (MEUR 1.3/2006 and MEUR 1.3/2005). The capital tied up in plots of land increased by MEUR 21.1 and totalled MEUR 147.0 (MEUR 125.9/2006 and MEUR 97.8/2005) 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 102,950 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's business sectors are housing and building construction, NCC Property Development's field of business is property development, and NCC Roads' sector is asphaltting, road maintenance and aggregate business.

NCC International Oy's representative office was moved to St Petersburg, address Potemkinskaya str. 2 D, 191123 St Petersburg, Russia. Register number: 7903.2 and registration date 26.11.2007.

Changes in the Group structure of NCC Construction

On 2 July a contract was signed whereby NCC Construction Ltd acquired the construction company called UAB Sialiu Titanas

in Lithuania. Following the transaction, the company has been included in the NCC Construction Group. The acquisition price of the company was registered as a paid share of MEUR 3.3. The sellers have an option for an additional price of MEUR 3.7 if the additional terms stated in the deed of sale are implemented. The review of the transaction price will be performed in 2010 when the financial statements for 2009 are adopted.

Action to merge NCC International Oy with NCC Construction Ltd was started in October and the personnel were transferred as of 1 January 2008 to the employ of NCC Construction Ltd.

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. The operations of the Neighbouring Regions business unit are the responsibility of 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.

Personnel

At year-end, the parent company, NCC Construction Ltd, had 2,188 (2,169/2006 and 2,090/2005) employees. The Group had 2,691 (2,492/2006 and 2,450/2005) employees at year-end. NCC Construction Ltd had an average of 2,219 (2,160/2006 and 2,041/2005) employees during the year and the Group had an average of 2,772 (2,501/2006 and 2,384/2005). Further, 448 apprentices and summer employees had an opportunity to learn about the construction industry and the professional opportunities provided by NCC.

Wages and salaries in the Group during the financial year were MEUR 88.7 (MEUR 82.6/2006 and 75.9/2005) and in the parent company they were MEUR 79.1 (MEUR 74.8/2006 and MEUR 68.3/2005)

Output

Construction turnover broke down into the following percentage figures:

	2007	2006	2005
New housing construction	45%	48%	51%
Other building construction	33%	34%	34%
Renovation	11%	11%	11%
Construction in neighbouring regions	11%	7%	4%

Housing construction by number of units:

	2007	2006	2005
Spec housing construction Starts:			
Finland	1,116	1,248	1,496
Neighbouring regions	307	413	412
	1,423	1,661	1,908
Complete:			
Finland	1,182	1,334	1,447
Neighbouring regions	366	369	60
	1,548	1,703	1,507
Sold:			
Finland	1,029	1,176	1,356
Neighbouring regions	292	288	251
	1,321	1,464	1,607
Unsold:			
Finland	220	153	131
Neighbouring regions	45	2	0
	265	155	131
Other housing construction Completed:	1,108	814	1,237
Starts:	1,024	1,095	813

Orders in hand

The NCC Construction Group's non-income-recognized orders in hand at year-end were MEUR 680 (MEUR 500/2006 and MEUR 427/2005). New work, of which 43% was housing projects, was entered in the order books to the tune of MEUR 980 (MEUR 764/2006 and MEUR 658/2005). Of the orders held in Finland, 51 (49/2006 and 51/2005) per cent are in the Helsinki Metropolitan Area. Among the larger projects on the books are a shopping centre under construction in Tornio, Tampere Business Park Tulli, and the Helsinki housing projects As Oy Helsingin Eiranrannan Estella and As Oy Helsingin Scarlett.

The share of the neighbouring regions in the order books continued to rise, reaching roughly 18 (11/2006 and 8/2005) per cent. The largest projects under construction are a spec housing project and a logistics centre in Riga as well as a housing contract project in St Petersburg.

Board of Directors, company management and auditor

Board of Directors

Olle Ehrlén, Chairman, as of 12 February 2007

Alf Göransson, Chairman, until 12 February 2007

Ann-Sofie Danielsson

Ulf Wallin

Eva Charlotte Zethraeus Lindstedt, until 16 March 2007

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, M.Sc. (Econ.&BA), 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 47,623,889.96 euros. The Board proposes to the annual general meeting that dividend be paid in the amount of 15,000,000.00 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 liquidity.

Company shares

Year	2007	2006	2005
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 2007, the areas of emphasis were the personnel's expertise and skills, products, services and the production process, and developing the corporate image.

During the business year, a Customer Relationship Management development programme was planned and launched. The main expectations of the key customers were charted, customer promises were drawn up on the basis of these, and planning and training of customer meetings related to this were initiated for sales and production personnel. The fifth training programme for business management was started.

A development project for NCC's internal and external image as an employer was launched and a traineeship programme was drawn up for university and polytechnic students.

Products and services

In respect of NCC TähtiKoti homes, the main thrust was on the customer-centred nature of the product and the development of internal processes to achieve a quality end product and service. The development work has focused, among other things, on interior styles, a conversion work service, marketing and establishing design solutions.

A Repair Calendar was developed as an aid for a repair service to be provided for building managers and governing boards. The model can be used to calculate the extent of repairs to apartment buildings and their technical depreciation. The development of a housing company repair process serving the residents' needs was continued – particularly in respect of residents' communications and the management of changes hoped for by the residents. Also, a Helpdesk function developed for small repairs became established as an everyday operation.

The main thrust in office construction was on the development of the Future Office concept, particularly energy solutions.

Production process

Project management was further developed and tools were developed for risk management in areas including tendering risk analysis and the monitoring of ongoing projects.

In 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. The Hansu procurement system which supports project work was developed and adopted in practice.

In building services procurement, efficiency was sought by differentiating work and procurement, for example. Out of MEUR 60 in building services procurement, MEUR 5 was made with the new procedure, which amounts to 8% (MEUR 2.2 in 2006).

In order to improve construction data management, NCC participated in product modelling pilot schemes and a Tekes research project in which a data management process, tools and operational models were developed. A natural partner on development projects is the design firm Optiplan Oy, 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 3.9 (3.1/2006 and 2.3/2005), which is the equivalent of 0.5 per cent of turnover (0.4/2006 and 0.4/2005). Research and development costs were booked as annual expenses.

Financial responsibility

Social responsibility

NCC deployed efforts to work safety, personnel development, training and maintenance of fitness for work.

NCC participated actively in industry job safety work and did well in industry competitions. Working safety on sites is guided through weekly TR safety observation measurements. The TR rating for all sites was over 92 per cent.

Worksite morning fitness exercises were continued and more coaches were trained. The Finnish Association for Human Resource Management chose the morning exercises as its personnel action of the year. The shortage of work supervisors was relieved by training experienced construction professionals as work supervisors.

Optional pension insurance was taken out for roughly 600 technical personnel. The payment for the financial year was MEUR 0.9 and in addition MEUR 1.4 was allocated in the financial statements.

Supervisors were issued with guidelines on how to lower the threshold for returning to work after sick leave and how to act if harassment and inappropriate behaviour are found in the working community. Early rehabilitation and rehabilitation operations

continued. NCC provides its personnel with holistic health care, in addition to which the company sponsors broad-based leisure exercise.

NCC bears its social responsibility also by supporting causes it finds worthy. An important target group is the young, particularly construction students. Conservation of the Baltic Sea was continued by sponsoring the activities of the Baltic Sea Action Group, an extension of the previous year's WWF Mermaid campaign. A Children's Construction School was held for the first time in Finland and 40 children took part in it.

Financial responsibility

NCC's actions are guided by a Code of Conduct, which was updated during 2006, as well as by an affirmation of the Corporate Governance guidelines in which the implementation of corporate ethics in NCC's actions is also 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.

Environmental responsibility

NCC bears its responsibility as a builder of an excellent and sustainable environment. Its goals were recorded in the lifecycle strategy drawn up in 2005. Further improvements were made in the service concept for buildings' environmental and lifecycle characteristics (the EkoConcept), with the main thrust on renovation. In 2007, a development project was started for the energy efficiency of NCC's own production, with the aim of reducing energy consumption of housing by 30 per cent and that of business premises by 25 per cent by the year 2010.

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.

The environmental risks and risks due to circumstances in construction are countered by implementing a project plan in line with the operating 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.

The main risks and risk management

Strategic risks

A significant strategic risk for NCC involves operations controlling growth in neighbouring regions, the St Petersburg and Baltic area. Management of this risk involves engaging in spec construction and tying up capital only in the larger cities. Arranging the supervision of subsidiaries and the Lithuanian subsidiary acquired during the financial year locally through personnel arrangements and from Finland is also a part of the management of a recognized risk.

Tactical risks

NCC's management system is part of the risk management. The corporate management has the support of an integrated project management and monitoring system and regular reporting on the unit and divisional level and the monthly analysis of discrepancies. All subsidiaries of NCC use as an aid for internal surveillance a COSO-based procedure used by public companies in Sweden, where it is associated with corporate governance (Kod för Svensk bolagsstyrning), and developed by NCC AB.

Among the greater risks for contract output is the management of tender estimation. This risk is best managed by selecting for tender estimation those projects for which the unit has the wherewithal to attain a financially profitable result. A standalone computer software package has been assembled for advance analysis of projects and this is augmented with decision-making guidelines. The main risk for housing development output is the timely start-up of projects and knowledge of the market. All decisions on land purchase and start-ups of housing development projects require, among other things, a market survey, a feasibility study and a starting permit.

Liability risks

Within the Group, efforts are made to hedge all business risks. Primarily, the realization of risks is influenced by improved advance planning, but also by induction and training aimed at the personnel and partners. TR safety observation measurements are carried out at worksites weekly. On the basis of the readings, the trend of the units' work safety action is monitored closely. Work safety has thus also been made one of the main criteria for productivity bonuses.

The property, operations and personnel of NCC AB and its subsidiaries have been insured comprehensively with its own captive company or with an external international insurance company.

No significant court cases are pending and the Board of Directors are aware of no juridical risks that would substantially affect the operation or net profit of the company.

A tax audit concerning all tax laws was carried out at NCC Construction Ltd during the autumn. We have not yet received the preliminary audit report, but on the basis of the discussions, the residual tax claims will be small.

Financial risks

The Group's financing is consolidated in the hands of NCC Treasury AB, to which the liquidity management of NCC Construction Ltd's foreign subsidiaries was also transferred during the autumn.

NCC Treasury AB secures credit, interest rate, currency and country risks on a centralized basis together with specialists of the unit's management and administration. Risks are handled in accordance with the principles set by NCC AB's Board of Directors and management. The units do not take these risks.

Outlook for 2008

According to an estimate by the Research Institute of the Finnish Economy, Finland's GNP growth will continue at roughly three per cent in 2008. There was a period of faster growth in building construction than expected last year, which is now expected to settle down somewhat. Orders will continue to be high and volumes will still be great in 2008, but housing and business premises starts will fall to a lower level than in 2007. Growth will also be limited partly by a rapid increase in costs and a shortage of resources. The rate of inflation for construction costs is above background levels, and this has actually resulted in postponements of the start of projects successfully tendered for, and these are now forecast to be implemented in future years.

The number of housing starts is forecast to decline, although the basic factors underpinning demand for housing are still the same: the population is growing, internal migration continues, the average size of households is falling, and there is a demand for more housing space per person. The rising living standard and pay solutions are fuelling consumption and providing more people with an opportunity to invest in more spacious housing. The Helsinki Metropolitan Area is growing in attractiveness and the emphasis on construction of apartments and terraced housing will increase. The need to reduce energy consumption will increasingly regulate town planning and lead to denser construction close to public transport. NCC is a strong builder of housing in the Helsinki Metropolitan Area and its share of all apartment building construction in Finland is roughly 15%.

Slowing growth on the global market will make it possible for interest rates to hold steady, and the previously forecast increase in rates may not happen. However, the costs of servicing a housing loan will increase slightly, mainly due to caution on the part of banks and a resultant rise in bank margins. The interest rate has had a major impact on the price of housing and thus on profitable housing construction.

For several years, growth in construction has been relatively steady, in a contributory factor which has been the fact that cycles in housing and office buildings have gone conveniently at different rates. There is now uncertainty as to which form of production will take the lead. There have also been forecasts that an excessive amount of office space will be completed during 2008, which will

reduce investors' interest in making placements in new office facilities towards the end of the year. If consumers' faith in their own and Finland's economy turns down at the same time, it will also affect willingness to buy homes.

The increase in wages and capital earnings is also boosting the income of local authorities and the state. Their economies will be in better shape, making it possible for society to carry out investments that have been underfinanced for a long time, by increasing construction of rental housing, for example. There will also be a further increase in renovations. We believe that the Finnish economy is in good shape enough that there are still good reasons to expect growth in building construction to continue, even if at a slightly lower rate than we have become accustomed to in the past few years.

Russia's longtime favourable economic trend has fostered strong growth potential in housing construction in St Petersburg and the need for construction of housing is at least on the same order as in Finland as a whole. Growth will continue on the same track for the years ahead. At the end of 2007, a housing partnering project entitled Hakkapeliitta Village was started, the construction of which will continue for the whole of 2008. It is also intended to start up construction work on the first spec housing project Fermoskoe in St Petersburg towards the end of 2008 and to acquire new land areas to secure the continuity of spec housing construction.

Economic growth in the Baltic countries will slow down in 2008 and slowing demand for housing will result in pressure for long-term planning of output. The reason the property market is cooling is not a lack of demand for housing but uncertainty over the economic trend and the direction of currency exchange rates, which is keeping interest rates high. Fewer housing starts have been planned than in the previous year, but any positive changes in the housing market can be responded to promptly and if necessary by expanding housing output. The lower volume of housing construction will be compensated for by stepping up production under contract with partnering agreements. Economic growth has also meant that inflation has begun to rise in the neighbouring countries.

In St Petersburg and the Baltic countries, plot prices and construction input costs rising faster than housing selling prices will constitute a clear risk to operational profitability if it continues. On the other hand, a strong backlog of orders for non-housing construction creates a good basis for a future increase in the share of operations in neighbouring countries in NCC's overall volume.

CONSOLIDATED INCOME STATE

		(€ 1,000)			
	Reference	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Turnover	1.1.	803,308	696,986	707,841	645,619
Increase (+)/ decrease (-) in stocks of finished and unfinished goods		-9,241	13,443	1,884	4,759
Production for own use		152	89	153	89
Other operating income	1.2.	45	486	104	483
Materials and services	1.3.	562,728	506,762	507,161	465,806
Personnel expenses	1.4.	112,853	102,088	100,835	92,230
Depreciation and write-downs	1.5.	1,774	1,566	1,289	1,226
Other operating costs	1.6.	70,029	58,465	66,671	55,069
Operating profit		46,880	42,123	34,026	36,619
Financial income and expenses	1.7.	-2,654	-1,826	-1,115	-782
Profit before extraordinary items		44,226	40,297	32,911	35,837
Extraordinary items	1.8.	-2,106	-2,804	-2,965	-4,905
Profit before appropriations and taxes		42,120	37,493	29,946	30,932
Appropriations	1.9.			63	265
Direct taxes	1.10.	-9,010	-8,586	-7,641	-8,599
Minority interest		-22	0		
Net profit for the year		33,088	28,907	22,368	22,598

CONSOLIDATED BALANCE SHEET

		(€ 1,000)			
	Reference	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
ASSETS					
Fixed assets	2.1.				
Intangible assets	2.1.1.	1,222	994	971	653
Tangible assets	2.1.2.	5,915	3,453	3,450	2,847
Investments	2.1.3.	970	999	7,894	4,615
		8,107	5,446	12,315	8,115
Current and non-current assets					
Inventory	2.2.1.	278,897	224,890	215,891	177,542
Non-current receivables	2.2.2.	2,562	2,945		
Current receivables	2.2.3.	114,836	96,555	95,777	99,834
Cash in hand and at banks		18,771	7,271	9,247	3,916
		415,066	331,661	320,915	281,292
Assets		423,173	337,107	333,230	289,407
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	2.3.				
Share capital		5,365	5,365	5,365	5,365
Share premium account		36,412	36,412	36,412	36,412
Retained profits		41,894	37,984	25,255	27,658
Net profit for the year		33,088	28,907	22,368	22,598
		116,759	108,668	89,400	92,033
Minority interest		206	0		
Accumulation of appropriations	2.4.			546	608
Obligatory reserves	2.5.	15,527	14,484	15,085	12,295
Liabilities	2.6.				
Non-current liabilities	2.6.2.	3,500	4,200	3,500	4,200
Current liabilities	2.6.3.	287,181	209,755	224,699	180,271
		290,681	213,955	228,199	184,471
Liabilities and shareholders' equity		423,173	337,107	333,230	289,407

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	(€ 1,000)			
	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Cash flow from business operations				
Profit before extraordinary items	44,226	40,297	32,911	35,837
Adjustments:				
Profit and loss from disposal of material and immaterial goods	-17	-323	-15	-320
Planned depreciation	1,774	1,566	1,289	1,226
Financing income and expenses not paid	336	-65	136	52
Increase (+)/ decrease (-) in uninvoiced portion of handed-over and partially income-recognized projects and post-completion reserves	11,561	-7,896	2,336	-3,802
Increase (+)/ decrease (-) in obligatory reserves	1,043	3,993	2,790	3,845
Cash flow before change in working capital	58,923	37,572	39,447	36,838
Change in working capital:				
Increase (-)/ decrease in trade receivables	-17,507	-6,133	-6,788	-6,775
Increase (-)/decrease in current non-interest-bearing receivables	-10,128	850	-2,411	1,593
Increase (-)/ decrease (+) in inventories	-54,008	-62,418	-38,349	-37,420
Increase (+)/ decrease in trade payables	11,726	454	4,720	111
Increase (+)/decrease in advances received	14,970	16,704	27,040	986
Increase (+)/ decrease (-) in non-interest-bearing debts	23,775	25,894	15,613	17,277
Change in working capital:	-31,172	-24,649	-175	-24,228
Cash flow from business operations before taxes	27,751	12,923	39,272	12,610
Direct taxes paid	-10,310	-7,925	-9,318	-7,353
Cash flow from business operations (A)	17,441	4,998	29,954	5,257
Cash flow from investments:				
Investments in material and immaterial goods	-4,105	-1,690	-5,520	-1,270
Income from disposal of material and immaterial goods	52	396	46	392
Cash flow from investments (B)	-4,053	-1,294	-5,474	-878
Cash flow from financing:				
Increase (-)/ decrease (+) in interest-bearing loan receivables			11,456	-4,604
Dividend	-25,000	-6,009	-25,000	-6,009
Increase (+)/ decrease (-) in interest-bearing debts	25,916	-22,200	-700	-22,200
Group contribution received/ paid	-2,804	-3,200	-4,905	-628
Cash flow from financing (C)	-1,888	-31,409	-19,149	-33,441
Increase (+)/ decrease (-) in liquid assets (A+B+C)	11,500	-27,705	5,331	-29,062
Liquid assets at start of year	7,271	34,976	3,916	32,978
Liquid assets at year-end	18,771	7,271	9,247	3,916

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.

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.

The exchange gains and losses booked in the net profit for the year which result from hedging the shareholders' equity are netted in the consolidated shareholders' equity to net opposite-polarity translation differences from there.

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.

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.

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.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
1.1. TURNOVER				
Turnover by divisions				
Building construction in Finland	707,841	645,619	707,841	645,619
International operations	89,874	46,751		
Building design	8,510	8,331		
./. Less intra-Group	-2,917	-3,715		
Turnover, total	<u>803,308</u>	<u>696,986</u>	<u>707,841</u>	<u>645,619</u>
Value-added tax on own use of developer/contractor projects	41,308	39,000	41,308	39,000
Other difference in turnover compared to the accounting conventions of the Accountancy Board's general rules	-8,075	-16,715	-8,075	-16,715
Turnover as per Accountancy Board's general rules	<u>836,541</u>	<u>719,271</u>	<u>741,074</u>	<u>667,904</u>
Turnover by market area				
Finland	716,351	653,950	707,841	645,619
Russia	488	198		
Estonia	44,743	28,083		
Latvia	26,886	17,944		
Lithuania	17,757	526		
./. Less intra-Group	-2,917	-3,715		
Turnover, total	<u>803,308</u>	<u>696,986</u>	<u>707,841</u>	<u>645,619</u>
Share of projects not handed over at year-end in turnover				
	<u>441,975</u>	<u>320,864</u>	<u>403,043</u>	<u>300,304</u>
Total not booked as return on projects (orders in hand)				
	<u>679,735</u>	<u>500,023</u>	<u>559,320</u>	<u>447,421</u>
1.2. Other operating income				
Profits on the sale of fixed assets	45	330	42	327
Other	163	210	62	156
./. Less intra-Group	-163	-54		
Other operating income, total	<u>45</u>	<u>486</u>	<u>104</u>	<u>483</u>
1.3. Materials and services				
Materials, supplies and goods:				
Purchases during the year	217,093	186,794	197,788	168,894
Change in inventory (increase-/decrease+)	-63,841	-39,975	-34,843	-26,351
	<u>153,252</u>	<u>146,819</u>	<u>162,945</u>	<u>142,543</u>
External services	409,476	359,943	344,216	323,263
Materials and services, total	<u>562,728</u>	<u>506,762</u>	<u>507,161</u>	<u>465,806</u>
1.4. Personnel expenses and number of personnel				
Personnel expenses:				
Wages and salaries	88,719	82,617	79,131	74,817
Pension expenses	16,940	12,012	15,968	11,026
Other personnel expenses	7,194	7,459	5,736	6,387
Total	<u>112,853</u>	<u>102,088</u>	<u>100,835</u>	<u>92,230</u>
Management salaries and emoluments:				
Presidents	1,261	1,101	682	653

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.

NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Average number of personnel for year:				
- Salaried	1333	1184	995	927
- Wage-earners	1439	1317	1224	1233
Total	2772	2501	2219	2160
Number of personnel at year-end:				
- Salaried	1348	1204	1004	942
- Wage-earners	1343	1288	1184	1227
Total	2691	2492	2188	2169
1.5. Depreciation and write-downs				
Intangible rights	398	372	267	234
Other long-term expenditure	11	1	11	1
Buildings and structures	114	1	1	1
Machinery and equipment	1,251	1,192	1,010	990
Total	1,774	1,566	1,289	1,226
1.6. Other operating costs				
Rents	22,308	20,064	21,124	18,799
Voluntary personnel expenses	3,954	3,091	3,738	2,857
External administrative services	3,388	2,892	3,699	2,859
Other office and admin. expenses	9,932	6,998	7,681	5,681
Other construction expenses	30,253	25,392	30,232	24,802
Other operating costs	194	28	197	71
Other operating costs, total	70,029	58,465	66,671	55,069
1.7. Financial income and expenses				
Dividend income				
From others	106	32	106	32
Other interest and financial income				
From Group companies	220	148	1,002	696
From others	345	64	196	22
	565	212	1,198	718
Interest expenses and other financial expenses				
From Group companies	-2,642	-1,238	-2,041	-1,080
From others	-683	-832	-378	-452
	-3,325	-2,070	-2,419	-1,532
Financial income and expenses, total	-2,654	-1,826	-1,115	-782
1.8. Extraordinary items				
Group contributions paid	-2,106	-2,804	-2,965	-4,905
1.9. Appropriations				
Difference between scheduled depreciation and depreciation in taxation			63	265
1.10. Direct taxes				
Income tax on actual business				
- for financial year	-8,826	-9,114	-7,643	-8,555
- for previous years	18	-45	2	-44
Change in deferred tax liability	-202	573		
Direct taxes, total	-9,010	-8,586	-7,641	-8,599

NOTES TO THE FINANCIAL STATEMENTS

2.1. FIXED ASSETS

2.1.1. Intangible assets

	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan.	2,996	70	3,066
Increases	482	156	638
Acquisition costs 31 Dec.	3,478	226	3,704
Accumulated depreciation and writedowns 1 Jan.	2,062	10	2,072
Depreciation for financial year	398	12	410
Accumulated depreciation 31 Dec.	2,460	22	2,482
Book value 31 Dec.	1,018	204	1,222

2.1.2. Tangible assets

	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan.	8	11,613	96	11,717
Increases	934	2,899	0	3,833
Decreases	0	-67	0	-67
Acquisition cost 31 Dec.	942	14,445	96	15,483
Accumulated depreciation and writedowns 1 Jan.	6	8,258	0	8,264
Accumulated depreciation of decreases and appropriations	0	-62	0	-62
Depreciation for financial year	115	1,251	0	1,366
Accumulated depreciation 31 Dec.	121	9,447	0	9,568
Book value 31 Dec.	821	4,998	96	5,915

2.1. FIXED ASSETS / PARENT COMPANY

2.1.1. Intangible assets

	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan.	2,099	70	2,169
Increases	444	153	597
Acquisition cost 31 Dec.	2,543	223	2,766
Accumulated depreciation and write downs 1 Jan.	1,506	10	1,516
Depreciation for financial year	267	12	279
Accumulated depreciation 31 Dec.	1,773	22	1,795
Book value 31 Dec.	770	201	971

2.1.2. Tangible assets

	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan.	8	10,001	95	10,104
Increases	0	1,615	0	1,615
Decreases	0	-61	0	-61
Acquisition cost 31 Dec.	8	11,555	95	11,658
Accumulated depreciation and writedowns 1 Jan.	6	7,251	0	7,257
Accumulated depreciation of decreases and appropriations	0	-60	0	-60
Depreciation for financial year	1	1,010	0	1,011
Accumulated depreciation 31 Dec.	7	8,201	0	8,208
Book value 31 Dec.	1	3,354	95	3,450

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.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
2.1.3. Investments				
Shares in Group companies				
Acquisition cost 1 Jan.			3,595	3,595
Increases			3,308	0
Acquisition cost 31 Dec.			6,903	3,595
Shares in associated companies				
Acquisition cost 1 Jan./ 31 Dec.			21	21
Stocks and shares in other companies				
Acquisition cost 1 Jan.	999	911	999	911
Increases	0	149	0	149
Decreases	-29	-61	-29	-61
Acquisition cost 31.12.	970	999	970	999
Investments, total	970	999	7,894	4,615

Shares in subsidiaries held by the parent company	Quantity	Holding%	Currency	Par value	Book value/€
NCC International Oy, Helsinki	8,000	100%	€	168	2,570
Optiplan Oy, Turku	100	100%	€	168	307
UAB Siauliu Titanas, Lithuania	61,681	100%	LTL	617	3,300
SIA NCC Konstrukcija, Latvia ¹⁾	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, Estonia	4,000	100%	EEK	400	3
Oü NCC Baltic, Estonia	400	100%	EEK	40	2
Vuorenvarma Ky, Vantaa ¹⁾		100%	€		4
Shares in subsidiaries, total					6,903

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

Shares in subsidiaries held by subsidiaries	Quantity	Holding%	Currency	Par value	Book value/€
Vuorenvarma Ky, Vantaa, silent partner ¹⁾					2
ZAO NCC, Moscow, Russia	100	100%	RUB	10	1
ZAO NCC North-West, Russia	100	100%	RUB	16	1
OOO NCC Real Estate, Russia	1	100%	RUB	143,010	3,995
SIA NCC Konstrukcija, Latvia ¹⁾	33,840	90%	LVL	677	2,749
UAB NCC Pletra, Lithuania	100	100%	LTL	10	347
UAB Mechanizmu Nuoma, Lithuania	10,200	51%	LTL	10	3
UAB Elektrikai, Lithuania	5,100	51%	LTL	5	1

¹⁾ 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 Teknoliakeskus Oy	14		€		33
Keskinäinen Eläkevakuutusyhtiö Etera			€		7
Winecellars Oy Ab	1		€		2
Elisa Oyj	40,621		€		145
Oulun Puhelin Oyj	4,000		€		9
Suomen Talotekniikan Kehityskeskus Oy	1		€		0
Other stocks and shares held by the Group					999

	(€ 1,000)			
2.2. CURRENT ASSETS	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
2.2.1. Inventory				
Work in progress and unstarted	21,027	30,267	16,482	14,597
Under construction				
Advances received	-41,473	-42,120	-41,949	-42,120
Trade receivables from housing association companies	51,402	36,330	51,402	36,330
Loan receivables from housing association companies	0	0	0	0
Shares in companies under construction	144,084	112,163	129,270	112,163
Debts to housing association companies	-55,272	-36,687	-55,272	-36,687
Proportion of sold to company loans	-46,949	-42,982	-46,949	-42,982
	51,792	26,704	36,502	26,704
Plot-owning companies and plots	107,636	89,932	67,103	61,006
Loan receivables from plot-owning companies	42,863	43,844	42,863	41,153
Debts to plot-owning companies	-2,424	-444	-2,424	-444
	148,075	133,332	107,542	101,715
Completed apartments				
Shares in completed companies	33,047	18,831	30,409	18,770
Portions of shares of completed companies	24,956	15,756	24,956	15,756
	58,003	34,587	55,365	34,526
Inventory, total	278,897	224,890	215,891	177,542
Balance sheet value adjustment item for work in progress on developer/contractor projects under construction in accordance with the Accountancy Board's general rule.	70,835	62,760	70,835	62,760
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.	70,835	62,760	70,835	62,760
Income-recognition according to percentage of completion affects the balance sheet items as follows:				
Assets				
Work in progress	445,124	336,753	406,134	300,782
Less percentage of completion income recognition	-424,097	-306,486	-389,652	-286,185
Work in progress and unstarted	21,027	30,267	16,482	14,597
Balance sheet value adjustment item for work in progress on developer/contractor projects under construction in accordance with the Accountancy Board's general rule	70,835	62,760	70,835	62,760
Work in progress and unstarted	91,862	93,027	87,317	77,357

NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Liabilities and shareholders' equity				
Advances received	573,656	426,802	527,794	384,583
Less percentage of completion income recognition	-475,080	-342,549	-434,640	-318,297
Less inventory netted	-41,473	-42,120	-41,949	-42,120
Advances received	57,103	42,133	51,205	24,166
2.2.2. Non-current receivables				
Deferred tax receivables and liabilities				
Deferred tax receivables				
On matching differences	2,843	3,103		
Deferred tax liability				
On appropriations	-281	-158		
	2,562	2,945		
2.2.3. Current receivables				
Trade receivables	79,887	64,577	66,428	61,686
Receivables from Group companies				
Trade receivables	3,031	834	2,963	917
Loan receivables	0	0	6,400	17,857
Accrued assets	1	138	1	5
	3,032	972	9,364	18,779
Loan receivables	6,393	906	765	906
Accrued assets	25,524	30,100	19,220	18,463
	31,917	31,006	19,985	19,369
Current receivables, total	114,836	96,555	95,777	99,834
Material items included in accrued assets				
Value-added taxes	2,988	2,848	1,959	1,103
Uninvoiced portion of projects handed-over and partially income-recognized	8,128	17,484	8,128	9,929
Advances received of plots	3,501	5,327	3,501	5,327
Other accrued assets	10,908	4,579	5,633	2,109
Accrued assets, total	25,525	30,238	19,221	18,468
2.3. Shareholders' equity				
Share capital				
Share capital 31 Dec.	5,365	5,365	5,365	5,365
Share premium account				
Share premium account 31 Dec.	36,412	36,412	36,412	36,412
Retained profits				
Retained profits 1 Jan.	66,891	43,993	50,255	33,667
Currency diff.	3	0		
Dividend	-25,000	-6,009	-25,000	-6,009
Retained profits 31 Dec.	41,894	37,984	25,255	27,658
Net profit for financial year	33,088	28,907	22,368	22,598
Shareholders' equity total 31 Dec.	116,759	108,668	89,400	92,033

NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Distributable shareholders' equity				
Retained profits	41,894	37,984	25,255	27,658
Net profit for financial year	33,088	28,907	22,368	22,598
Portion of accumulated depreciation difference entered in shareholders' equity	-404	-450		
Total	74,578	66,441	47,623	50,256
2.4. Accumulation of appropriations				
Accumulated depreciation difference, total				
Depreciation difference 1 Jan.			608	873
Increase/ decrease			-62	-265
Depreciation difference 31 Dec.			546	608
Division of accumulated appropriations between tax liability and shareholders' equity				
Depreciation difference in separate companies' financial statements	685	608		
Deferred tax liability	-281	-158		
Portion of shareholders' equity	404	450		
2.5. Obligatory reserves				
Guarantee reserve	7,374	5,998	7,374	5,958
Contract loss reserve	464	851	464	843
10-years guarantee reserve	4,200	3,400	4,200	3,400
Rent guarantee reserve	150	241	0	0
Other obligatory reserves	3,339	3,994	3,047	2,094
Total	15,527	14,484	15,085	12,295
2.6. LIABILITIES				
2.6.2. Non-current liabilities				
Loans from pension insurance companies	3,500	4,200	3,500	4,200
Non-current liabilities, term to maturity after five years				
Loans from pension insurance companies	700	1,400	700	1,400
2.6.3. Current liabilities				
Loans from pension insurance companies	700	700	700	700
Advances received	48,312	36,232	42,759	18,593
Accounts payable	36,654	24,792	26,207	21,238
Debts to Group companies				
Advances received	8,791	5,902	8,446	5,573
Accounts payable	522	658	818	1,067
Other debts	41,616	15,000	15,000	15,000
Deferred liabilities	2,402	2,833	3,085	4,917
	53,331	24,393	27,349	26,557
Corporate loans raised on projects under construction, total	109,422	99,131	109,422	99,131
Proportion of corporate loans raised on sold apartments under construction	-46,948	-42,982	-46,948	-42,982
Proportion of corporate loans raised on unsold items under construction	62,474	56,149	62,474	56,149
Proportion of corporate loans on completed unsold items	24,956	15,756	24,956	15,756
Other debts	20,680	13,800	7,989	7,427
Deferred liabilities	40,074	37,933	32,265	33,851
Current liabilities, total	287,181	209,755	224,699	180,271

NOTES TO THE FINANCIAL STATEMENTS

	(€ 1,000)			
	Group 1.1.-31.12.2007	1.1.-31.12.2006	Parent Company 1.1.-31.12.2007	1.1.-31.12.2006
Material items included in deferred liabilities				
VAT and income taxes	4,401	5,265	3,588	5,203
Post-completion reserves on projects handed-over and partially income-recognized	14,135	11,930	12,465	11,930
Personnel expenses	16,989	17,385	15,568	16,259
Group contribution	2,106	2,805	2,965	4,905
Other deferred liabilities	4,845	3,381	764	471
Deferred liabilities, total	42,476	40,766	35,350	38,768
2.6.4. Interest-bearing liabilities				
Current	42,316	15,700	15,700	15,700
Non-current	3,500	4,200	3,500	4,200
Total	45,816	19,900	19,200	19,900
2.7. CONTINGENT LIABILITIES				
Leasing liabilities				
Future leasing costs-				
Within one year	4,800	4,945	4,329	4,053
Within one to five years	14,482	17,894	14,121	15,015
After five years	14,530	15,140	13,874	14,448
Leasing liabilities	33,812	37,979	32,324	33,516
Counter-commitment liabilities				
for own liabilities	119,581	110,812	119,581	110,273
for subsidiary's liabilities			0	539
	119,581	110,812	119,581	110,812
Derivative contracts				
Forward exchanges				
Current value	202	118	54	0
Value of underlying commodity	30,512	7,297	15,379	0

SIGNATURES OF ANNUAL FINANCIAL STATEMENTS AND REPORT

Helsinki 22 January 2008

Olle Ehrlén
Chairman

Ulf Wallin

Ann-Sofie Danielsson

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, 11 April 2008

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 2007. 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 Limited Liability 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 Limited Liability Companies Act.

Helsinki, 11 April 2008

KPMG OY AB

Juha Jokinen

Authorized Public Accountant