



NCC PUOLIMATKA

ANNUAL REPORT 1996

*Facade
vers le Midi de l'Hotel
du Senat Imperial.*



Ch. Engel.



The most demanding major renovation job for NCC-Puolimatka in 1996 was the Palace of the Council of State.

*Cover picture:
Carl Ludvig Engel, original sketch,
1818*

*Pictures in spread:
Voitto Niemelä*



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NCC-Puolimatka Oy's annual report is published in Finnish and English. It can be ordered from the following address:

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www.nccpuolimatka.fi*



NCC-Puolimatka posted a profit for its first year of business as part of the NCC family of Nordic companies. Construction in Finland exceeded its budgeted target figures for income and volume. Civil engineering and international operations did not achieve their targets. Puolimatka has traditional strengths as a builder of housing, offices and industrial facilities. Its market share of residential construction is approximately ten per cent. To reinforce its position as a residential builder, NCC-Puolimatka purchased plots of land suitable for housing construction from PMA-Yhtymä Oy for almost two hundred million marks, thus fulfilling its quota for land purchases agreed as part of the change of ownership. The export market area is Russia, the other CIS countries and the Baltic states. The main thrust in construction focuses on Moscow and St Petersburg, where the company has regional offices. The proportion of civil engineering is being expanded and its operations are being further enhanced.

Newly launched as a business division was the real estate unit, which concentrates on developing, owning and commissioning the construction of office and commercial facilities and properties in the Greater Helsinki Area. Its first start-up project was the construction of stage V of Spektri in Espoo, known as Kvintti, a project valued at some FIM 100 million.

The prime foci of development work were the improvement of the quality system and investments in environmental issues and marketing. Several pilot and development projects were under way during the accounting period with the aim of modernizing the construction process. The first year of business saw an internal and external facelift for the company to bring it into line with NCCAB's corporate image.

NCC-Puolimatka's parent company, NCC AB, has become the biggest construction company in the Nordic region. During the accounting period, it acquired Rasmussen & Schiøtz A/S of Denmark as well as NCC-Puolimatka

Oy. In spring 1997, an agreement was made on the merging of the operations of NCC AB and Sweden's third-largest builder, Siab AB.

The outlook for the construction industry towards the end of the millennium is favourable, although uncertainty is increased by a possible reduction in state-assisted residential construction after 1998. NCC-Puolimatka has increased its capacity to start privately financed housing projects, but the commencement of construction will depend on demand and the price trend. The company's prospects for invoicing and profits in 1997 are better than in previous years. Building construction is forecast to grow by about ten per cent as new building work and renovation increase.

I would like to express my warm thanks for the past year to our customers and partners and to the company's employees for the good work they have done.

A handwritten signature in blue ink, appearing to read 'Markku Markkola'.

Markku Markkola

BOARD OF DIRECTORS,

COMPANY MANAGEMENT AND AUDITORS

NCC-Puolimatka's Board of Directors

1 Jan - 31 May 1996

Kenneth Orrgren, NCC Building,
Chairman

Tommy Nilsson, NCC Invest

Alf Algotsson, NCC Civil Engineering

Ulf Wallin, NCC Legal Affairs

Hannu Sipilä, Merita Bank Ltd

Heikki Koivu, PMA-Yhtymä Oy

31 May - 31 December 1996

Kenneth Orrgren, NCC Building,
Chairman

Tommy Nilsson, NCC Invest

Alf Algotsson, NCC Civil Engineering

Ulf Wallin (until 20 November)

Kai Hietarinta (as of 25 September)

On 10.2.1997 Magnus Mannesson,
President of NCC Real Estate AB, was
also elected to the Board of Directors.

Assistant Director Kari Korpela
served as secretary to the Board of
Directors.

Company Management

Markku Markkola, M.Sc.(Eng.) served
as the company's President, and Finance
Director Jukka Lahtinen, M.Sc.(Econ.),
served as the Executive Vice President.

Auditors

The auditors for NCC-Puolimatka
Oy were KPMG Wideri Oy Ab with
Birger Haglund (APA, M.Sc.Econ.) as the
auditor in charge, and SVH Coopers &
Lybrand Oy with Juha Wahlroos (APA,
M.Sc.Econ.) as the auditor in charge.



*NCC-Puolimatka Oy's Board of Directors and
President. In the foreground are Kai Hietarinta
(right), Kenneth Orrgren and Markku
Markkola. At the rear are Tommy Nilsson
(right), Alf Algotsson and Ulf Wallin.*

CONSOLIDATED INCOME STATEMENTS (FIM million)	1996	1995
Turnover	1,577	1,403
Profit from operations before depreciation	28	34
Depreciation	18	18
Operating profit	10	16
Net financing income	1	3
Extraordinary income and expenses	0	-20
Profit/loss before appropriations and taxes	11	-1

CONSOLIDATED BALANCE SHEETS (FIM million)	1996	1995
Assets		
Fixed assets	100	102
Inventory	13	6
Financial assets	268	276
Liabilities and shareholder's equity		
Shareholder's equity and provisions	131	119
Obligatory reserves	10	7
Liabilities		
Interest-bearing	11	27
Non-interest-bearing	229	231
Balance sheet total	381	384

KEY FIGURES		
Profit from operations before depreciation		
-% of turnover	1.8	
Return on equity (ROE), %	5.6	
Return on investment (ROI), %	8.3	
Quick ratio	1.5	
Equity ratio, %	39.9	34.5
Uninvoiced orders at year-end (FIM million)	685	611
Average personnel	1,456	1,389

Formulas for key indicators

Return on equity (ROE):

$$\frac{\text{Profit before extraordinary items, appropriations and taxes - direct taxes}}{\text{Shareholders' equity + minority interest (average for year)}}$$

Return on investment (ROI):

$$\frac{\text{Profit before extraordinary items, appropriations and taxes + interest expenses and other financial expenses}}{\text{Balance sheet total - non-interest-bearing debts (average for year)}}$$

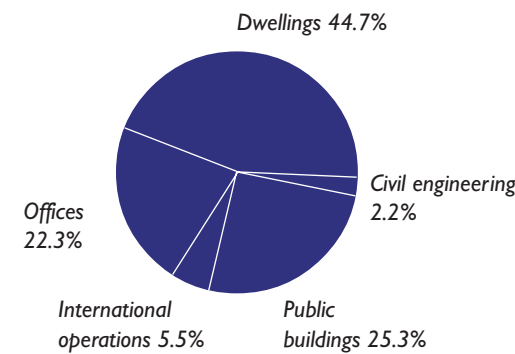
Quick ratio:

$$\frac{\text{Financial assets}}{\text{Current liabilities}}$$

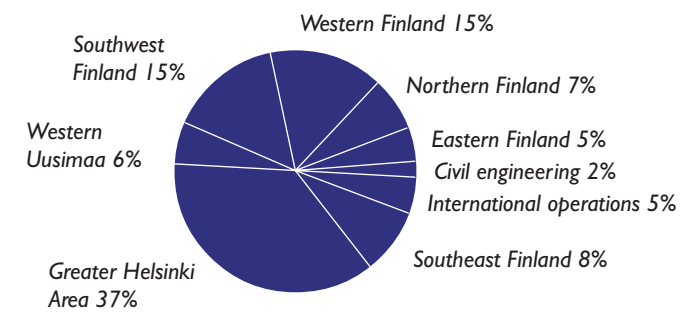
Equity ratio:

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance payments}}$$

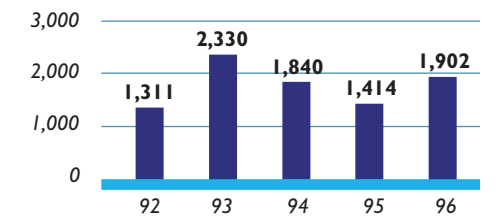
Breakdown by product group (%)



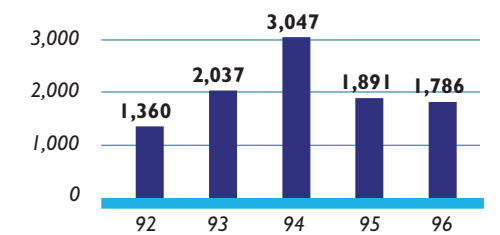
Breakdown by regions (%)



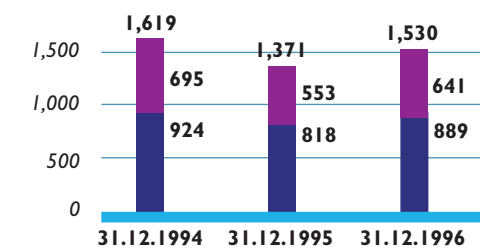
Residential output under construction in Finland, 1992-1996 dwellings



Completed residential output in Finland, 1992-1996 dwellings



Personnel



■ = salaried staff
■ = waged staff



The Kirkniemi paper mill in Lohja.

The currency exchange rate at 31.12.1996: FIM 4.64390 = USD 1

Mission Statement

NCC-Puolimatka offers building construction and infrastructure products which meet the client's expectations for quality and profit competitively and profitably.

This is achieved by developing, planning and building products of the building industry in Finland, the CIS and the Baltic states, based on environmental quality requirements, state-of-the-art technology and the experience of an international corporate group.



NCC-Puolimatka's new corporate appearance, with its star emblem, was introduced throughout Finland in the course of a few weeks.

NCC-Puolimatka went into business at the beginning of 1996. The Group management familiarized themselves with the company in different parts of Finland. Architect Juha-Pekka Rindell is shown discussing Optiplan's computer-aided design. In the centre of the picture is NCC's President, Jan Sjöqvist, and Communications Director Hans-Olof Karlsson.



Change in the ownership of the company

At the beginning of 1996, the company began operating under its new name of NCC-Puolimatka Oy. In a deal entering into force on 2 January 1996, NCCAB acquired a 51 per cent holding of NCC-Puolimatka Oy's issued stock by means of a contract of sale signed on 12 November 1995. The transaction included NCC-Puolimatka Oy, Optiplan Oy, Seinälevy Oy, PMA-Palvelut Oy and PMA-Rakennuskoneet Oy as well as the shares in Optiplan Oy's subsidiaries Optisaf and AS Optiplan Eesti. The remaining 49 per cent of NCC-Puolimatka Oy's shares were acquired by NCCAB by means of a contract of sale signed on 15 May 1996.

Changes in the Group structure

On 2 January 1996, NCC-Puolimatka Oy sold to PMA-Yhtymä Oy the entire issued stock of PMA-Rakennuskoneet Oy. At the same juncture, NCC-Puolimatka Oy acquired the business operations of PMA-Rakennuskoneet Oy.

During the financial year, NCC-Puolimatka Oy acquired from PMA-Yhtymä Oy the entire issued stock of the Russian company AOZT Rapko and Puolimatkan LKV Oy as well as a 29 per cent interest in Tampereen Teknologikeskus Oy. A 33 per cent interest in KP-Kaupunkiprojektien Kehitys Oy was subscribed for in the form of an increase in the share capital, and a subsidiary called NCC-Puolimatka Eesti was established in Estonia. At the end of the accounting period the entire issued stock of NCC Projects Oy was purchased from NCC AB. The deal included companies owned by NCC Projects Oy, being ZAO NCC Projects and the affiliated company ZAO Eurolog Park Bulkow. In December action was started to wind up NCC Projects Oy.

Turnover and results

The NCC-Puolimatka Group's turnover based on degree of completion

was FIM 1,577 million in 1996 (FIM 1,403 million in 1995). Exports accounted for FIM 80 million of turnover (FIM 52 million) or 5 per cent (4%).

The Group's profit before extraordinary items was FIM 11 million (FIM 19 million). The Group's profit from operations before depreciation was FIM 28 million (FIM 34 million), which is 1.8 per cent of turnover (2.4%). The return on investment was 8.3%.

Because of changes in the business operations, the figures are not directly comparable with the previous year's.

Of the business divisions, Construction exceeded its budgeted targets for profit and volume. Civil Engineering, Export Projects and Construction Design fell short of their targets and posted a loss on operations.

Balance sheet status

The NCC-Puolimatka Group's balance sheet total at year-end was FIM 381 million (FIM 384 million in 1995) and its shareholders' equity was FIM 131 million (FIM 119 million). Interest-bearing liabilities stood at FIM 11 million at year-end (FIM 27 million). Cash in hand and at bank plus deposits with the parent company stood at FIM 132 million. The equity ratio was 39.9% (34.5%).

NCC-Puolimatka Oy's share capital was increased by FIM 660,000 from FIM 24,000,000 to FIM 24,660,000 by issuing 55 new company shares with a par value of FIM 12,000 each at a subscription price of FIM 89,000 per share. NCCAB paid the increase in share capital by giving the entire issued stock of NCC-Projects Oy as payment in kind.

The divisions

NCC-Puolimatka Oy's business divisions are Building in Finland, Civil Engineering, Project Exports and Construction Design. Building in Finland was subdivided at the end of the year into seven regional business units. The Western Uusimaa unit was merged with the Helsinki Metropolitan Area business

unit at the beginning of 1997. Civil Engineering operates nationwide in Finland and Project Exports mainly takes place in Russia and the Baltic states. NCC-Puolimatka Oy has business responsibility for the entire NCC Group's operations in Russia, the Baltic states and the rest of the former Soviet Union. Building Design comprises Optiplan Oy and its subsidiaries. NCC-Puolimatka's in-house specialist operations and services are the machinery, the project development unit, the development and Nordic cooperation unit, and head office.

Output

The construction completed in 1996 amounted to 2.19 million cubic metres (1.39 million cubic metres in 1995). During the financial year 1,786 dwellings were completed (1,891 dwellings in 1995). The volume of the construction work in progress was 1.28 million cubic metres (1.61 million cubic metres). The number of dwellings under construction at year-end was 1,902 (1,414 dwellings).

All the residential construction was sponsored by the Housing Fund of Finland. There were no projects built on a spec basis.

Staff, wages and salaries

During the year, NCC-Puolimatka Oy employed an average of 1,330 people (1,233 in 1995). The number of employees at the start of the year was 1,248 (1,222) and at the end it was 1,405 (1,248). The comparable figures for the Group were 1,456 (1,389), 1,371 (1,388) and 1,530 (1,371). The average figure is the 12-month mean.

The salaries and emoluments paid to NCC-Puolimatka Oy's Board of Directors, President and Executive Vice President totalled FIM 1,744,790 (FIM 0 in 1995, because these individuals were employed by the then parent company). Salaries and wages paid to other employees amounted to FIM 205,762,073 (FIM 186,834,892). The

salaries and emoluments paid to the members of the Group companies' Managing Directors and the members of their Boards of Directors totalled FIM 2,450,393 (FIM 652,617). Wages and salaries paid to other employees of the Group amounted to FIM 229,859,591 (FIM 194,009,889).

Development

During the accounting period a logistics and networking project aimed at upgrading site management was continued. There were also several individual development projects under way, on six of which the Finnish Technology Development Centre (TEKES) defrayed part of the costs.

NCC-Puolimatka's new, updated, corporation-wide quality manual was completed towards the end of 1996 and the business units are continuing their quality development work with the aim of preparing for ISO 9001 certification for all business units by the end of 1997.

An environmental programme was launched and personnel training for this was started during the financial year.

A team contract model has been developed as a new way of working on building sites. It has won an established place as the working method of the future. The employees have been trained to meet the demands of the new international environment, for example, through an extensive language training programme.

At the beginning of the financial year, the internal and external appearance of the NCC-Puolimatka Group was updated to bring it into line with NCC AB's corporate look.

Research and development expenses were booked as annual expenditure.

Orders in hand and the outlook for the future

NCC-Puolimatka Oy's uninvoiced orders in hand rose from the start of 1996 by FIM 74 million to FIM 685 million at year-end. The average value of

developments completed in 1996 was FIM 7.8 million and the average for projects on the order book is FIM 10.6 million.

Most of the orders in hand are for construction in Finland. Civil Engineering and International Operations experienced a downturn in their order books during the financial year.

The contracts for the acquisition of NCC-Puolimatka Oy's issued stock entail an agreement whereby NCC-Puolimatka Oy is committed, over the next five years, to purchasing from its former parent company, Puolimatka-Yhtymä Oy (business name since 29 December 1995 PMA-Yhtymä Oy), tracts of land which are important to construction operations and valued at a total of FIM 200 million. During the financial year FIM 68 million was spent on the plot purchase commitment, in addition to which a considerable offer to purchase land was submitted during the second half of the year.

Prospects for 1997

Construction in Finland has continued to be sluggish in terms of volume. During the autumn, there were signs of a slight recovery in construction in certain of Finland's growth centres. However, competition was tough throughout the year and in places it was unsustainably so.

Capability for spec housing construction was expanded and projects of this type will be cautiously started in 1997 if the market picks up. It is expected that renovation will account for a larger share, continuing an existing trend.

It is forecast that construction investment will continue to grow in 1997 and that the prolonged recession in the industry will bottom out into a small upturn.

INCOME STATEMENTS

		(FIM 1,000)			
		Group		Parent Company	
		1.1.-31.12.1996	1.1.-31.12.1995	1.1.-31.12.1996	1.1.-31.12.1995
TURNOVER	2,3)	1,576,834	1,402,927	1,556,010	1,396,718
Increase (+) or decrease (-) in stocks of finished goods		2,167	3,706	1,810	3,492
Production for own use (+)		38	905	38	905
Other operating income	4)	5,822	1,037	6,018	1,206
Costs	5,6)	1,556,975	1,374,465	1,536,611	1,373,592
PROFIT FROM OPERATIONS					
BEFORE DEPRECIATION		27,886	34,110	27,265	28,729
Depreciation	7)	18,049	18,323	16,492	14,542
OPERATING PROFIT		9,837	15,787	10,773	14,187
Financial income and expenses	8,9,10)	979	3,284	1,335	4,465
PROFIT BEFORE EXTRAORDINARY ITEMS, APPROPRIATIONS AND TAXES		10,816	19,071	12,108	18,652
Extraordinary income and expenses					
Group contributions			-19,694	-1,160	-19,055
PROFIT/ LOSS BEFORE APPROPRIATIONS AND TAXES		10,816	-623	10,948	-403
Change in depreciation difference	7)			-4,971	
Direct taxes	11)	-3,765	-227	-2,152	-214
PROFIT/ LOSS BEFORE MINORITY INTERESTS		7,051	-850		
Minority interests		41	7		
NET PROFIT/ LOSS FOR THE YEAR		7,092	-843	3,825	-617

BALANCE SHEETS

		(FIM 1,000)			
		Group		Parent Company	
ASSETS		31.12.1996	31.12.1995	31.12.1996	31.12.1995
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets	12)				
Intangible rights		1,914	2,371	694	645
Goodwill		45,000	50,000	45,000	50,000
Consolidation goodwill		3,197			
Other capitalized expenditure		622	735	620	735
		50,733	53,106	46,314	51,380
Tangible assets	12)				
Machinery and equipment	14)	46,380	46,773	43,549	32,522
Other tangible assets		71	71	65	65
		46,451	46,844	43,614	32,587
Financial assets	13,15,24)				
Shares in subsidiaries				7,428	5,446
Shares in associated companies		496		675	
Shares		1,170	1,118	1,170	1,108
Loan receivables		747	747		
		2,413	1,865	9,273	6,554
CURRENT ASSETS					
Inventory					
Raw materials and consumables		479	953		602
Work in progress	16)	6,183	3,706	5,301	3,492
Finished products/ goods		1,489	1,306		
Other stocks	17)	4,822		4,822	
		12,973	5,965	10,123	4,094
Receivables	19)				
Trade receivables		119,310	103,824	114,713	100,647
Loan receivables		60,855	41,831	65,184	41,631
Prepaid expenses and accrued income		17,345	24,073	17,249	23,664
		197,510	169,728	197,146	165,942
Cash in hand and at bank		71,017	106,302	67,510	99,986
ASSETS		381,097	383,810	373,980	360,543

BALANCE SHEETS

		(FIM 1,000)			
		Group	31.12.1995	Parent Company	31.12.1995
LIABILITIES AND SHAREHOLDERS' EQUITY		31.12.1996		31.12.1996	
SHAREHOLDER'S EQUITY	20)				
RESTRICTED EQUITY					
Share capital		24,000	10,000	24,000	10,000
Share issue		660	14,000	660	14,000
Reserve fund		99,735	95,500	99,735	95,500
		124,395	119,500	124,395	119,500
NON-RESTRICTED EQUITY					
Other non-restricted equity		-722	130	-617	0
Net loss for the year		7,092	-843	3,825	-617
		6,370	-713	3,208	-617
MINORITY INTERESTS		49	65		
PROVISIONS					
Accumulated difference in depreciation	7)			4,971	
Obligatory reserves	21)	10,236	7,056	9,971	6,954
VALUATION ITEMS			2,947		2,947
LIABILITIES					
Non-current					
Pension loans	22)	10,051	16,627	8,894	8,687
Deferred tax liabilities		1,457	50		
Other non-current liabilities			8,000		
		11,508	24,677	8,894	8,687
Current	19, 23)				
Pension loans		757	1,271	669	702
Advances received	16)	53,618	39,714	52,544	39,446
Trade payables		71,398	70,288	72,453	72,419
Accrued liabilities and deferred income		81,022	92,743	77,046	86,388
Other current liabilities		21,744	26,262	19,829	24,117
		228,539	230,278	222,541	223,072
LIABILITIES AND SHAREHOLDERS' EQUITY		381,097	383,810	373,980	360,543

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	(FIM 1,000)			
	Group		Parent Company	
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
SOURCE OF FUNDS				
Funds generated from operations				
Net loss for the year	7,092	-843	3,825	-617
Depreciation (+)	18,049	18,323	21,463	14,542
Increase (+)/ decrease (-) in obligatory reserves	3,179	7,056	3,017	6,955
Increase/ decrease in deferred tax liabilities	1,407			
Total funds generated from operations	29,727	24,536	28,305	20,880
From sales of fixed assets	1,923	1,345	4,832	4,206
From increase in long-term liabilities		28,784	880	8,687
From charge in valuation items		2,947		2,947
From change in minority interests		65		
Share issue	4,895	119,500	4,895	119,485
From other increase in shareholder`s equity		3		
	6,818	152,644	38,912	156,205
TOTAL FOR SOURCE OF FUNDS	36,545	177,180		
APPLICATION OF FUNDS				
To net investments and to change in fixed assets due to changes in Group structure	17,755	121,306	30,005	109,254
To reduction in minority interests	15			
To other reduction in shareholder`s equity	9			
To reduction in valuation items	2,947		2,948	
To reduction in long-term liabilities	14,576	4,157	672	
	35,302	125,463	33,625	109,254
CHANGE IN NET WORKING CAPITAL	1,243	51,717	5,287	46,951
CHANGE IN NET WORKING CAPITAL				
Cash in hand and at bank	-35,285	106,302	-32,476	99,986
Short-term financial assets	27,782	169,728	31,204	165,942
Inventories	7,007	5,965	6,029	4,094
Current liabilities	1,739	-230,278	530	-223,071
	1,243	51,717	5,287	46,951
NET WORKING CAPITAL AS AT 1 JAN	51,717	0	46,951	0
NET WORKING CAPITAL AS AT 31 DEC	52,960	51,717	52,238	46,951

The currency exchange rate at
31.12.1996: FIM 4.64390 = USD 1

NOTES TO THE FINANCIAL STATEMENTS

I. Accounting conventions, 31 December 1996

Recognition of income from long-term project

Long-term projects are recognized as income on the basis of their percentage of completion.

The following principles are applied to the selection of criteria, the definition of completion, and the method of recognition:

All projects are counted as long-term if their duration concerns two accounting periods. The percentage of completion method is applied to all contracting agreements, cost-plus-fee agreements, target cost agreements, design-build agreements and other contracts. The sphere of the percentage of completion also embraces all spec projects in which contracting agreement is made with a company-owned cooperative housing society or a building management company.

The percentage of completion method is applied from the month in which the construction work begins or the first account sales are recorded.

The application of the method ceases in the month the work is handed over to the client.

The yield of the long-term project and its cost forecasts are entered in project monitoring on a day-to-day basis, as was previously the case. Forecasts are updated at monthly intervals in accordance with reporting schedules. A more thorough updating of forecasts is carried out for each interim and annual financial statement. If the forecast alters beyond a certain range, a written explanation of the change is drawn up.

The degree of completion is calculated as a ratio of the actual project costs relative to the forecast total costs.

The project turnover is a proportion of the forecast total yield equivalent to the degree of completion. The accumulated costs of the project are recorded as costs under variable costs.

On the assets side of the balance sheet, the total of the revenue booked according to the percentage of completion is deducted from the inventory value of works in progress on a project-specific basis. The combined total is shown in section 16.

On the liabilities side of the balance sheet, the total of the revenue booked according to the percentage of completion is deducted from the advance payments received on works in progress. The combined total is shown in section 16.

The residual value of work in progress after the application of the percentage of

completion method is based on the direct acquisition costs of projects during the development and planning stage.

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 the estimated guarantee expenses of long-term projects that have been handed over (Guarantee reserve), and the loss exceeding the probable recognition as an expense of a long-term project in progress (Contract loss reserve).

Also booked as costs in the form of obligatory reserves are losses related to accidents, contingent liabilities, accounts receivable, or other such evident losses (Other obligatory reserves).

The obligatory reserves made in the financial statements are itemized in section 21.

Items denominated in foreign currency

Receivables and debts in foreign currency have been converted into Finnish markkas at the average rate quoted by the Bank of Finland on the date of closing the books. The calculated rate differences included in the income statement are given in section 10 of the notes to the financial statements.

Valuation of inventory

Inventory has been valued at the direct acquisition cost or at the repurchase or current price, whichever is the lowest.

Depreciation of fixed assets and profits/ losses from assignment

The values of fixed assets are based on the historical acquisition expenses. Fixed assets subject to wear and tear are subject to scheduled depreciation based on their economic life.

Any profits from the assignment of fixed assets are given under Other operating income.

Any losses from the assignment of fixed assets are given under Other costs.

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.

Accounting principles for the consolidated financial statements, 31 December 1996

The consolidated financial statements have been prepared in compliance with the

past equity method. The acquisition costs of shares in subsidiaries have been eliminated against the subsidiaries' equity as at the acquisition date. The difference arising from elimination has been treated as goodwill or a reserve which is either depreciated or debited according to plan.

The subsidiaries' income statements have been consolidated for the period after the acquisition, so that the subsidiaries' profits or losses in the interim statements as at the acquisition date are deducted from their financial statements for the year (NCC Projects Oy, ZAO NCC Projects).

Intra-Group business and other transactions have been eliminated, as have receivables and debts.

Minority interests are given in the balance sheet as a separate item.

The associated companies are consolidated using the equity method. The share in associated companies' net profits/losses for the financial year, according to the Group's interest, is given under Other expenses from business operations.

The accumulated depreciation difference in the consolidated financial statements is divided between deferred tax liability and shareholders' equity. The change in tax liability has noted in the income statement.

The consolidated financial statements cover the following companies included in fixed assets in addition to the parent company, NCC-Puolimatka Oy:

Subsidiaries: As of:

AOZT Rapko (Rapco Ltd)	
NCC Projects Oy	1.10.1996
ZAO NCC Projects	1.10.1996
NCC-Puolimatka Eesti	
Optiplan Oy	
AS Optiplan Eesti	
Optisaf	
PMA-Palvelut Oy	
Puolimatkan LKV Oy	
Seinälevy Oy	

Associated companies:

KP-Kaupunkiprojektien Kehitys Oy
Tampereen Teknologiakeskus Oy
ZAO Eurolog Park Bulkow

NCC-Puolimatka Oy belongs to the NCC AB Group of Sweden.

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000)			
	Group	Parent Company		
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
2. Turnover by business sector				
Building construction	1,454,787	1,248,643	1,454,787	1,248,643
Export	79,650	51,746	72,958	51,742
Civil engineering	28,265	96,333	28,265	96,333
Building component industry	28,223	1,120		
Building design	15,634	1,783		
Other business	3,900	16,624		
Less intra-Group	-33,625	-13,322		
Total turnover	1,576,834	1,402,927	1,556,010	1,396,718
3. Turnover by market area				
Finland	1,530,810	1,364,502	1,483,053	1,344,976
Russia	75,643	50,079	69,268	50,079
Other countries	4,006	1,668	3,689	1,663
Less intra-Group	-33,625	-13,322		
Total turnover	1,576,834	1,402,927	1,556,010	1,396,718
4. Other income from business operations				
Rental income from fixed assets	5	37	5	36
Proceeds from sale of fixed assets	414	3	414	3
Service income	6,280	1,601	5,599	1,167
Less intra-Group	-877	-604		
Total	5,822	1,037	6,018	1,206
5. Costs:				
Raw materials and consumables:				
Purchases during year	327,712	294,518	323,736	300,603
Changes in reserves	-4,530	-2,259	-4,220	-602
Non-Group services	786,953	719,585	801,759	721,302
Personnel expenses	311,806	258,859	285,257	248,585
Rents	11,369	9,581	9,215	8,921
Other expenses	123,516	94,181	120,560	94,783
Other operating costs:				
Losses on sale of fixed assets	149		304	
Share of associated companies' profit/ loss	0	0		
Total expenses	1,556,975	1,374,465	1,536,611	1,373,592
6. Personnel expenses				
Direct wages and salaries	193,348	161,261	175,552	154,854
Social wages and salaries	42,896	33,401	39,875	31,981
Mandatory social security expenses	69,777	60,916	64,385	58,534
Voluntary social security expenses	5,785	3,281	5,445	3,216
	311,806	258,859	285,257	248,585
Perquisites at taxable values	4,031	3,215	3,295	2,444
Total	315,837	262,074	288,552	251,029

7. The depreciation of fixed assets subject to wear and tear is based on a previously made depreciation schedule. In respect of fixed assets purchased from PMA-Rakennuskoneet Oy, the original depreciation plan has been applied.

The depreciation periods, which are based on the estimated economic life, are as follows:

	Years
Intangible rights	5 -10
Goodwill	11
Group goodwill	5
Other long-term expenses	5 -10
Machinery and equipment	5 -15

	(FIM 1,000)			
	Group	Parent Company		
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
Book depreciation				
Intangible rights	880	336	369	293
Goodwill	5,000	5,000	5,000	5,000
Other long-term expenses	200	1,519	200	1,519
Machinery and equipment	16,788	11,559	15,894	7,730
Group goodwill	207	176		
Income from Group reserve	0	-267		
Book depreciation	23,075	18,323	21,463	14,542
Scheduled depreciation				
Intangible rights	880	336	369	293
Goodwill	5,000	5,000	5,000	5,000
Other long-term expenses	200	1,519	200	1,519
Machinery and equipment	11,762	11,559	10,923	7,730
Group goodwill	207	176		
Income from Group reserve	0	-267		
Scheduled depreciation	18,049	18,323	16,492	14,542
Difference in depreciation between book and scheduled depreciation for the accounting period				
Book depreciation	23,075	18,323	21,463	14,542
Scheduled depreciation	-18,049	-18,323	-16,492	-14,542
Change in depreciation difference	5,026	0	4,971	0
of which, change in tax liability and net result for year	1,407			
	3,619			
Accumulated difference between book and scheduled depreciation				
Machinery and equipment	5,202	177	4,971	0
Accumulated depreciation difference	5,202	177	4,971	0
of which, deferred tax liability	1,456	50		
shareholders` equity	3,746	127		

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000)			
	Group	Parent Company		
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
8. Financing income and expenses				
Interest income	3,648	12,358	3,684	12,234
Other financing income	1			
Interest expense	-1,417	299	-1,390	292
Exchange rate differences	1,004	8,816	799	7,538
Other financing expense	249	557	160	523
Total financing income and expenses	979	3,284	1,335	4,465
9. Financing income and costs from Group companies				
Interest income			115	
Interest expense			30	148
Total			85	-148
10. Financing income and expenses include the following calculated exchange rate differences:				
Calculated exchange rate gains	1,401	245	1,401	245
Calculated exchange rate losses	2,986	534	2,955	539
Net difference	-1,585	-289	-1,554	-294
11. Direct taxes				
For the year	2,316	219	2,152	214
From previous year	42	8		
Accumulated excess depreciation	1,407			
Total	3,765	227	2,152	214
12. Changes in fixed assets				
Intangible goods				
Intangible right				
Acquisition cost 1 Jan	6,320	0	938	0
Increases 1 Jan-31 Dec	489	6,320	418	938
Decreases 1 Jan-31 Dec	-67			
Acquisition cost 31 Dec	6,742	6,320	1,356	938
Acc. scheduled depreciation 31 Dec	-4,828	-3,949	-662	-293
Book value 31 Dec	1,914	2,371	694	645
Goodwill				
Acquisition cost 1 Jan	55,000	0	55,000	0
Increases 1 Jan-31 Dec		55,000		55,000
Decreases 1 Jan - 31 Dec				
Acquisition cost 31 Dec	55,000	55,000	55,000	55,000
Acc. scheduled depreciation 31 Dec	-10,000	-5,000	-10,000	-5,000
Book value 31 Dec	45,000	50,000	45,000	50,000
Consolidation goodwill				
Acquisition cost 1 Jan	176	0		
Increases 1 Jan-31 Dec	3,404	176		
Decreases 1 Jan-31 Dec				
Acquisition cost 31 Dec	3,580	176		
Acc. scheduled depreciation 31 Dec	-383	-176		
Book value 31 Dec	3,197	0		

	(FIM 1,000)	Parent Company		
	Group	31.12.1995	31.12.1996	31.12.1995
	31.12.1996			
Consolidation reserve				
Acquisition cost 1 Jan	267	0		
Increases 1 Jan-31 Dec		267		
Decreases 1 Jan-31 Dec				
Acquisition cost 31 Dec	267	267		
Acc. scheduled depreciation 31 Dec	-267	-267		
Book value 31 Dec	0	0		
Other long-term liabilities				
Acquisition cost 1 Jan	2,254	0	2,254	0
Increases 1 Jan-31 Dec	87	2,254	85	2,254
Decreases 1 Jan-31 Dec				
Acquisition cost 31 Dec	2,341	2,254	2,339	2,254
Acc. scheduled depreciation 31 Dec	-1,719	-1,519	-1,719	-1,519
Book value 31 Dec	622	735	620	735
Tangible assets				
Machinery and equipment				
Acquisition cost 1 Jan	70,325	0	40,252	0
Increases 1 Jan - 31 Dec	13,363	71,669	23,734	41,458
Decreases 1 Jan - 31 Dec	-2,588	-1,344	-2,515	-1,206
Acquisition cost 31 Dec	81,100	70,325	61,471	40,252
Acc. scheduled depreciation 31 Dec	-34,720	-23,552	-17,922	-7,730
Book value 31 Dec	46,380	46,773	43,549	32,522
Other tangible assets				
Acquisition cost 1 Jan	71	0	65	0
Increases 1 Jan-31 Dec		71		65
Decreases 1 Jan-31 Dec				
Acquisition cost 31 Dec	71	71	65	65
Acc. scheduled depreciation 31 Dec				
Book value 31 Dec	71	71	65	65

The changes in the Group's fixed assets include the original acquisition expenses for the fixed assets of the subsidiaries and the planned depreciation.

NOTES TO THE FINANCIAL STATEMENTS

13. Parent company's shares in subsidiaries, 31 December 1996	Quantity	Holding %	(FIM 1,000) Par Value	Book Value	Net profit/ loss	Group's stake in equity
AOZT Rapko (Rapco Ltd), Moscow, Russia	10	100	RUR 100	1	30	29
NCC Projects Oy, Espoo	250	100	250	4,973	93	1,704
NCC-Puolimatka Eesti, Estonia	1	100	EEK 10	4		
Optiplan Oy, Turku	100	100	1,000	1,825	-10	1,477
PMA-Palvelut Oy, Helsinki	100	100	100	102	-2	82
Puolimatkan LKV Oy, Vantaa	15	100	15	15	59	73
Seinälevy Oy, Turku	1,000	100	100	508	27	527
Total shares in subsidiaries				7,428		
Shares in subsidiaries owned by a subsidiary, 31 December 1996						
Optisaf, Lithuania	220	55	LTL 220	102	-50	60
AS Optiplan Eesti, Estonia	40	100	EEK 200	76	-6	68
ZAO NCC Projects, Moscow, Russia		100	USD 5	22	8	27
Parent company's shares in associated companies, 31 December 1996						
KP-Kaupunkiprojektien Kehitys Oy, Helsinki	5	33.30	15	15	-1	13
Tampereen Teknologikeskus Oy, Tampere	650	29.28	650	660	0	477
				675		
Shares in associated companies owned by a subsidiary, 31 December 1996						
ZAO Eurolog Park Pulkow, Russia		29.00	USD 2	9	0	6
Other shares held by Group companies, 31 December 1996						
	Quantity			Book Value		
Helsinki Telephone Company	209			622		
Joensuu Telephone Company	41			105		
Loviisa Telephone Company	4			12		
Kymi Telephone Company	10			18		
Kuopio Telephone Company	13			34		
Päijät-Häme Telephone Company	11			34		
Oulu Telephone Company	45			63		
Kajaani Telephone Company	3			3		
Kokkola Telephone Company	12			22		
Pietarsaari Area Telephone Company	2			1		
Ostrobothnia Telephone Company	1			1		
Tampere Telephone Company	38			91		
South Satakunta Telephone Company	1			1		
Forssa Area Telephone Company	10			26		
Häme Telephone Company	4			11		
Salo Area Telephone Company	5			15		
Riihimäki Area Telephone Company	1			3		
West Telephone Company				9		
Vaasa Province Telephone Company	11			34		
Central Finland Telephone Company	1			8		
Oustroi Oy	17			57		
Total other shares				1,170		

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000) Group 31.12.1996	31.12.1995	Parent Company 31.12.1996	31.12.1995
20.Changes in shareholders' equity				
RESTRICTED EQUITY				
Share capital 1 Jan	10,000	15	10,000	15
Subscription issue 2 Jan 1995		9,985		9,985
Registration of subscription issue 22.2.96	14,000		14,000	
Share capital 31 Dec	24,000	10,000	24,000	10,000
Share issue 1 Jan				
Share issue 19.12.1995	14,000	14,000	14,000	14,000
Registration of subscription issue 22.2.96	-14,000		-14,000	
Subscription issue 6.11.1996	660		660	
Share issue 31 Dec	660	14,000	660	14,000
Reserve fund 1 Jan	95,500	0	95,500	0
Subscription issue above par value 2.1.95		40,000		40,000
Subscription issue above par value 19.12.95		55,500		55,500
Subscription issue above par value 6.11.96	4,235		4,235	
Reserve fund 31 Dec	99,735	95,500	99,735	95,500
NON-RESTRICTED EQUITY				
Accumulated profits/ losses from previous period 1 Jan	-713	127	-617	0
Translation adjustment	-9	3		
Net profit/ loss for the year	7,092	-843	3,825	-617
Accumulated profits/ losses 31 Dec	6,370	-713	3,208	-617
DISTRIBUTABLE EQUITY				
Non-restricted equity	6,370	-713		
Proportion of shareholders' equity in accumulated depreciation difference	-3,746	-127		
Distributable non-restricted equity	2,624	-840		
Tax liabilities corresponding to voluntary reserves	1,457	50		

	(FIM 1,000) Group 31.12.1996	31.12.1995	Parent Company 31.12.1996	31.12.1995
21. Obligatory reserves				
Related to long-term projects:				
Guarantee reserve	8,471	5,989	8,291	5,989
Contract loss reserve	80	858	80	858
Related to other business:				
Rent guarantee reserve	500		500	
Other obligatory reserves	1,185	209	1,100	107
Total	10,236	7,056	9,971	6,954

22. Long-term liabilities maturing in one year or more				
Pension loans	7,519	13,365	6,654	6,998
Total	7,519	13,365	6,654	6,998

23. Current liabilities				
Non-interest-bearing liabilities	227,762	228,332	221,872	222,070
Interest-bearing liabilities	777	1,946	669	1,002
Total	228,539	230,278	222,541	223,072

24. Tax values

Shares				
- shares in subsidiaries	1,350	1,352	1,150	1,278
- shares in associated companies	414		405	
- other shares	1,170	1,118	1,170	1,108

Book values have been used as tax values for other shares, as no confirmed tax values were available.

25. Pledges given, mortgages as guarantees for loans and other liabilities

Other liabilities				
Acquisition commitments	131,919	200,000	131,919	200,000
Counter-commitment liabilities				
for own liabilities	252,168	169,805	250,854	169,805
for subsidiary's liabilities			1,313	

THE BOARD'S PROPOSAL FOR ACTION ARISING FROM

THE PROFIT/ LOSS FOR THE YEAR

According to the consolidated balance sheet, the Group's non-restricted equity is FIM 6,369,999.14, of which FIM 3,746,017.94 consists of items transferred to shareholders' equity from the accumulated depreciation difference. The parent company's non-restricted equity is FIM 3,207,750.97.

The parent company's net profit for the financial year is FIM 3,825,164.08 and the Group's net profit for the year is FIM 7,091,530.78.

The Board proposes that no dividend be paid and that the parent company's net profit for the period be posted to the non-restricted equity.

Vantaa, 11 February 1997

Kenneth Orrgren
Chairman

Alf Algotsson Tommy Nilsson Kai Hietarinta Magnus Mannesson

Markku Markkola
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.

Vantaa, 19 February 1997

KPMG Wideri Oy Ab

SVH Coopers & Lybrand Oy

Birger Haglund
Authorized Public Accountant

Juha Wahlroos
Authorized Public Accountant

AUDITORS' REPORT

to the shareholders of NCC-Puolimatka Oy

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of NCC-Puolimatka Oy for the year ended 31 December 1996. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards

require that we plan and perform the audit in order to obtain reasonable assurance about whether 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 the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements, showing a profit of FIM

7,091,530.78 in the consolidated income statement and a profit of FIM 3,825,164.08 in the parent company income statement, have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The 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 period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Vantaa, 19 February 1997

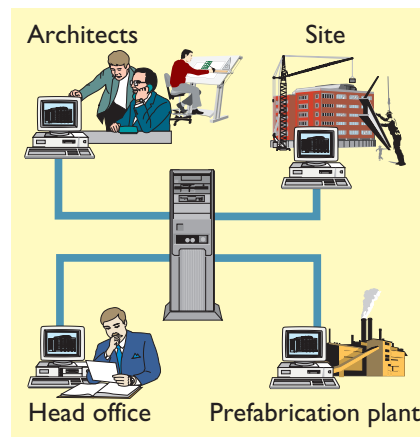
KPMG Wideri Oy Ab

SVH Coopers & Lybrand Oy

Birger Haglund
Authorized Public Accountant

Juha Wahlroos
Authorized Public Accountant

At the beginning of 1997 a development unit was set up to coordinate development work within NCC-Puolimatka and collaboration within the NCC Group.



NCC-Puolimatka is a pioneer in applying information systems. In addition to its broad, comprehensive project planning, control and monitoring systems, project-specific data banks are a part of NCC-Puolimatka's use of computers. Efficiency is further boosted by the process control and logistics systems developed by us, which employ data bank technology to control and monitor entire delivery processes instead of separate operations by individual parties.

Construction development schemes

During the accounting period a logistics and networking project was continued for the improvement of efficiency in construction. The use of a real-time project bank has spread on NCC-Puolimatka's building sites, bringing together the client on the project, designers, suppliers and head office on the same network. It has also become more common for building sites to use data communications for transferring CAD files. The configuration of housing products is being developed to facilitate flexibility in offering residents a range of alternatives. The development of the Entra 2000 programme for products and operations for the renovation of apartment buildings is also continuing.

Quality system accreditation

NCC-Puolimatka's new, updated quality manual was completed at the end of 1996. Construction in the Greater Helsinki Area was certified to ISO 9001 standards in 1995. The other divisions are headed for accreditation by the end of 1997.

Working for the environment

NCC-Puolimatka's environmental programme was launched and personnel training was started as part of the programme during the financial year. An environmental plan is to be drawn up for sites as an integral part of the quality assurance plan, and the recycling of building materials and waste sorting are to be stepped up. A long-range plan is to develop an environmental management system setting out procedures for the product, production and utilization with systematic attention paid to environmental values.

Staff skills

A workgroup configuration has been developed as a new way of working on sites. Groups working independently free supervisors to concentrate on planning and purchasing. Training of workgroup leaders has begun and workgroups have been made ready to take on young apprentices to learn the trade.

Quality is everyone's business. NCC-Puolimatka's detailed quality manual was updated. Representatives from the site that won the Greater Helsinki Area quality competition in 1996.



In November 1996 marketing training was started for key personnel. The programme aims at enhancing the marketing skills of the personnel and expanding the company's market share. There was collaboration with universities in the form of special studies and dissertations. At the same time, potential contacts were sought for augmenting the company's personnel resources.

A broad-reaching language training programme under way at NCC-Puolimatka will ensure that staff have the ability to operate in a new, international environment.

New look

NCC-Puolimatka updated its corporate look in early 1996. The graphical guidelines and both the internal and external corporate appearance were brought into line with the parent company's corporate appearance right at the start of the year.



More than half of the construction work in 1996 consisted of renovation. Entra 2000 renovation methods were used in the renovation of the Gammelbacka residential estate in Porvoo.



Entra 2000 was publicized at several trade fairs for professional builders. The picture is from a facade exhibition, where Renovation Director Armas Lattunen and Project Manager Marja Kallio drew lots for competition winners.



Residential construction
Jaakko Korjula



Office construction
Kauko Wasenius



Renovation
Armas Lattunen



Lohja office
Tuomo Äyräväinen

NCC-Puolimatka's construction business is divided into six areas: Greater Helsinki, Southwest Finland, Western Finland, Southeast Finland, Eastern Finland and Northern Finland.

Residential construction generated FIM 270 million in turnover and its financial performance was good. The unit has a market share of roughly 10 per cent in the Greater Helsinki Area. The number of dwellings completed was 635, which is almost 100 fewer than the previous year's output. In addition, 200 dwellings were renovated. The result was influenced by the increased proportion of partnership contracting, in which it is possible to guide the planning from the very start of the project. Another factor was the greater efficiency attained through operational streamlining and through the benefits of the quality system. Competition is still very intense and margins are narrow. Good relations with clients, high-quality implementation and all-embracing, sophisticated project management and the cost-consciousness that this involves will ensure the residential unit's competitiveness in the future as it has done so far. A modest upturn is expected in residential construction in the Greater Helsinki Area during 1997.

The unit's turnover was FIM 205 million and its financial performance was good. The orders in hand consisted mainly of contracts arising from competitive tendering. Project management contracting increased its share of contracting, and it is intended to expand it further. Tapiolan Spektri was the major negotiated contract under way. Tendering was well-targeted and the projects were profitable ones. The biggest changes in in-house working methods involved risk management and reporting. Our strong points for 1997 are improved marketing resources and a new concept of project management contracting. The office construction unit masters the entire field of building construction, so it is able to offer its customers services of high standard from the ideas stage to the final completion. The special strengths of the unit include certified project management, compu-

ter-assisted project data management, a register of suppliers classified by quality category, workgroups, and a dependable network of subcontractors.

The level of office space construction in the Greater Helsinki Area continued to be low, but it is expected to pick up gradually. The size of projects has continued to get smaller, and there was no major change in the situation for competition during the year. More large projects will be started, by both public and private clients, in the Greater Helsinki Area in 1997 than in 1996.

Major completed projects:
ICL offices, Pitäjänmäki, Helsinki
Spektrin Kvartti, Espoo
Ikea, Espoo

Major projects under construction:
Silicon wafer plant for Okmetic, Vantaa
Air freight office and terminal for Finnair, Vantaa
Transpoint Oy, Finnish State Railways' cargo terminal, Helsinki

The renovation unit's turnover amounted to FIM 100 million and its financial performance was good. The demand for renovation construction services is undergoing a pronounced upswing. In particular the number of small projects of under FIM 1 million have increased markedly. The operating concepts of renovation were developed during the accounting period. The Entra 2000 product and operating model for renovating apartment buildings and the EPS (extra insulation system with polystyrene) renovation method for facades was tested on three buildings completed in Gammelbacka with good results.

The most challenging task for the renovation unit was phase VI of the Government Palace, involving the repair of the oldest sections of the building. In the vicinity of the renovation work are the most important parts of the building, such as the Chamber of the Council of State, the President's Presentation Room with its waiting room, and the offices of the Prime Minister and the Minister of Finance. The character of the rooms was preserved in every detail. The underpinning of the foundations was completed, so the entire building is now founded on bedrock either directly or through steel piles. The largest completed project was the architecturally important Swedish School of Economics and Business Administration, which received the 'Rose of Construction' award from the City of Helsinki Department of Building Inspection.

The turnover of the Lohja office amounted to FIM 86 million and its financial performance was passable. The unit carried out several subcontracts on the Kiri project for the Kirkniemi paper mills. The largest project under development is the Merkos commercial building in Riihimäki, which comprises 15,000 - 30,000 square metres of floor area. Since the start of 1997, the Lohja regional office became part of the Greater Helsinki Area contracting unit. This arrangement will streamline operations and ensure the more efficient use of resources. Competition continued to be intense in western Uusimaa Province.

Main completed projects:
Kirkniemi paper mill, Kiri project, Kirkniemi
Renovation of Harju school, Lohja

Main projects under construction:
Fermion, Hanko
Renovation of Sveitsi swimming pool, Hyvinkää

Main completed projects:
Phase VI of the Government Palace, Helsinki
Swedish School of Economics and Business Administration, Helsinki

Main projects under construction:
Government House, Helsinki
Museum of Applied Arts, Helsinki.
Extension and conversion, Stockmann department store, Helsinki



Contracting in Greater Helsinki
Antero Huhta

The contracting units in the Greater Helsinki Area are residential construction, office and commercial construction, and renovation. The units' combined invoicing in 1996 was FIM 575 million. The regional office in Lohja was amalgamated with the Greater Helsinki Area from the beginning of 1997.

Main completed projects:
Rental building VATRO, dwellings, Herttoniemi, Helsinki
Etelä-Suomen Sato, 57 dwellings, Vuosaari, Helsinki
Hippa-Heikki daycare centre, Vuosaari, Helsinki

Main projects under construction:
City of Helsinki, 128 dwellings, development project supported by the Confederation of Finnish Construction Industries and the Technology Development Centre Tekes, Helsinki
Haso Sorsavuori, 70 dwellings, integration of the client's and contractor's quality systems, development project, Helsinki



The ICL office building in the Pitäjänmäki district of Helsinki.



Southwest Finland
Mauri Varjonen

The Southwest Finland area is served by the regional offices of Turku and Forssa-Hämeenlinna. The unit's turnover was FIM 250 million and its financial performance was good. The regional office's market share in the Turku area was about 9 per cent. The number of dwellings completed in 1996 was 614. The building land inventory continued to facilitate the marketing of whole residential buildings to clients. The opportunities for competitive tendering for residential construction were also satisfactory. The profitability of projects and the cost increases of purchases remained within budget, and resources were in constant use. At the beginning of 1997, a deal was made on plots of land with PMA-Yhtymä, as a result of which the unit's portfolio of building land was considerably augmented. The largest single tract was the Manilla block, which has some 17,000 square metres of permitted building volume.

The state of competition in Southwest Finland was unchanged. There is still a surplus of construction resources over demand. Residential construction held steady at a reasonable level, especially in the Turku economic zone. There will be no major changes in quantitative terms, although the size of projects is changing towards smaller ones..

Main completed projects:

Liha ja Säilyke Oy, production plant, Forssa
Special skills centre, Turku
Mynämäki upper and lower comprehensive school
Länsikeskus commercial building, Turku

Main projects under construction:

Turku courthouse, Turku
Extension to Turku Hall
ABB Kanavatehdas, Turku
Koivisto slaughterhouse, Mellilä



Southeast Finland
Olli-Pekka Teerijoki

The Southeast Finland area is served by the Lahti and Kotka regional offices. The unit's turnover was FIM 128 million and its financial performance was satisfactory. The regional office's market share is roughly 10 per cent. The main emphasis in operations was on residential construction, in which clients were offered a total residential process from buying the land to the completed dwelling on a sustainable-development basis. The main project was the rebuilding of a sawmill in Järvelä that had been destroyed by a fire. It was rebuilt in six months from planning to completion and took the form of a negotiated contract. The unit's matrix organization operates on a customer-first basis. The strong motivation of the personnel and the company's credibility

rating were key factors in achieving the budgeted targets. The main development project is to bring the unit's quality assurance within the sphere of computerized control. Construction in Southeast Finland will hold steady at the 1996 level in quantitative terms, but competition will be intense.

Main completed projects:

Koskinen Oy, sawmill, Järvelä
Kouvola Court of Appeal, office building

Main projects under construction:

Ilmarinohovi estate, 270 dwellings, Lahti
Alba estate, Kotka, 250 dwellings

Kouvola Courthouse office building



Western Finland
Jorma Kivimaa

The Western Finland region is served by the regional offices of Tampere, Jyväskylä and Seinäjoki. The unit's turnover was FIM 230 million and its financial performance was good. The turnover was below the budgeted figure because the level of orders held was low at the beginning of the year and new jobs did not come in during the spring. The work done on quality showed up clearly in operations and it received positive feedback from customers. Development work was done on renovation, and residential buildings were renovated on an accelerated schedule. The situation for competition in Western Finland has held steady. Demand is relatively strong, although any improvement in profitability is still held back by tough competition on prices and by the risk of higher input prices.

Main completed projects:

Hermia, Nokia Research Centre, Tampere
Renovation of student housing, Tampere
Citysokos Jyväskylä, renovation and extension of department store
Vaasa central hospital, renovation
Vaasa Courthouse, DC contract
Atria meat-processing plant, extension and renovation, Nurmo

Main projects under construction:

Hermia, Nokia Mobile Phones, office building, Tampere
Renovation of student housing, Tampere
Härmä fitness centre, extension, Seinäjoki
IlkkaPrint, printing house, Seinäjoki



Eastern Finland
Matti Vanninen

The Eastern Finland region is covered by the Joensuu and Kuopio regional offices. The unit's turnover was FIM 75 million and its financial performance was satisfactory. During the accounting period, renovation greatly increased its share of invoicing. The construction of housing in the Port of Kuopio area continued and this was of considerable importance to the Kuopio office. Most of the invoicing was generated by residential construction based on state loans, in addition to which efforts were devoted to renovating residential properties. A reorganization was started in the beginning of June and it continues in 1997. The unit's own quality manual was completed before the end of the year and the activity files were completed in the beginning of 1997, in addition to which the personnel are participating in quality training. The projects in the region are concentrated in Joensuu and Kuopio, and competition is intense in these areas. NCC-Puolimatka's market share in North Karelia Province is 7 per cent. The prospects for 1997 are better than those of the past financial year.

Main completed projects:

Outokumpu Oy, industrial hall
Rantatulli, 52 dwellings, Kuopio
Palokärki, residential building, Kuopio
Pankakoski Boards, Lieksa

Main projects under construction:

Hankkijatalot, 61 dwellings, Kuopio
Palo-aho activity centre, Kuopio
Satamakatu, 34 dwellings, Kuopio



Northern Finland
Eero Kuittinen

The Northern Finland region is covered by regional offices in Oulu and Kokkola. The unit's turnover was FIM 117 million and its financial performance was satisfactory. NCC's advent as the owner meant that the name of Oulun Rakennus Oy went out of use after 40 years in business, and operations continued under the name of NCC-Puolimatka. However, the unit retained its position as clear market leader as well as retaining the confidence of both customers and building owners as a skilled and professional builder. The main project of the accounting period was a paper mill project for Enso Fine Papers Oy, which was started in November 1995 and continued on a tight schedule throughout 1996. NCC-Puolimatka had 12 separate contracts on the projects with a combined value of approximately FIM 40 million. The prospects for 1997 are better than the previous year's and markedly more orders are in hand than at the start of last year.

Main completed projects:

Enso Fine Papers Oy LUMI 7, paper machine project, Oulu
Kempele recreational swimming pool
Liminka lower stage comprehensive school
Knuutilantie, 63 dwellings, Oulu
Kokkola sheltered housing

Main projects under construction:

Tuirankartano, sheltered housing for senior citizens and daycare hospital, Oulu
Salcomp Oy, extension, Kemijärvi
Vanhatulli, 50 dwellings, Oulu
Folk Art Centre, Kaustinen



Seinälevy Oy
Jukka Rantanen

The company's turnover was FIM 28 million and its financial performance was passable. The year's income before extraordinary items was affected by unevenness in sales and production of precast units and by a small decline in prices for precast panels. Competition continued to be very intense during 1996. Seinälevy Oy's market share was about 30 per cent for deliveries of precast panels for housing in the Turku region. Its nationwide market share for precast civil defence shelters was roughly 2/3. The main fields of product development are civil defence shelters, thin-shell panel bridges and vaults, and other thin-shell panel constructions. The prospects for 1997 are satisfactory. The proportion of work in progress at year-end was 30 per cent higher than it had been one year previously.



Project development and marketing
Jorma Ahokas

The project development and marketing unit operates in the form of teams specialized in services for housing, office premises and commercial locations. The unit focused on developing and launching business concepts and construction projects on the basis of the customers' needs. In addition to its main area of responsibility in the Greater Helsinki Area, the project marketing and marketing unit supported the regional business units with the development and marketing of new projects.

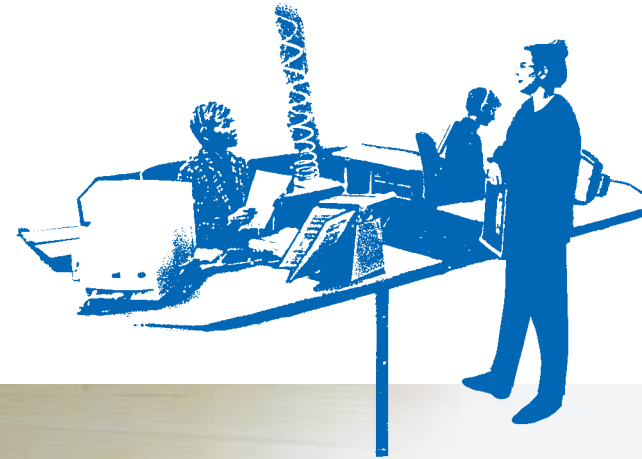
The residential services team concentrated on initiating and marketing residential projects backed by interest-subsidized loans. No privately financed residential construction was started. Interest-subsidized spec projects formed an important part of residential construction in the Greater Helsinki Area.

The fourth building in the Spektri office and services complex in Tapiola, Spektrin Kvartti, was completed, leased out to tenants and sold to an investor during the financial year. The office space services team did preparatory work on several projects for development on the basis of the Spektri business concept.

The commercial location services team participated in the development of several shopping centre projects in both the Greater Helsinki Area and in the regions. The supermarket-type Merkos shopping centre in Riihimäki advanced to the commercial stage; an agreement for the design and construction of this project was signed with Kesko Ltd during the financial year.

Real estate business was started up as a new division in 1997. In order to get this off to a start, a plot was purchased for Spektri Kvintti, the construc-

tion of which got under way in March 1997. It is possible that more office building projects to be owned by NCC-Puolimatka will be initiated in the future within the framework of real estate business.



Optiplan designs for the specific needs of corporate customers. The starting point is the customer's needs and wishes. Spektri attracted customers even during the recession. The Pilotti, Duo, Trio and Kvartti buildings are fully leased out, and the construction of Kvintti was started in 1997.



Optiplan Oy
Matti Leino

Optiplan Oy has offices in Turku and Vantaa. The company's turnover was FIM 16 million and it posted a net loss. Optiplan retained its position as one of the leading housing designers. Design work increasingly tended towards renovation, for which Optiplan can offer expertise starting from basic appraisals and condition testing. Optiplan has gained special skills as a designer of modern and versatile working environments with the projects it has carried out. Examples include the latest, customer-oriented office buildings for Spektri in Tapiola. Collaboration was started with the specialist unit of NCC AB, Technology, with the emphasis on information technology and environmental issues. The aim is to devote attention to export projects in particular. At the start of 1997, an architect team started up at Optiplan's office in Vantaa in addition to the structural, HVAC and electrical engineering teams. The new team will offer design work for both residential and office projects. Development work is increasing expertise in questions of quality and environmental issues. Optiplan's quality system came on stream during the financial year under review. The reinforcement of the design unit in Vantaa will facilitate an increase in the caseload in the Greater Helsinki Area.

The prospects for 1997 are better than those of the previous year. The situation for competition over building construction design continued to be intense. There was a slight increase in the number of orders coming in, but the price level did not rise. Underpricing has resulted in a decline in the standard of design, and all parties were aware of this.

Main completed projects:
Spektrin Kvartti, Espoo (architecture, HVAC)
Vaasa courthouse (construction, HVAC)
Turun Länsikeskus commercial building (architecture, HVAC)
Turku students' village, HVAC design for renovation of student housing
1000 dwellings in Turku, Helsinki, Lahti, Kokkola and elsewhere

Main projects under construction:
Spektrin Kvintti, Espoo (architecture, HVAC)
Renovation of Kesko's head office, Helsinki (architecture.)
Merkos commercial centre, Riihimäki (architecture, HVAC)
Ideas stage for Oulu city centre block
Residential block, central Lahti (architecture, HVAC)
Commercial building, St Petersburg
Optisaf, Lithuania
Design of staff holiday centre for Gazprom, Black Sea



International operations

Antti Kuivalainen

The international department's turnover was FIM 80 million and it posted a net loss. Competition in Russia continued to be very intense and it was characterized by caution. Western investors were waiting for the results of the presidential election, and it was only after this had been decided in the summer of 1996 that the business environment settled down and investment projects went ahead. Construction in Russia is becoming local with increasing clarity. The prospects for the Moscow and St Petersburg regional offices were improved by boosting their ability to handle small and medium-sized projects independently. The number of staff was increased at the Moscow office. The quality system was developed by creating action guidelines to support the quality manual and by auditing quality assurance action for projects. The international department's quality system will be upgraded to accreditation standards in the course of 1997.

The international department aims to specialize in industrial and office buildings for Western clients, both by deepening its specialist expertise in challenging projects such as the renovation of hospitals and with high-standard public buildings. The international department's market area is Russia and the Baltic states. It participates in large projects jointly with NCC Major Projects.

Main completed projects:
Sberbank Chertanovo, renovation of bank premises, Moscow
McDonald's hamburger restaurant, Moscow
Pepsi Cola, production plant repairs, Moscow
Lindström, laundry building, St Petersburg
National Oil Corporation, roof repairs, Libya
Toxicology hospital, Sklifosowski Institute, renovation, Moscow

Main projects under construction:
AssiDomän board mill, St Petersburg

McDonald's, Moscow



Civil engineering

Raimo Nurmela



Motorway 3 was opened in the autumn of 1996.

The turnover generated by civil engineering was FIM 28 million and resulted in a net loss. Competition was extremely intense throughout the year and particularly in the late autumn, and prices fell. At the end of the accounting period, NCC-Puolimatka took part in

competitive tendering for the Highway 4 Järvenpää-Lahti SRRK project in partnership with NCC AB and John Laing Ltd. Preparations for the tender tied up almost all of the unit's resources. The tender did not lead to further negotiations. Because of conditions of heavy competition, the number of new contracts received was only a fraction of the target, so there are no major projects in progress in 1997. In 1997, collaboration is being intensified with the NCC Major Projects and Industry business areas, especially in respect of exports to Russia. The unit's development work on road and bridge quality systems continues, as does training in marketing. The largest completed project was the Highway 3 Ojoinen-litala stretch, for which the total invoicing was roughly FIM 110 million.



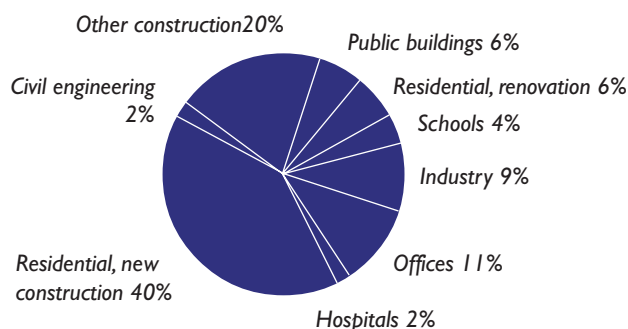
Internal services
Jukka Lahtinen

NCC-Puolimatka's internal special and service functions are treasury services, financing, controller operations, budgeting, accounting, personnel matters, data administration and computer services, legal affairs and communications.

NCC-Puolimatka's construction business Turnover, net of share sales, by divisions, FIM million

	1996	1995
Residential construction	598.6	571.6
Commercial construction	299.1	260.1
Industrial construction	217.3	32.4
Public construction	338.7	384.5
Civil engineering	29.3	96.3
Construction exports	73.0	51.8
	1,556.0	1,396.7

Breakdown according to product type (%)

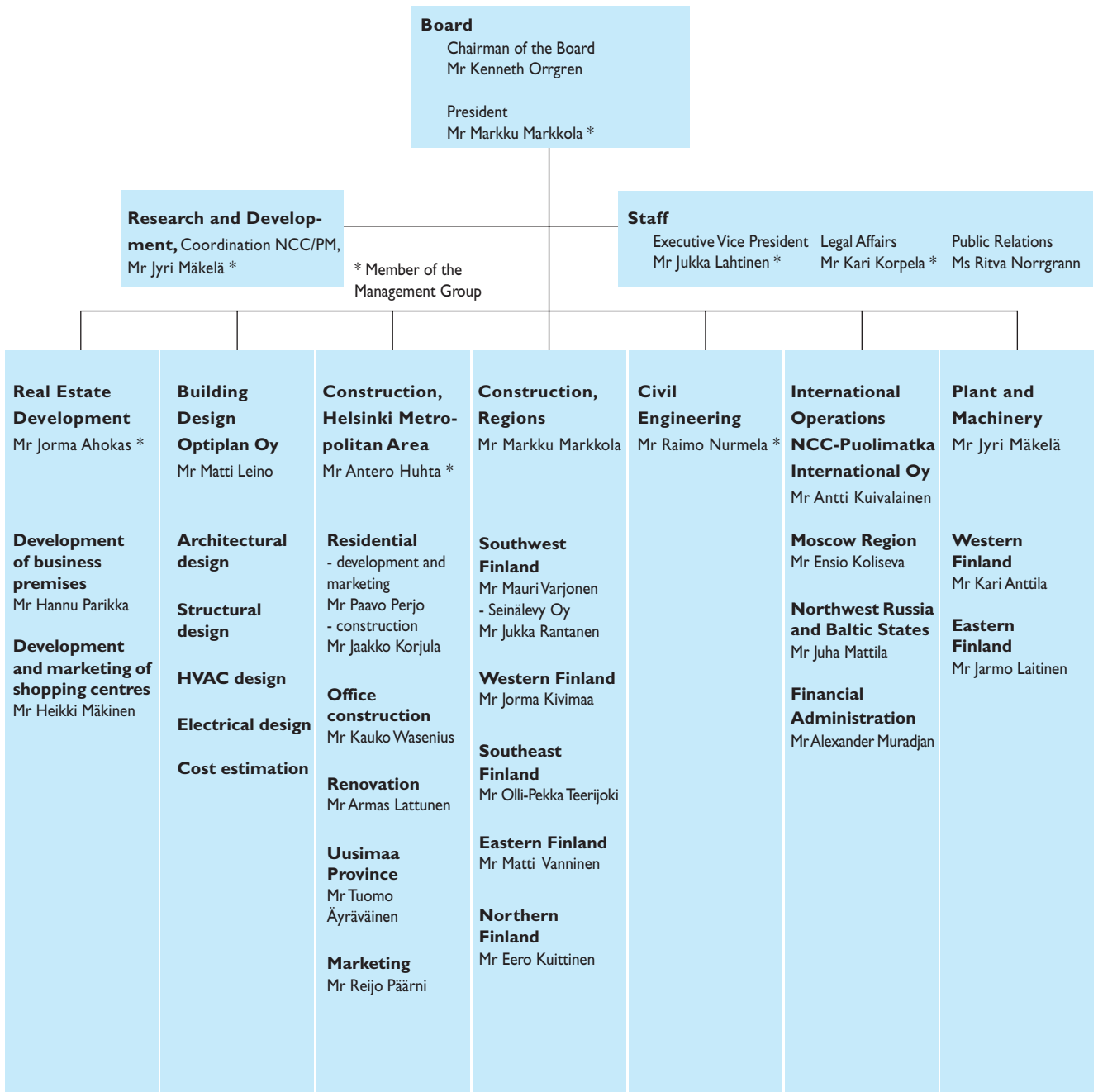


Turnover and personnel by regions

	Turnover (FIM million)		Personnel 31 Dec.	
	1996	1995	1996	1995
Contracting in Finland				
- Greater Helsinki Area	577.9	518.3	377	385
- Western Uusimaa	86.0	68.6	77	111
- Southwest Finland	240.8	232.2	222	192
- Western Finland	230.2	235.2	232	187
- Southeast Finland	127.6	126.0	130	69
- Eastern Finland	74.7	56.9	68	60
- Northern Finland	116.5	11.4*	171	158
Civil engineering	29.3	96.3	14	36
Construction exports	73.0	51.8*	38	50
	1,556.0	1,396.7	1,329	1,248

* FIM 96.6 million of the turnover of Oulun Rakennus Oy (now the Northern Finland unit) and FIM 95.1 million of construction export turnover was income-recognized for PMA-Yhtymä Oy in 1995.

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THE NCC GROUP TODAY

The NCC Group is the leading construction and real estate company in the Nordic region, with a domestic market comprising Sweden, Finland, Denmark and Norway. In Sweden and Norway it is the leading builder of roads and earthworks. Its Danish company, NCC Rasmussen & Schiøtz, is the leading building construction company and NCC-Puolimatka is one of Finland's biggest building constructors.

Outside Scandinavia, NCC builds large, technically demanding civil engineering projects in selected markets. It holds a comprehensive portfolio of real estate, of which 978,000 square metres is in Sweden and 144,000 square metres is in other countries.

NCC AB comprises five business areas: NCC Civil Engineering, NCC Building, NCC Industry, NCC Real Estate and NCC Invest. Its subsidiary in Denmark, NCC Rasmussen & Schiøtz, NCC Eeg-Henriksen of Norway and

NCC-Puolimatka of Finland operate as local builders in their own market areas.

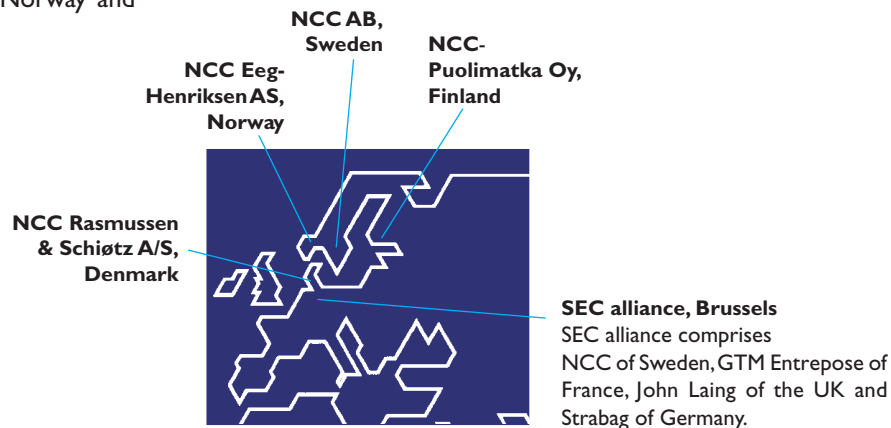
NCC has expanded dynamically and won a strong position on the Nordic construction market. In February 1997 the merger of NCC AB and Sweden's third-biggest builder, Siab AB, was announced. The estimated annual turnover of the company thus formed is approximately SEK 33 billion.

The NCC Group's total turnover in 1996 was SEK 23 billion. The parent company, NCC AB, has some 16,000 employees. Its profit after financing items in 1996 was SEK 462 million. The backlog of construction orders rose by 17 per cent to SEK 18.0 billion, of which operations outside Sweden accounted for SEK 6.8 billion.

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NCC PUOLIMATKA