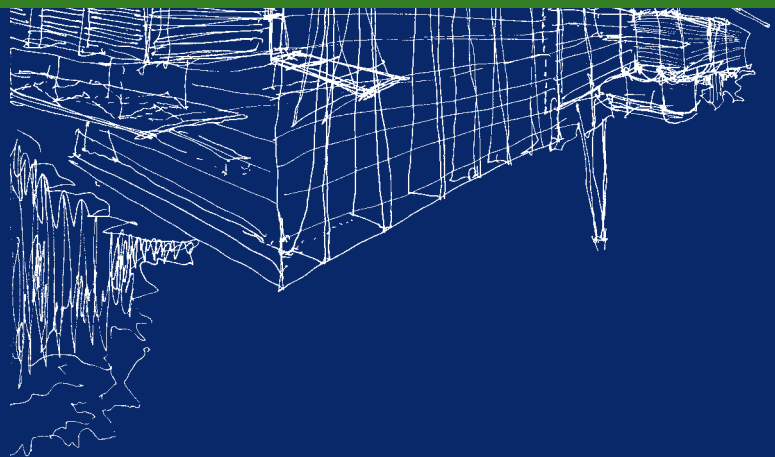
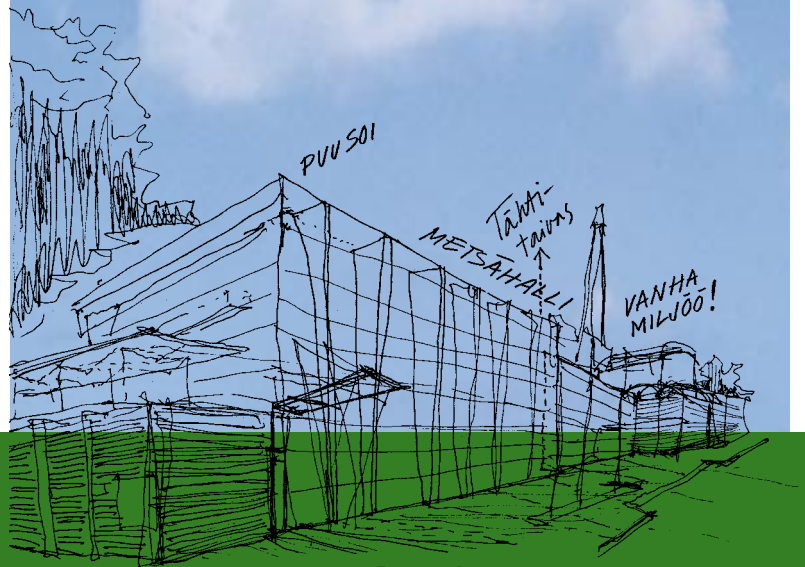




NCC PUOLIMATKA

A N N U A L R E P O R T

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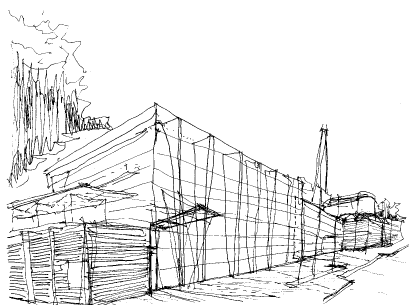
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NCC Puolimatka Oy's annual report is published in Finnish and English. It can be ordered from the following address:
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PO Box 77, FIN-01601 Vantaa, Tel. +358 9 507 51,
Fax +358 9 5075 462.

Web site: www.nccpuolimatka.fi

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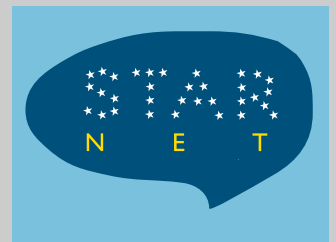
On the cover: First sketches of the Sibelius Hall in Lahti. Architects Hannu Tikka and Kimmo Lintula designed and NCC Puolimatka will build the largest wooden building in the 20th century.



The Pääjänne water supply tunnel was repaired as a joint project by NCC Puolimatka's Civil Engineering and the parent company's equivalent division.



Swedish and English are the first languages of the Group. Staff have been active in upgrading their proficiency.



Starnet, the NCC Group's internal network, acts as a databank for the personnel and strengthens unity in the international corporate group.

NCC AB

NCC AB is one of the biggest construction companies in the Nordic region. Its turnover exceeds SEK 34 billion and it employs some 21,000 people. NCC is divided into six business sectors: Civil Engineering, Building, Housing, Industry, Real Estate and Investment. NCC shares are quoted on the Stockholm Stock Exchange. In its home market of Sweden, Finland, Denmark and Norway NCC builds roads and bridges, homes, industrial plants, hospitals, offices and other buildings. It also has operations in Germany and Poland. In selected market areas outside the Nordic region, NCC takes part in large, technically challenging civil engineering projects. NCC's real estate unit develops properties both for sale and for its own control, and it concentrates on centres of growth where synergetic benefits can be achieved between construction and real estate development.

NCC PUOLIMATKA OY

Mission:

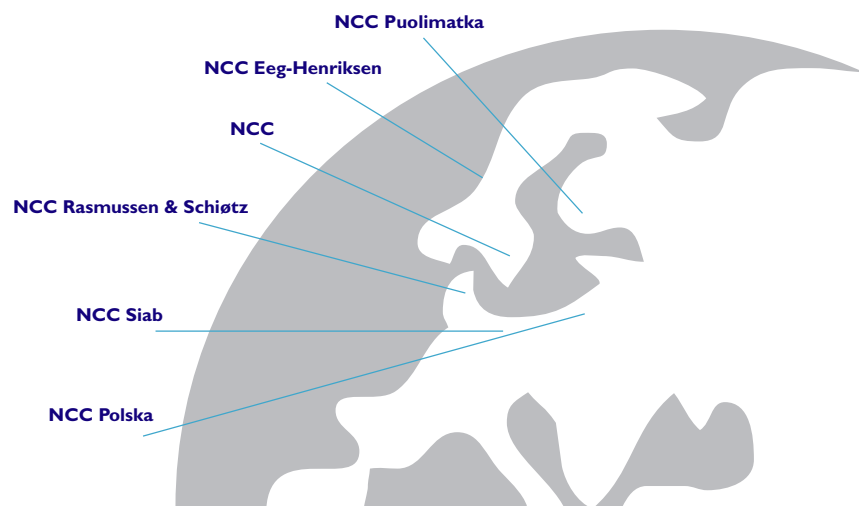
NCC Puolimatka provides building construction and infrastructure products and services which meet the client's expectations for quality and profit competitively and fairly. This is achieved by developing, planning and constructing products and services of the building industry based on environmental quality requirements, state-of-the-art technology and the experience of an international corporation, in Finland, Russia and the Baltic states.

NCC Puolimatka's internal business sectors cooperate with each other and benefit from the Group's competitive advantages and resources. The company's operations are based on open collaboration with the clients, on the high-quality expertise of the personnel, and on profitability.

NCC Puolimatka's products and services are competitive and of high standards in respect of ecological, life-cycle and quality requirements.

The Group's business sectors:

	NCC	NCC Puolimatka	NCC Rasmussen & Schiøtz	NCC Eeg-Henriksen	NCC Siab	NCC Polska
Civil Engineering	●	●	●	●		
Housing	●	●	●	●	●	
Building	●	●	●	●		
Industry	●	●	●	●		●
Real Estate	●	●	●	●		
Invest	●					



PRESIDENT'S REVIEW



A vigorous upswing in construction continued last year in both new building and renovation work. The overall growth in construction was 11% and civil engineering grew by 2%. The most dynamic growth was in construction of housing and business premises. The main thrust in housing construction shifted to privately financed building. A strong trend in migration focused on the Helsinki Metropolitan Area and certain other centres of growth.

NCC Puolimatka's turnover in 1998 was FIM 2.4 billion, of which exports accounted for FIM 141 million or 6%. Turnover was up by 20%, of which half was generated by sales of shares in spec construction. The growth in actual construction followed the growth of the overall market in this industry. The Group's profit before extraordinary items was FIM 12 million and its profit from operations before depreciation was FIM 38 million. The profit was not in line with the targeted figure and was unsatisfactory. The reason for the trend in profits was the lack of success in certain long-term contracting projects in the Helsinki Metropolitan Area and in Russian business. In Greater Helsinki it was not possible to allow in advance for the increase in costs of subcontracting caused by strong market growth. The economic collapse of Russia curtailed new tenders later in the year.

NCC Puolimatka's liquidity was good throughout the year. FIM 155 million was used to purchase plots included in inventory during the financial year. Net financing expenses were 0.2% of turnover, and interest-bearing debts at year-end were FIM 150 million.

The main thrust in development was on quality, the environment and special technical projects, in addition to development work on data administration systems aimed at Y2K-readiness. All of NCC Puolimatka's building units have received quality certificates and certification for the other divisions is in hand. Readiness for environmental certification is planned by the beginning of the year 2000. The payroll was augmented by roughly 280 employees and totalled 1,948 at year-end. During the financial year an extensive programme of environmental training was carried out and efforts were devoted to upgrading the personnel's working capacity.

The development of new profit centres made progress according to plan. The Civil Engineering unit was totally reorganized and in nine months it was able to put together a good backlog of orders. The Housing unit enhanced its capabilities for a dynamic increase in privately financed production by means of purchases of plots and by developing the Sovereign financing model for owner-occupied homes in partnership with Merita Bank.

The outlook for 1999 is a substantial improvement on the previous year. Construction is forecast to continue growing in quantity and demand is still good on the market for residential and office properties. The favourable trend in NCC Puolimatka's order books and its holdings of plots provide a good basis for an improved trend in earnings.

As I stand down as President for my successor, I would like to express my thanks to our staff and our customers and other stakeholders for the good work we have done together.

Markku Markkola

BOARD OF DIRECTORS, COMPANY MANAGEMENT AND AUDITORS



NCC Puolimatka's Board of Directors. On the left Chairman Lars Wuopio of NCC Civil Engineering, Kai Hietarinta, Magnus Mannesson of NCC Real Estate, NCC Puolimatka's President Markku Markkola, and Kenneth Orrgren of NCC Housing.

NCC Puolimatka Oy's Board of Directors

1 Jan. - 24 May 1998

Kenneth Orrgren, Chairman
Tommy Nilsson, Kai Hietarinta, Magnus Mannesson and Lars Wuopio

From 25 May 1998

Lars Wuopio, Chairman
Kenneth Orrgren, Kai Hietarinta, Magnus Mannesson and Markku Markkola.

Kari Korpela served as secretary to the Board of Directors.

Company Management

Markku Markkola, M.Sc. (Eng.) served as the company's President until 31 March 1999; serving in this capacity from 1 April 1999 is Matti Haapala, M.Sc. (Econ.), M.Sc. (Eng.). Jukka Lahtinen, M.Sc. (Econ.) served as the Executive Vice President.

Auditors

The auditors for NCC Puolimatka were KPMG Wideri Oy AB with Birger Haglund, APA, M.Sc. (Econ.) as the auditor in charge.

NCC PUOLIMATKA OY IN BRIEF

1998 1997 1996

Consolidated Income Statements (FIM million)

Turnover	2,446	2,031	1,577
Profit from operations before depreciation	38	37	28
Planned depreciation	21	20	18
Operating profit	17	17	10
Net financing expenses	-5	0	1
Profit before appropriations and taxes	12	17	11

Consolidated Balance Sheets (FIM million)

Assets			
Fixed assets	104	96	100
Inventory	356	191	13
Financial assets	375	260	268
Liabilities and shareholders' equity			
Shareholders' equity	148	142	131
Obligatory reserves	13	9	10
Liabilities			
Interest-bearing	150	63	11
Non-interest-bearing	524	333	229
Balance sheet total	835	547	381

Key Indicators

Profit from operations before depreciation			
% of turnover	1.5	1.8	1.8
Return on equity (ROE), %	4.6	7.9	5.6
Return on investment (ROI), %	7.3	10.7	8.3
Quick ratio	0.8	0.9	1.5
Equity ratio, %	23.0	31.2	39.9
Uninvoiced orders at year-end (FIM million)	1,429	1,028	685
Average personnel	1,974	1,653	1,456

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:

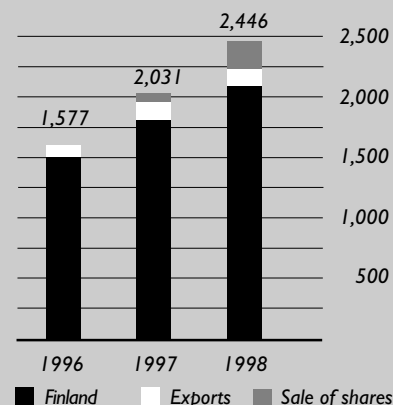
$$\frac{\text{Financial assets - receivables from housing holding companies}}{\text{Current liabilities - advance payments - construction fund commitments}}$$

Equity ratio:

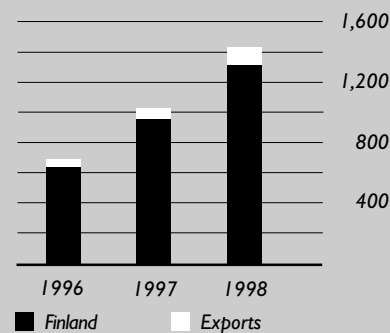
$$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance payments - construction fund commitments - receivables from housing holding companies}}$$

The currency exchange rate at 31.12.1998: FIM 5.0960 = USD 1

Turnover (FIM million)



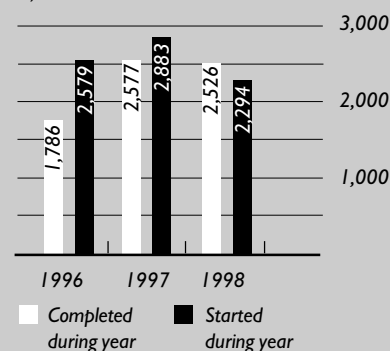
Uninvoiced orders (FIM million)



Personnel



Dwellings built (number)



The main thrust in the development of NCC Puolimatka's operations during the financial year was to develop the organization and personnel as well as to enhance internal efficiency and productivity.

DEVELOPMENT OF ORGANIZATION AND PERSONNEL

Survey of values and atmosphere

In spring 1998, a thoroughgoing survey of values and atmosphere was carried out throughout the company, with about half of the employees as the sample. In the future this will be repeated at set intervals. The questions concerned the organization's functionality, management, team spirit in the workplace, communications and decision-making, and expectations of the employee's own job. The results were reported and analysed on a company- and unit-specific basis. On the basis of the survey, the employees are more motivated than the average, they are happy with communications and the atmosphere was found to be good. Shortcomings were found in incentive schemes, possibilities to have influence, and workloads. Action plans for the units were drawn up on the basis of the results. In this way, personnel development was integrated more clearly as a part of each unit's operations.

Training

Marketing training continued with the emphasis on augmenting the personal sales skills of project managers. A heavy commitment was again made to training in information technology. Cost-planning skills were improved through internal training. Legal and contractual points were dealt with through in-house training in the YSE General Conditions for Building Contracts. In addition, about a hundred office employees took part in ongoing language training. A programme was launched with NCC AB whereby NCC Puolimatka staff can work at the parent company and gain professional experience

combined with practical Swedish-language practice.

Time-based pay

At the beginning of 1999 a time-based pay scheme for employees was started up. Representatives of supervisors and employees – a total of 500 people – were trained in the use of the new system. The skills of in all some 1,100 employees' skills were classified. Of Puolimatka's workforce, 356 have taken vocational qualifications, of which 91 are basic certificates, 247 professional and 18 specialist certificates.

Working capacity

More than 300 people participated in preventative rehabilitation. The regional units made progress in starting up exercise regimes and fitness tests as part of the second year of a "Fit for Life" project.

IMPROVING INTERNAL EFFICIENCY AND PRODUCTIVITY

Quality work

All of NCC Puolimatka's building units have received certification for their quality systems. In accordance with the principle of constant improvement, each sector's operations are audited once a year, in addition to which corporate management-level reviews are held twice a year. Targets are set and these are measured. The results are analysed in the management reviews. The other business sectors' quality systems will be certified by the year 2000.

In connection with the quality system, training was held for the quality officers, project managers and other personnel. In the business sectors the issues dealt with were the quality system, the exploitation of feedback and the importance of constant improvement, as well as the use of concrete quality tools with the aid of targeted training.

Collaboration with subcontractors

The company's efficiency is enhanced by networking with suppliers and subcontractors. In order to develop practical operating models and put them into practice, NCC Puolimatka started a development project, backed by the Technology Development

Centre Tekes, as part of the ProBuild technology programme. The research project is being tested out in pilot schemes.

Ohjus 2000

For the development of business operations, the Ohjus 2000 project for the development of business operations and process control was launched. Personnel from all the divisions were involved in the scheme. In the course of the financial year, descriptions of current processes and problem analyses were completed. In the next phase, new processes will be developed for the divisions along with organizational changes and systems for these. Management training will also be initiated to assist the implementation of the changes.

Separate development project

In the course of the year about twenty development projects were up and running, carried out both in-house and by external consultants. Some of the projects received public funding. The Tekes projects were a part of nationwide programme for environmental, wooden construction, renovation and networking schemes in construction.

A technology strategy clinic project was carried out with Eurodevo Oy and VTT, the Technical Research Centre of Finland, in which development programmes to ensure the company's competitiveness in the 21st century are converted into processes. A report came out in spring 1998 and it contained decisions on drawing up development programmes for the following subdivisions:

1. development of a housing product
2. development of a business premises product
3. development of production techniques and processes
4. development of information technology

The company President is informed regularly of the progress of each of the development programmes.

An office building for Nokia was completed in successful partnership. An extension, called "Office 99", will be carried out as a project management contract in which the builder is present in the planning stage.



ENVIRONMENTAL EXPERTISE CREATES NEW CHALLENGES AND OPPORTUNITIES

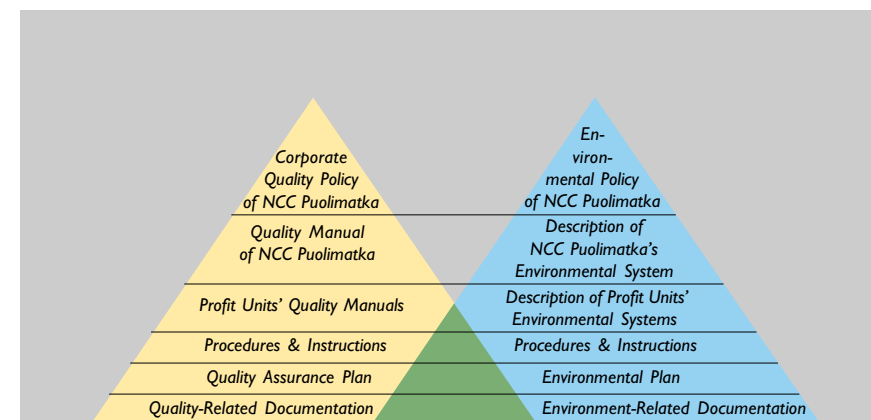
NCC Puolimatka's environmental work made progress on all fronts. The environmental policy was updated to comply with the requirements of standard ISO 14000. The procedures and structure of the environmental system were planned and approved by the company management. Environmental issues were communicated actively to customers and employees, and articles and other printed matter were produced in support of operations. The environmental review contained in the 1997 annual report for NCC Puolimatka was rated as the best in the construction industry in a competition for environmental reports by Deloitte & Touche.

Environmental guidelines for the housing product were completed in February 1999. The Eco-analysis method for measuring the environmental impacts of

a product was further developed. The method is good for assessing the life-cycle environmental impacts of both housing and commercial buildings. NCC Puolimatka has set preliminary environmental targets concerning dwellings. It was decided to assess the life-cycle environmental impact of all spec housing projects with an eco-appraisal. Environmental work on the production side continued in the form of environmental plans drawn up by all the building sites; these are audited as part of a quality audit or in a separate environmental review. The level and costs of waste management at building sites were monitored. The results were notified in a report to the corporate management. Cooperation with the parent company on environmental issues continued, and a representative of NCC Puolimatka took part in the work of the NCC environmental panel.

The elements of NCC Puolimatka's environmental work are the product viewpoint, the production viewpoint, and the viewpoints of skills and management.

Quality and Environmental System



Policy and goals	Environmental aspects and impacts	Targets and action	Results measured
<p>NCC Puolimatka is responsible for a built environment and it integrates its product and its production with the environment in accordance with the demands of society and the expectations of the customer.</p> <p style="text-align: center;">Product</p> <p>In a product we design, we pick the best practical alternative in view of the environment. In collaboration with the customer we check out the environmental impacts and we seek together to choose the most environmentally friendly solution in view of the product's life cycle.</p>	<p>The environmental effects of the construction site</p> <ul style="list-style-type: none"> - the site soil, traffic <p>Environmental impacts of raw material extraction and processing</p> <p>The energy demand and environmental impacts of the production of building materials</p> <p>Transport of building materials</p> <p>Energy consumption of the building</p> <p>Water consumption of the building</p> <p>The building's indoor climate</p> <p>The life-cycle emissions of materials and raw materials in various applications</p> <p>Environmental impacts due to demolition and disposal</p>	<p>Proposal for the environmental goals of own housing production:</p> <p>The building's life-cycle energy consumption:</p> <ul style="list-style-type: none"> - In apartment buildings, a calculated energy consumption of less than 40 kW/cu.m./year - In terraced and low-rise buildings, this figure should be 90 kW/sq.m./year - A life-cycle energy consumption according to the Eco-assessment of 3% less than the base figure <p>Energy budget and emissions of materials:</p> <ul style="list-style-type: none"> - materials' energy level to be 3% less than the original base figure for all variables <p>Material emissions/indoor air:</p> <ul style="list-style-type: none"> - in bedrooms, living rooms and kitchens 80% of finish materials of M1 class - other materials of M2 class - indoor air class S2 	<p>Characteristics are verified with a so-called subject card, on which the results achieved are recorded. These will begin to be used by NCC Puolimatka in its own production in the course of 1999. No results are yet available.</p> <p>Environmental statements have been collected from about 50 of the biggest suppliers.</p>
<p style="text-align: center;">Production</p> <p>In production, we seek to reduce the energy and transport demands of the work sites, we cut down on the production of wastes, and we boost the recycling and re-use of materials. Noise and emissions of work sites are minimized. Work sites are made to be tidy, suited to their environs, and to disturb the surrounding area as little as possible.</p>	<p>The environs of the site</p> <ul style="list-style-type: none"> The site area The plot to be built on Environmental risks of the site The site's energy - heating and site huts <p>Machinery and equipment on the site</p> <p>Transport for the site</p> <p>Purchases for the site</p> <p>Site pollution</p> <ul style="list-style-type: none"> - noise, dust, liquids, gases 	<p>For each work site, an assessable environmental plan is drawn up.</p> <p>Goals set for sites' waste management:</p> <ul style="list-style-type: none"> - waste handling costs less than 0.5% of actual costs - quantity of waste less than 2.8%/cu.m. - mixed waste less than 40% of total waste <p>NCC Puolimatka's work sites must be recognizable by their appearance in conformance with guidelines.</p>	<p>Construction in Helsinki Metropolitan Area:</p> <ul style="list-style-type: none"> - waste disposal charges 0.3% - quantity of waste 4.9 kg/cu.m. - mixed waste 48% of total.
<p style="text-align: center;">Skill</p> <p>We increase information and training on environmental affairs for the personnel and for the company's stakeholders. We take part in research and development on the environment. Everyone at NCC Puolimatka has responsibility for achieving these aims.</p>	<p>Recognition of skill requirements</p> <p>Training plan and implementation</p> <p>Registration of existing skills</p> <p>Notification of decisions made</p>	<p>Company-level training plan drawn up, including:</p> <ul style="list-style-type: none"> - management - specialists - technical office staff - own employees - some subcontractors <p>NCC Puolimatka is involved in the construction industry's joint projects for environmental development</p>	<p>Day-long training sessions total 30, Approx. 1,000 people trained. Site training commenced. About 20 guided waste-disposal infos in the Helsinki Metropolitan Area.</p>
<p style="text-align: center;">Management</p> <p>NCC Puolimatka's management operates in environmental issues on a basis of continuous improvement in all subsections important to the environment. The management's responsibility also extends to create a suitable basis for the entire personnel to achieve environmental goals.</p>	<p>Environmental policy and goals</p> <p>Responsibilities and empowerment</p> <p>Targets and benchmarks to be set</p> <p>Environmental system</p> <p>Company-level documentation</p> <p>Recognition of laws and decrees</p> <p>Notification of decisions made</p> <p>Reparative and preventive actions on the basis of information received</p>	<p>The goal has been set of creating an ISO 14001 environmental system.</p> <p>An environmental officer has been appointed for the company and the principles of responsibility set.</p> <p>The units are developing their own environmental systems with the help of the business development unit.</p> <p>The quality and environmental systems will be combined to form NCC Puolimatka's action system.</p>	<p>Environmental affairs as part of the management review.</p> <p>Environmental objectives will expand to embrace products and permanent work locations as well.</p> <p>Company-level fiat letters on significant environmental risks.</p>



The appearance of work sites is clear and in line with the company's graphical line.



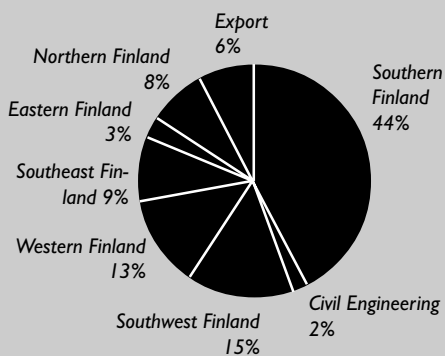
During the year brochures and other materials have been produced. The environmental cause has been strongly featured in both external and internal marketing.



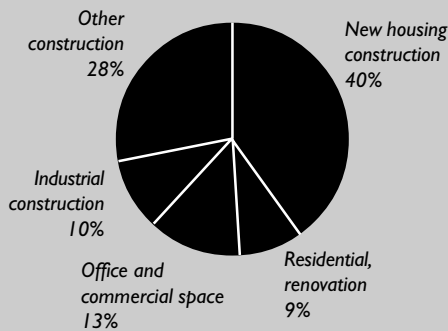
An eco-analysis helps to make the comparison between the effects of various planning solutions on lifetime energy consumption and emissions.

REVIEW OF DIVISIONS

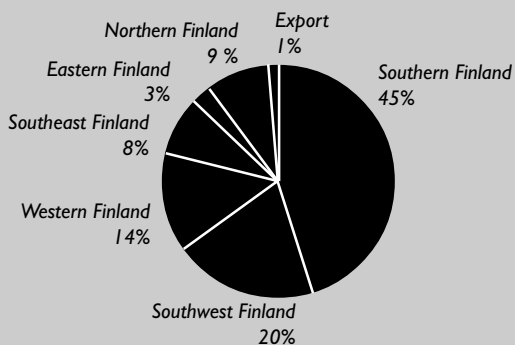
Breakdown of turnover by regions



Breakdown of construction in Finland by product



Distribution of personnel by regions



NCC Puolimatka's divisions are construction in Finland, housing, real estate, civil engineering, building design and international construction. Construction in Finland is divided among regional units and its market area is the whole country. International construction has Russia and the Baltic states as its market area.



Southern Finland region
Mr Antero Huhta

The Southern region's turnover totalled FIM 1 billion and its financial performance was unsatisfactory as a whole. The renovation unit achieved a good financial performance. The financial performance of both business premises construction and housing construction was eroded by a few loss-making jobs. Future prospects are better owing to growing privately financed housing construction and an upswing in partnership contracting. More and more business building projects have been started in such a way that the design and construction begin simultaneously. A good example of a successful project-management contract is the Nokia Research Center in the Ruoholahti district of Helsinki, which was chosen as the Building Site of the Year. A contract for an extension was signed in February 1999.

CONSTRUCTION IN FINLAND

Demand for construction in Finland continued to be good and it grew overall by more than 10%. Because of vigorous growth in new construction, renovation's share of construction fell to 40% from almost half in 1996. Housing construction focused mainly on the Helsinki Metropolitan Area and certain other centres of growth. Demand for business premises was brisk, especially in the Helsinki Metropolitan Area, which had the effect of raising prices and rents. This trend is expected to continue in 1999. There was a shortage of construction personnel in the areas of growth, particularly in Greater Helsinki. In 1999 the rate of growth in construction is forecast to be halved.

During the financial year, the Southern Finland region included housing construction, housing renovation, renovation and business premises construction as well as branch offices in Lohja and Hämeenlinna. At the end of the financial year the organization was changed so that Lohja and Hämeenlinna were transferred to the unit serving the rest of Finland. Juha Korkiamäki was appointed the manager in charge of housing construction in autumn 1998 and the operations were divided into northern and southern parts.



Good quality is built with high standards of professional skills and strong motivation.



*Residential construction
Mr Jaakko Korjula*

The unit's turnover was FIM 288 million and its financial performance was

unsatisfactory. Turnover was down on the previous year by almost a fifth and 346 dwellings were completed, which is half of the previous year's output. A delay in the start of government-supported housing construction and an unexpectedly fast rise in expenses eroded the unit's financial performance.

During the year under review, an interest-subsidized residential project for Helsinki City Housing Production Office was started in the Rastilankallio district

of Helsinki on a contract without competitive bidding. A new intermediate floor structure was developed on this project. The solution can be used to build flexible dwellings capable of adapting to changes in the residents' way of life. A reduction in government-supported housing construction was compensated for by the start-up of spec housing.

Dwellings completed: 346

Dwellings under construction: 860



The Verdandi insurance company performed a service for culture when it had this property on Linnankatu in Turku restored to its former glory.



The Albatross Service Centre augments the new commercial centre in the Vuosaari district of Helsinki. The elegant façade is the first continuous glass surface of its size.



NCC Puolimatka has many times built business premises for Nokia in Salo.



NCC Puolimatka has played an active part in developing and building the Hermia district of Tampere.



Housing renovation
Mr Tapio Hietikko

The unit's turnover was FIM 91 million and its financial performance was unsatisfactory. The unit went into business at the start of the financial year and orders built up according to plan through competitive tendering and negotiated contracts. Turnover and financial performance fell short of target when some starts were postponed. During the financial year, 246 new dwellings and 382 housing renovations were completed. In central Uusimaa Province, two privately financed projects were started and holdings of plots were acquired for the construction of houses and apartment buildings. The construction of these will be started in spring 1999. Housing renovation was organized at the end of the year to deal mainly with housing construction in Vantaa and central Uusimaa. Demand in the market area creates a good basis for achieving the earnings targets for 1999.



Renovation
Mr Armas Lattunen

The unit had FIM 160 million in turnover and its financial performance was good. Renovation picked up during the year, which is seen in the 33% increase in turnover compared to the budgeted figure. Among the more interesting items were Finlandia Hall, where after many phases the replacement of the marble cladding is now proceeding on schedule. There was a marked increase in negotiated and project-management projects and these accounted for almost half of the turnover. A special product of the renovation unit is the EPS renovation method for thermal insulation and thin

rendering on building fronts. Demand for EPS increased and during the year 10,000 square metres of building repairs were carried out with the technique. Half of the orders for 1999 are in hand and turnover is expected to be on a par with last year's figure.



Business premises construction
Mr Kauko Wasenius

The unit had FIM 311 million in turnover and it posted a net loss.

Construction of business premises continued briskly in the Helsinki Metropolitan Area, although growth topped out towards the end of the year. The construction of business premises tended increasingly away from traditional, fixed-price contracting and towards more sophisticated forms such as project-management and negotiated contracts as well as spec projects. The main reason for the development of new forms of contracting is the requirement for faster project throughput, so that there is a considerable amount of overlap between planning and construction. This sets entirely new challenges for project management compared to traditional procedures. In these types of contracts, both the financial result and the customer feedback have been very good.

One indication of project-management expertise is the fact that the unit won the Building Site of the Year competition, in which the winning project was the Nokia Research Center in Ruoholahdi, Helsinki. The competition, held by Finland's leading construction journal Rakennuslehti, covered quality work, monitoring of schedules and costs, computerization and environmental factors. On the basis of these criteria, the Nokia site came out on top and it was among the two best in all the categories. On the other hand, the financial result of the Sanomatalo frame contract was a net loss.

The order books for business premises construction were in good shape at the end of 1998. Orders in hand consist mainly of project-management contracts, negotiated and spec contracts.



Lohja office
Mr Tuomo Äyräväinen

The unit's turnover was FIM 152 million and its financial performance was satisfactory.

During the financial year a total of 78 privately financed dwellings were started in Kirkkonummi, Lohja and Klaukkala. A total of 47 dwellings were started on government loans. During the year under review, a swimming pool was completed in Lohja and opened by President of Finland.

Dwellings completed: 66

Dwellings under construction: 125



Hämeenlinna office
Mr Jarmo Mäkelä

The unit's turnover was FIM 27 million and its financial performance was satisfactory. The unit went into business in Vantaa in spring 1998 and in October the same year it moved to Hämeenlinna. The unit's operational area is Hämeenlinna and surrounding areas plus Hyvinkää and Riihimäki. During the year under review the Merkos shopping centre was started for Kesko in Riihimäki. Ten apartments financed by private money are under construction in Vantaa and an interest-subsidized 28-apartment rental building is under way in Hämeenlinna. At year-end the unit's personnel numbered approximately 40. The southern Häme Province area can be expected to receive investment in the years ahead and housing construction is also forecast to grow.



Southwest Finland region
Mr Mauri Varjonen

The unit's turnover was FIM 351 million, of which actual construction accounted for FIM 323 million. Overall turnover was up by 23% on the previous year. The financial performance of the Southwest Finland regional unit was satisfactory. The region includes, in addition to the Turku office, the Forssa office run by Timo Salminen and the Pori office run by Jussi Koskinen.

In the course of the year a total of 35 construction projects were completed. Housing construction still accounted for about half of turnover. A total of 674 new dwellings were completed and 179 student residences were renovated. After a long break, privately financed housing construction was restarted with 56 dwellings. New partnership contract agreements were signed with trade and industry, including the Nokia Office 99 project in Salo and the SGS-Polargarment terminal in Turku. The operating area was strengthened with the opening of an office in Pori, which has responsibility for the Satakunta region. Marketing efforts were extended to Åland Province. The number of personnel has remained stable and the orders in hand at year-end were in line with the target. The Southwest Finland region received ISO 9001 quality certification at the end of 1997. Operations in accordance with the quality system were strengthened in co-operation with the customers. The development of quality work was started in autumn 1998 by drawing up environmental plans for all site start-ups.

Dwellings completed: 674

Dwellings under construction: 354



Western Finland region
Mr Jorma Kivimaa

The unit's turnover was FIM 327 million and its financial performance was unsatisfactory. Turnover fell slightly short of the target because orders were few at the start of the financial year. The improvement in the order books later in the year was too late to make up the deficiency in volume. The Western Finland region includes, in addition to the Tampere office, the Jyväskylä office run by Olavi Tikkanen and the Seinäjoki office run by Keijo Karhu.

During the financial year technology centre projects on a negotiated contract basis were started in Tampere (Hermia 10) and Jyväskylä (Ylistö 20). A total of 601 dwellings were completed together with 94 residential renovations.

The number of employees stayed almost unchanged throughout the year. The average number of employees was 260, of whom 77 were salaried staff. Training focused on improving computer skills and on work supervision and foremen's teamwork management. Quality work was continued within the framework of various development projects, and clear progress was achieved in selected areas of emphasis. The number of zero-defect projects increased during the year.

After 38 years of dedicated work, Jyväskylä regional manager Eino Liimatainen retired. In spring 1998 Olavi Tikkanen was appointed the new regional manager.

Dwellings completed: 601

Dwellings under construction: 191



Southeast Finland region

Olli-Pekka Teerijoki

The unit's turnover was FIM 208 million and its financial performance was unsatisfactory. The Southeast Finland region includes, in addition to the Lahti office, the Kotka and Lappeenranta offices run by Juhani Ryyppö.

The most important event was when the unit won the two-stage design and construction contract in competitive bidding for Sibelius Hall, a wooden conference and concert hall to be built in Lahti. This flagship of Finnish wooden construction will employ the unit until the beginning of the year 2000. As in previous years, turnover consisted mainly of housing construction. During the year under review 227 new and 198 renovated dwellings were completed. The Southeast Finland regional unit has strengthened its grip as a builder for trade and industry and it has established a solid foothold in the area for fast and demanding business premises contracts. On 25 May 1998 the Southeast Finland unit was awarded ISO 9001 quality certification. During the year the planning of an environmental programme was started and it will be integrated into the quality system. The number of employees held steady at about 150.

Dwellings completed: 227

Dwellings under construction: 141



Eastern Finland region

Mr Jouko Ryhtä

The unit's turnover was FIM 96 million and its financial performance was unsatisfactory. At the beginning of the financial year the unit was reorganized and operations focused primarily on Kuopio. The main development project started was to upgrade competitiveness in privately financed housing construction. The unit's quality system was certified on 1 April 1998 and the development of environmental work was begun in August. In the course of the financial year 33 privately financed dwellings were completed at Kuopio harbour. The increase in privately financed housing construction manifested itself in Kuopio later in the year in the form of extended selling times. In the Joensuu area there were renovation projects under way during the year and in Savonlinna the first so-called build & design was won in competitive bidding.

Dwellings completed: 131

Dwellings under construction: 73



Northern Finland region

Mr Eero Kuittinen

The unit's turnover was FIM 171 million and its financial performance was good. The Northern Finland region includes, in addition to the Oulu office, the Kokkola office run by Rune Hagström.

High levels of economic activity in the Oulu region have kept both industrial and housing construction buoyant. The number of jobs is forecast to rise by about 5,000 over the next five years, mostly in high-tech companies. The Northern Finland regional unit built about 382,000 cubic metres of industrial facilities and 56,000 cubic metres of public buildings during the year. The items built for Nokia alone generated about a third of the Northern Finland region's turnover. There were 114 dwellings built in Oulu during the financial year. The marketing of privately financed building has begun and in the centre of Oulu, on Kiikeli island, the construction of 18 dwellings as part of

Turnover, orders in hand and personnel of the construction units

	Turnover net of share sales (FIM million)	Uninvoiced orders	Orders not yet handed over	Personnel, year-end
Southern Finland	961	619	1,211	663
Rest of Finland	1,065	507	845	785
Civil Engineering	40	186	210	39
Exports	141	117	155	29
	2,207	1,429	2,421	1,516

a consortium has begun.

In the Kokkola area, government-supported housing starts were on a par with the previous year's output. The start-up of privately financed production has been restrained. Last year 18 dwellings were completed in Kokkola. The main investors in business premises and industrial facilities are OMG Kokkola Chemicals Oy, Kemira Agro Oy and Outokumpu Zinc Oy.

The Northern Finland region certified its quality system in January and, in accordance with the constant improvement principle, it has been tested with both internal and external audits. Environmental work has been started up and the sorting of wastes has been arranged at the office building. Efforts will be directed at the treatment of building site wastes and the systematic improvement of operations in 1999. The number of personnel is 163 and it remained unchanged throughout the financial year.

Dwellings completed: 132

Dwellings under construction: 483

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1



The State Real Property Authority chose the main building of the University of Oulu as the Building Project of the Year 1998.



Martti Ahtisaari, the President of Finland, inaugurated the main building of the University of Oulu. Rector Lauri Lajunen assisted in cutting the ribbon.



Sibelius Hall in Lahti is the flagship of wooden construction in Finland. It consists of an old carpentry workshop, a large hall building and the Forest Hall linking them.

Riihimäki school in Mäntsälä was built ambitiously; the intention was comfortable facilities to support teaching.





The Sovereign owner-occupier financing model lowers the threshold to home ownership. Only 12% of the purchase price and you're in!



The final phase of the Spektri Business Park, Kvintti, was completed in Espoo in 1998.

Assessing the value of a commercial project

USERS

Ability of users (e.g., retailers) to pay rent, FIM/sq.m./month.
Space utilization efficiency.

LAND-OWNER

Enhancing the value of permitted building volume.

INVESTORS

Investors' yield requirements, % of capital invested.
Continuity and security of lease agreements.

PROJECT

Expense of planning, marketing and construction.

HOUSING



Mr Markku Hainari

The demand for jobs and homes is focusing increasingly clearly on the areas of main growth. A migratory movement in pursuit of jobs has picked up, especially in the Helsinki, Tampere, Turku and Oulu areas, where a shortage of homes has developed. This has heated the market for rental housing and second-hand homes and raised rents, so that home ownership has become a more attractive way of living. The trend has been influenced not only by rising demand but also by long loan periods, low interest rates and consumers' faith in the lasting nature of their financial position. The volume of housing output has risen recently, but the price trend has been moderate. In the Helsinki Metropolitan Area the need for housing will be some 18 million square metres of floor space in the next few years, the equivalent of half of the existing building stock in the region. The increase in the average size of homes also feeds demand for new construction.

Housing started as a new division of NCC Puolimatka at the start of the financial year. Its mission in the Helsinki Metropolitan Area is to procure plots, the planning of NCC Puolimatka's privately financed housing construction, commissioning construction and sales, as well as coordinating housing construction on government loans throughout Finland. During the financial year, the Housing division spent more than FIM 100 million on procuring land suitable for housing construction in the Helsinki Metropolitan Area, which will secure the construction of roughly a thousand dwellings in the next few years. In 1999 the construction will be begun of about 300 privately financed dwellings and the same number of Housing Fund of Finland-financed spec dwellings. Housing sales were reorganized, and a total of

nine people were working for the Housing division at year-end.

At the end of the year a new home-purchase financing model was created with Merita Bank. This was launched in January 1999 under the name of Sovereign owner-occupied apartments. It is based on the home owner putting down only a small part of the financing required, with long repayment times and mostly personal financing.

REAL ESTATE



Mr Jorma Ahokas

The Real Estate division was started up two years ago as an independent division. It concentrates on the development of projects for new business premises, commercial facilities, hotels and logistical projects on the Group's own plots of land or on long-term project development schemes based on partnership agreements. The Real Estate division's range of services includes the development of the business idea and concept, managing the design, commissioning construction, rental marketing and sales, investor marketing and sales, and supervising the construction of projects in accordance with agreements made with the customer. The unit may also operate as financial backer and owner of properties whose construction it has commissioned.

In the beginning of 1998 the last building, Spektri Kvintti, was completed in the Spektri Business Park in the northern Tapiola district of Espoo. The concept has proven itself a success both with occupants and with real estate investors as a result of the good location, the service concept and the excellence of the working environment. Spektri is the location of fifty or so businesses and about 1,300 office employees. All facilities in Spektri were leased out before the completion of the buildings and the proper-



Kotka's Mussalo harbour today.
Below the container terminal in 2001.

ties were sold to Finnish investors.

The successful Spektri product and service concept is being continued in the new Stella Business Park to be built in the Leppävaara district of Espoo. The construction of the first stage began in spring and the second in autumn 1998. The demand situation has remained good, so the first stage of Stella was leased out to users and sold to investors in 1998. The investment in the first stage of the real estate was made by the LEL Employment Pension Fund. Active interest in Stella's facilities and its real estate investment opportunities continues.

The Real Estate division started the construction of the state-of-the-art "Happy Landing" office building in the centre of Helsinki in spring 1998. The project is scheduled for completion in August 1999. The building will be leased by Finnair Travel Service Oy Ltd. The real estate investors in the property are LEL Employment Pension Fund and the Finnish Paper Workers' Union jointly.

The unit continues actively to develop and plan its other projects, including the International Airport Plaza in Vantaa and the Leppävaara regional centre

project in Espoo. The construction of the Airport Plaza Business Park is to start in spring 2000. The Leppävaara regional centre is a collective effort by several parties that has resulted in a broad-spectrum activity centre with facilities including a large shopping centre with leisure services, an office and service centre, and housing.

In addition to the projects under way, the Real Estate division has developed a number of office and commercial space projects which will be started up in the next few years.

As a result of continuing good demand and its energetic activities, the Real Estate division's financial performance in 1998 was good and it exceeded its targets for volume and earnings.

CIVIL ENGINEERING



Mr Olavi Knihtilä

During the financial year demand for civil engineering held steady. Although state budgeting for roads was reduced and the financial position of local authorities deteriorated, investment in civil engineering was up by about 2% during the year under review. The favourable, gradual trend is forecast to continue in 1999. The availability of skilled labour has become a problem in civil engineering, especially machine operators but there is also a marked shortage of experienced supervisors.

The turnover for the Civil Engineering division was FIM 40 million and the unit posted a net loss. The unit's operation was restarted and reorganized in spring 1998, and its earnings from operations were in the black. Encumbrances brought forward from previous years pushed it slightly into the red. The division's operating area is Southern, West-

ern and Eastern Finland. It has regional offices, in addition to Vantaa, in Turku run by Aarne Korteso, and in Kouvola run by Ilkka Kimmo. The trend in orders was favourable and the orders taken were priced at a healthy level.

At the end of the financial year the Civil Engineering division's order books firmed up markedly due to new jobs. A contract agreement for the construction of a container terminal in Kotka was signed in December, and orders were also gained for alterations to Pasila station and for bridges S3, S4, S5 and S6 on the city railway line. A marked strengthening in the organization and the order books create a good basis for the planned improvement of the unit.

The objectives of the reorganized Civil Engineering unit includes active partnership with the Group's corresponding divisions. Through this activity we aim at synergy and cost savings, which will show up in enhanced competitiveness and an improved financial performance. As a concrete example of Nordic cooperation, the company got the order for repairs to the Päijänne water supply tunnel. The job was carried out jointly with NCC Anläggning. The contract was completed according to plan in February 1999.

In everything it does, the unit complies with a quality system based on the ISO 9001 standard. The system where it applies to bridges has been audited by the Finnish National Road Administration. The company is rated in the highest category of the Finnish National Road Administration's bridge-builder classification, "Large and extremely difficult bridge contracts".

During the year under review a decision was made on the certification of the unit's quality system.

INTERNATIONAL OPERATIONS



NCC-Puolimatka

International Oy

Mr Timo U. Korhonen

The turnover from international operations was FIM 150 million and the unit posted a net loss. The main thrust of operations was still on the Moscow and St Petersburg regions, where NCC-Puolimatka International has offices. At the end of the financial year operations were activated in the Baltic states and the possibilities for starting up real estate development business in Russia and the Baltic states were mapped out. Opportunities for collaboration with the NCC Group's international operations were also improved. At the end of the year, Timo U. Korhonen, M.Sc.(Eng.) was appointed in charge of international operations.

In the Russian economy, belief in the future recovered in the early months of the year. Long-frozen foreign investment projects that were nevertheless in the decision stage were started up.

The economic crisis in August froze plans for new investment and caused extraordinary problems for projects in hand. Although the situation has not significantly improved, some weak signs of recovery can be discerned. However, a substantial improvement will require the clarification of the political situation and economic systems as well as confidence on the part of international financial institutions in the nation's ability to restructure its economy. The outlook for the future is considerably brighter in the Baltic states. Construction projects are being planned and there are opportunities for financing from the EU and the World Bank.

Main completed projects:

- PLM Beverage Can Manufacturing, Moscow region
- Sklifosovsky transplantation clinic, Moscow

Major projects under construction:

- Philip Morris cigarette factory, St Petersburg
- Sklifosovsky cardiology centre, Moscow
- Sosna pharmaceutical plant, start-up of planning

BUILDING DESIGN



Optiplan Oy

Mr Matti Leino

The backlogs of orders held by design offices during the year under review were good and the personnel in the business has grown steadily throughout the year. The background to this growth is the increase in design work for the construction side. Orders for jobs in Finland increased during the year by more than 10%, but export orders declined by comparison with the previous year. Toward the end of the year signs began to appear of a downturn in design orders and of a slide in prices. The prospects for 1999 are worse than they were for the past year.

Optiplan Oy's turnover was FIM 24 million and its financial performance was satisfactory. Growth exceeded 40%. Of Optiplan's turnover, some 40% was generated by housing design and about 40% came from designing business premises and commercial buildings. The company has offices in Turku and Vantaa.

At year-end, Optiplan employed 30 architectural designers and 25 structural and HEVAC engineers. The main thrust in operations during the financial year was increasingly on the Helsinki Metropolitan Area. The personnel resources at the Vantaa office were beefed up by

hiring 16 new designers in the course of the year. Optiplan developed a new kind of working environment philosophy which was applied to business park schemes. The solutions took the customers' needs into consideration in the planning stage. A quality system has been put into operation and the intention is to have it certified in the year 2000. The need to figure in environmental aspects during design work has been perceived and the subject is being investigated.

During the financial year, Optiplan Oy received a designing licence for Russia. At the Lithuanian office a four-strong team is working, and it has produced renovation plans for military buildings for the state. In St Petersburg we work with local partners, and a draft design for a commercial building has been completed.

560 housing renovation plans have been made for the Helsinki Metropolitan Area and 600 for Southwest Finland. New housing has been planned in the Helsinki Metropolitan Area, Southwest Finland, Lahti, Lohja and Kokkola.

BUILDING MATERIALS



Seinälevy Oy
Mr Jukka Rantanen

Seinälevy's turnover was FIM 41 million and its financial performance was unsatisfactory. Turnover was up by 25% on the previous year, but disruptions in panel production, particularly at the Mustionkatu plant opened the year before, exerted a drag on profits. Seinälevy's products include civil defence shelters and precast panels for housing construction. In autumn 1998 a decision was made to wind up the new plant and for that reason the number of employees has declined by twenty.

INTERNAL SERVICES



Mr Jukka Lahtinen

NCC Puolimatka's internal specialist and service operations are handled as follows:

Controller operations: Mr Matti Tuulio
Personnel: Ms Anna Maria Karjalainen
Legal affairs: Mr Kari Korpela
Financing: Mr Jorma Hyvärinen
Finance and accounting: Mr Pertti Kallio
Communications: Ms Ritva Norrgrann
Data administration and computer services: Ms Riitta Takanen
Health and safety at work and head office services: Mr Tapio Mäkelä

Development operations and Nordic cooperation

Mr Jyri Mäkelä

The aim of NCC Puolimatka's development operations is to control and coordinate research and development to best promote the company's strategic goals and to enhance its competitiveness. The unit had five employees at year-end.

Jyri Mäkelä's job description also included responsibility for machinery and plant operations throughout Finland. This activity has been divided regionally into two units: the Plant Centre West is responsible for the Southwest, Western and Northern Finland regions and the Plant Centre East serves Southern, Southeast and Eastern Finland.

In 1999 Mr Kauko Wasenius is responsible for business development whereas Mr Jyri Mäkelä is responsible for machinery and plant operations and their development.



NCC Puolimatka has built and renovated healthcare facilities for the Sklifosovski Institute in Moscow for almost all of the 1990s.



An aluminium can factory for PLM was completed in Naro-Fominsk near Moscow.



Optiplan provides its customers with a new kind of working environment and this has been applied in business parks. The designing of Stella Business Park is the responsibility of Optiplan.



The quality of building work stands up to criticism.



It's all down to good planning.



The general orderliness of a building site guarantees working safety and free-flowing information ensures smooth working.



Interest has been great. NCC Puolimatka's Board of Directors went to take a look too.



There was nothing to criticize at the Nokia building site.

Building Site of the Year



To win the building journal Rakennuslehti's Building Site of the Year award, total expertise is a requirement. The best response to wide-reaching assessment criteria was from NCC Puolimatka's site for the Nokia Research Center. The panel of judges focused their attention on the quality of construction and the smooth running of the quality system in practice, work safety, site tidiness, the demands of the project, the monitoring of schedules and costs, computerization, innovation, and environmental aspects. The development projects carried out at the site were practical and environmental points and waste management were exemplary. The client for the construction of the Nokia building was Varma-Sampo, the occupant is Nokia and the builder was NCC Puolimatka.

Turnover and results

The NCC Puolimatka Group's turnover in 1998, calculated on the percentage of completion, was FIM 2,446 million (FIM 2,031 million in 1997). The turnover figure includes FIM 205 million in sales of shares in spec construction (FIM 65 million) and FIM 33 million in sales of tracts of land in the form of plots and shares (FIM 22 million). The sales of shares have been income-recognized in accordance with the date on which the bills of sale were signed. Exports accounted for FIM 141 million (FIM 151 million), which is 6% of consolidated turnover (7% in 1997).

The Group's profit before extraordinary items and taxes was FIM 12 million (FIM 17 million). The Group's profit from operations before depreciation was FIM 38 million (FIM 37 million), which is 1.5% of turnover (1.8%). The return on investment was 7.3% (10.7%).

The Group's turnover in 1998 was in line with the target. The net profit failed to reach the target set, due to some unsuccessful contracting jobs in the Helsinki Metropolitan Area and because Project Exports posted a loss. The losses of Project Exports were due to uncertainty on the Russian market and the devaluation of the rouble. Nonrecurring costs of restarting operations exerted a drag on civil engineering operations. Real estate development, including sales of shares in spec construction and most of the building construction, posted a profit.

Balance sheet status

The NCC Puolimatka Group's balance sheet total at year-end was FIM 835 million (FIM 547 million in 1997) and its shareholders' equity was FIM 148 million (FIM 142 million). Interest-bearing liabilities at year-end were FIM 150 million (FIM 63 million). Cash in hand and at bank totalled FIM 58 million (FIM 41 million). The equity ratio declined to 23.0% (31.2%).

The company's liquidity was favourable throughout the financial year. Investment in spec construction was stepped

up, which resulted in a downturn in the equity ratio.

Investment

Net capital expenditure on fixed assets amounted to FIM 29 million (FIM 16 million in 1997). Net investment in plots of land included in inventories and in the shares of plot holding companies amounted to FIM 121 million (FIM 159 million).

Group structure*Changes in Group structure*

There were no major changes in the Group structure. A new subsidiary was started in Russia, called ZAO NCC Puolimatka, and action was initiated to wind up the Estonian subsidiary AS Optiplan Eesti.

NCC Puolimatka Oy's parent company

NCC Puolimatka Oy's parent company is NCC AB of Sweden, which is one of the Nordic region's leading construction and real estate companies and which has Sweden, Finland, Denmark and Norway as its domestic market.

The divisions

The NCC Puolimatka Group's business divisions have been Building in Finland, Civil Engineering, Project Exports, Real Estate and Construction Design. At the end of the year Housing and Industry were separated from Building in Finland and made into separate divisions. Civil Engineering restarted its operations during the year under review.

The new Industry Division was formed out of the Building Division's plant hire units plus Seinälevy Oy, a Turku-based company specializing in manufacturing prefabricated panels for housing and prefabricated civil defence shelters. The newly separated Housing Division will be responsible for commissioning and marketing spec housing projects in the Helsinki Metropolitan Area.

Building in Finland was divided into six regional units: the Helsinki Metropolitan Area, Southwest Finland, Western Finland, Southeast Finland, Eastern Fin-

land and Northern Finland. At the end of the year, two units of the Helsinki Metropolitan Area unit were spun off as separate regional units: Western Uusimaa Province and Southern Häme Province.

After the reorganization, the Helsinki Metropolitan Area unit consists of units for business premises construction, housing construction and renovation.

Most of the new units and divisional arrangements came into force at the start of 1999.

The main area of operations for Project Exports is the Moscow and St Petersburg regions of Russia. NCC Puolimatka has responsibility for business in Russia and the rest of the CIS as well as the Baltic states on behalf of the entire NCC Group.

Construction design is practised by Optiplan Oy and its subsidiaries.

The Real Estate Division concentrates on the development of business premises and commercial projects in the Helsinki Metropolitan Area, promoter projects and marketing, and short-term ownership.

NCC Puolimatka's in-house specialist and service units are the support & development services unit and the head office.

Output

The new buildings completed by the NCC Puolimatka Group in 1998 amounted to 2.32 million cubic metres (1.71 million cubic metres in 1997). During the financial year, 2,526 dwellings were completed (2,577 in 1997), of which 156 (18) were privately financed spec construction.

The volume of new construction in progress at year-end was 1.93 million cubic metres (1.98 million cubic metres). The number of dwellings under construction was 2,157 (2,317), of which 460 (105) were privately financed spec construction. The number of unsold, completed spec dwellings was 12 (3).

Personnel

At year-end, NCC Puolimatka Oy

had 1,670 employees (1,565 in 1997). The Group had 1,948 employees at year-end (1,761), of which 75% were site personnel (80%). The figures include foreign personnel and shares in consortiums.

Personnel development schemes moved ahead according to plan. Particular attention was paid to environmental training for the units and to training action required by the quality system.

The number of personnel increased due to the growth in construction output and the establishment of new divisions.

Development

The main foci of development have been quality, the environment, individual technology development projects, and information technology.

All the building construction divisions have received quality certification and accreditation is in progress for the other divisions. The Eco-analysis tool has been developed to measure the life-cycle impact of a building; it is used in the planning stage to calculate the lifelong environmental impact of spec housing developments.

There were roughly twenty individual development projects. The development projects have been included in national technology programmes, among them schemes for environmental technology in construction, wooden building, networking in construction, and renovation. The projects have been carried out in collaboration with the Technology Development Centre TEKES and the Ministry of Trade and Industry.

A technological strategy project was carried out in partnership with Eurodevo Oy and the Technical Research Centre of Finland. It involved determining the most important areas for development in our production.

The gradual modernization of information management systems continued. A new financial management system was brought on line. Project systems were altered for the year 2000 and the Ohjus project for process development was started. The information technology infrastructure was improved with the crea-

tion of LANs for the regional office and by linking them to NCC Puolimatka Oy's network.

Research and development costs were booked as annual expenses.

Orders in hand

The NCC Puolimatka Group's unvoiced orders in hand rose by FIM 401 million since the beginning of 1998, reaching FIM 1,429 million at year-end. The orders held are 79% for building construction in Finland (90% in 1997).

Prospects for 1999

With construction trailing the overall trend in the economy, it is anticipated that the construction industry will continue in its favourable track in Finland in 1999. The uncertain situation for the exports of the Finnish construction industry will continue, and this will affect the industry's input prices in Finland and make prices difficult to forecast.

In the Helsinki Metropolitan Area and certain other growth centres in Finland, demand for housing will remain high in 1999, although the overall trend in the economy will take its toll of housebuyers' capacity for taking risks. Spec housing construction will grow further in Finland and various forms of home ownership and financing packages are being developed. In spite of a shortage of rented housing, state-backed housing production will be run down.

The market for civil engineering will hold steady at the 1998 level. A positive trend is forecast for the company's Civil Engineering division.

The need for commercial and office buildings grew apace in 1998, but it can be assumed that the new capacity reaching completion in 1999 will satisfy the higher levels of demand in the growth centres. The need for commercial buildings in the Helsinki Metropolitan Area is still considerably higher than elsewhere in Finland.

INCOME STATEMENTS

	(FIM 1,000)	Parent Company			
	Group 1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997	
Turnover	2,3)	2,446,294	2,031,494	2,259,705	1,935,707
Increase (+) or decrease (-) in stocks of finished goods		8,890	3,288	8,265	3,225
Other operating income	4)	6,418	3,397	5,896	3,240
Costs	5,6)	2,423,952	2,001,600	2,227,744	1,909,765
Profit from operations before depreciation		37,650	36,579	46,122	32,407
Depreciation	7)	20,731	19,895	16,867	17,153
Operating profit		16,919	16,684	29,255	15,254
Financial income and expenses	8,9)	-4,488	-126	-1,315	-1,332
Profit before extraordinary items, appropriations and taxes		12,431	16,558	27,940	13,922
Extraordinary income and expenses					
Group contributions				-9,900	0
Profit before appropriations and taxes		12,431	16,558	18,040	13,922
Change in depreciation difference	7)			-5,411	-2,187
Direct taxes	10)	-5,761	-5,742	-4,677	-3,941
Profit before minority interests		6,670	10,816	7,952	7,794
Minority interests		0	5		
Net profit for the year		6,670	10,821	7,952	7,794

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

BALANCE SHEETS

ASSETS		(FIM 1,000)	Parent Company		
		Group	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
		1.1.-31.12.1998			
Fixed assets and other non-current investments					
Intangible assets	11)				
Intangible rights		1,624	1,843	965	841
Goodwill		35,000	40,000	31,500	36,000
Consolidation goodwill		1,928	2,601		
Other capitalized expenditure		227	422	34	39
		38,779	44,866	32,499	36,880
Tangible assets	11)				
Land and water		741	0	741	0
Buildings		1,449	0	1,449	0
Machinery and equipment	13)	59,427	47,940	53,307	42,017
Other tangible assets		71	71	65	65
		61,688	48,011	55,562	42,082
Financial assets	12,14,23)				
Shares in subsidiaries				4,445	4,463
Shares in associated companies		23	24		
Other shares		3,288	2,471	3,288	2,654
Loan receivables		100	200		
		3,411	2,695	7,733	7,117
Current assets					
Inventory					
Raw materials and consumables		805	982		
Work in progress	15)	16,842	8,546	16,791	8,526
Finished products		3,008	2,415		
Other stocks	16)	335,320	179,528	335,320	179,528
		355,975	191,471	352,111	188,054
Receivables	17,19)				
Trade receivables		216,540	179,266	194,905	142,820
Loan receivables		51,694	14,190	87,923	27,218
Prepaid expenses and accrued income		50,804	25,430	31,490	23,650
		319,038	218,886	314,318	193,688
Cash in hand and at bank		56,041	40,653	44,408	21,961
Assets		834,932	546,582	806,631	489,782

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

LIABILITIES AND SHAREHOLDER'S EQUITY		(FIM 1,000)			
		Group 1.1.-31.12.1998	1.1.-31.12.1997	Parent Company 1.1.-31.12.1998	1.1.-31.12.1997
Shareholder's equity	20)				
Restricted equity					
Share capital		24,660	24,660	24,660	24,660
Share premium account		99,735	99,735	99,735	99,735
		124,395	124,395	124,395	124,395
Non-restricted equity					
Other non-restricted equity		17,207	6,386	11,002	3,208
Net profit for the year		6,670	10,821	7,952	7,794
		23,877	17,207	18,954	11,002
Minority interests		49	52		
Provisions					
Accumulated difference in depreciation	7)			12,569	7,158
Obligatory reserves	21)	13,171	9,311	12,779	9,106
Liabilities					
Non-current					
Pension loans		0	45	0	45
Deferred tax liabilities		3,645	2,134		
		3,645	2,179	0	45
Current	19,22)				
Loans from credit institutions		5,096	0		
Pension loans		45	55	45	55
Advances received	15)	77,213	78,144	66,591	41,732
Trade payables		110,078	97,822	108,980	92,898
Construction fund commitment	17)	165,800	28,978	165,800	28,978
Accrued liabilities and deferred income		133,713	103,388	122,609	95,961
Other current liabilities		177,850	85,051	173,909	78,452
		669,795	393,438	637,934	338,076
Liabilities and shareholder's equity		834,932	546,582	806,631	489,782

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	(FIM 1,000)	Parent Company		
	Group 1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
Funds generated from operations				
Net profit for the year	6,670	10,821	7,952	7,794
Depreciation (+)	20,731	19,895	22,278	19,340
Increase (+)/ decrease (-) in obligatory reserves	3,860	-925	3,673	-865
Increase/ decrease in deferred tax liabilities	1,511	677		
	32,772	30,468	33,903	26,269
From sales of fixed assets	1,492	1,331	1,475	12,900
From reduction in short-term loan receivables	100	547		
From change in minority interests	0	3		
From other increase in shareholder's equity	0	17		
	1,592	1,898	1,475	12,900
TOTAL FOR SOURCE OF FUNDS	34,364	32,366	35,378	39,169
APPLICATION OF FUNDS				
To net investments	30,630	17,747	28,057	16,930
To reduction in minority interests	3	0		
To reduction in long-term liabilities	45	10,006	45	8,849
	30,678	27,753	28,102	25,779
CHANGE IN NET WORKING CAPITAL	3,686	4,613	7,276	13,390
CHANGE IN NET WORKING CAPITAL				
Cash in hand and at bank	15,387	-30,364	22,448	-45,549
Short-term financial assets	100,153	21,377	120,630	-3,457
Inventories	164,504	178,498	164,056	177,931
Current liabilities	-276,358	-164,898	-299,858	-115,535
	3,686	4,613	7,276	13,390
NET WORKING CAPITAL AS AT 1 JAN	57,573	52,960	65,627	52,237
NET WORKING CAPITAL AS AT 31 DEC	61,259	57,573	72,903	65,627

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting conventions, 31 December 1998

Recognition of income from long-term projects

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 reorded.

- 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. Forecasts are updated at monthly intervals. 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 reorded as costs under variable costs.

- The construction margin of long-term spec projects, as per percentage of completion, is income-recognized on the basis of the percentage of completion or of the percentage of shares in co-ops sold, whichever is the lower. Sales of shares are booked in the profit and loss account on the basis of the deeds of purchase.

- 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 15.

- 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 15.

- 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 marks at the average rate quoted by the Bank of Finland 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.

Valuation of inventory

Inventory have been valued at the direct acquisition cost or probable resale price, whichever is the lower.

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 1998

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's 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.

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 financial statement figures from foreign subsidiaries have been converted into Finnish marks at the official Bank of Finland rate as at year-end. Profits and losses on the translation of the shareholders' equity of foreign subsidiaries has been posted to the profit and loss account. ZAO Rapko has been included in the consolidation by means of the monetary/ non-monetary method.

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 been 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:

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

Associated companies:

KP-Kaupunkiprojektien Kehitys oy
ZAO Eurolog Park Pulkov

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

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000)			
	Group 1.1.-31.12.1998	Parent Company 1.1.-31.12.1997 1.1.-31.12.1998		1.1.-31.12.1997
2. Turnover by business sector				
Building construction	2,196,907	1,816,005	2,187,542	1,816,005
Export	141,205	152,232	0	80,523
Real estate	32,547	24,059	32,547	24,059
Civil engineering	39,616	15,120	39,616	15,120
Building component industry	40,819	34,340	0	0
Building design	23,815	17,258	0	0
Other business	3,949	4,053	0	0
Less intra-Group	-32,564	-31,573	0	0
Total turnover	2,446,294	2,031,494	2,259,705	1,935,707
3. Turnover by market area				
Finland	2,337,653	1,910,835	2,259,705	1,855,184
Russia	138,755	141,377	0	77,185
Other countries	2,450	10,855	0	3,338
Less intra-Group	-32,564	-31,573	0	0
Total turnover	2,446,294	2,031,494	2,259,705	1,935,707
4. Other income from business operations				
Rental income from fixed assets	0	1	0	1
Proceeds from sale of fixed assets	1,425	538	686	538
Service income	6,988	4,030	5,210	2,701
Others	183	0	0	0
Less intra-Group	-2,178	-1,172	0	0
Total other income from business operations	6,418	3,397	5,896	3,240
5. Costs				
Raw materials and consumables:				
Purchases during year	491,632	464,271	416,237	439,512
Changes in reserves	-155,614	-175,210	-155,791	-174,706
Non-Group services	1,152,026	965,536	1,108,666	947,362
Personnel expenses	391,882	345,463	342,870	308,531
Rents	19,369	12,317	9,622	9,246
Other expenses	524,597	388,061	506,097	378,712
Other operating costs:				
Losses on sale of fixed assets	60	538	43	509
Costs of winding up business operations	0	619	0	599
Share of associated companies' profit/ loss	0	5	0	0
Total expenses	2,423,952	2,001,600	2,227,744	1,909,765
6. Staff, wages and salaries				
The number of employees				
- average	1,974	1,653	1,613	1,486
- at the start of the year	1,761	1,530	1,565	1,405
- at the end of the year	1,948	1,761	1,670	1,565

	(FIM 1,000)			
	Group 1.1.-31.12.1998	Parent Company 1.1.-31.12.1997 1.1.-31.12.1998 1.1.-31.12.1997		
Accrual-based wages and salaries:				
Direct wages and salaries	241,379	215,711	208,793	191,348
Social wages and salaries	51,880	44,943	46,417	40,418
Mandatory social security expenses	90,483	76,757	80,213	69,354
Voluntary social security expenses	8,140	8,052	7,447	7,411
	391,882	345,463	342,870	308,531
Perquisites at taxable values	4,563	4,154	3,891	3,451
Total	396,445	349,617	346,761	311,982
Total wages and salaries paid:				
Board of Directors and President	2,908	3,026	1,996	2,034
Other staff	279,235	239,911	241,707	215,506
Total wages and salaries paid	282,143	242,937	243,703	217,540
7. The depreciation of fixed assets subject to wear and tear is based on a previously made depreciation schedule.				
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			
Book depreciation				
Intangible rights	888	916	393	360
Goodwill	5,000	5,000	4,500	4,750
Other long-term expenses	195	200	5	105
Buildings	105	0	105	0
Machinery and equipment	19,265	15,523	17,275	14,125
Group goodwill	673	676	0	0
Income from Group reserve	0	-2	0	0
Book depreciation	26,126	22,313	22,278	19,340
Scheduled depreciation				
Intangible rights	888	916	393	360
Goodwill	5,000	5,000	4,500	4,750
Other long-term expenses	195	200	5	105
Buildings	52	0	52	0
Machinery and equipment	13,923	13,105	11,917	11,938
Group goodwill	673	676	0	0
Income from Group reserve	0	-2	0	0
Scheduled depreciation	20,731	19,895	16,867	17,153

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000)		Parent Company	
	Group 1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
Difference in depreciation between book and scheduled depreciation for the accounting period				
Book depreciation	26,126	22,313	22,278	19,340
Scheduled depreciation	-20,731	-19,895	-16,867	-17,153
Change in depreciation difference	5,395	2,418	5,411	2,187
of which, change in tax liability and net result for year	1,511	677		
	3,884	1,741		
	0	0		
Accumulated difference between book and scheduled depreciation				
Buildings	53	0	53	0
Machinery and equipment	12,963	7,621	5,358	2,187
Accumulated depreciation difference	13,016	7,621	5,411	2,187
of which, deferred tax liability	3,645	2,134		
shareholders' equity	9,371	5,487		
	0	0		
8. Financing income and expenses				
Dividend income and credits under the imputation system	7	0	1,728	0
Interest income	1,526	1,179	1,354	1,291
Other financing income	0	0	0	0
Interest expense	-844	743	202	-845
Exchange rate differences	5,042	1,695	4,574	1,453
Other financing expense	135	353	25	325
Total financing income and expenses	-4,488	-126	-1,315	-1,332
Exchange rate differences				
Calculated exchange rate gains	7,271	8,464	262	4,068
Realized exchange rate gains	2,927	1,906	0	393
	10,198	10,370	262	4,461
Calculated exchange rate losses	5,800	1,131	1	959
Realized exchange rate losses	5,242	8,496	59	4,347
	11,042	9,627	60	5,306
Exchange rate differences net	-844	743	202	-845
9. Financing income and costs from Group companies				
Dividend income			1,721	0
Interest income			778	325
Interest expense			41	0
Total			2,458	325

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

	(FIM 1,000)			
	Group 1.1.-31.12.1998	Parent Company 1.1.-31.12.1997 1.1.-31.12.1998 1.1.-31.12.1997		
10. Direct taxes				
For the year	4,195	5,041	4,681	3,941
From previous year	55	24	-4	0
Accumulated excess depreciation	1,511	677	0	0
Total	5,761	5,742	4,677	3,941
11. Changes in fixed assets				
Intangible goods				
Intangible right				
Acquisition cost 1 Jan	7,587	6,742	1,501	1,356
Increases 1 Jan - 31 Dec	669	845	517	516
Decreases 1 Jan - 31 Dec	0	0	0	-371
Acquisition cost 31 Dec	8,256	7,587	2,018	1,501
Accumulated depreciation 31 Dec	-6,632	-5,744	-1,053	-660
Book value 31 Dec	1,624	1,843	965	841
Goodwill				
Acquisition cost 1 Jan	55,000	55,000	49,500	55,000
Decreases 1 Jan - 31 Dec	0	0	0	-5,500
Acquisition cost 31 Dec	55,000	55,000	49,500	49,500
Accumulated depreciation 31 Dec	-20,000	-15,000	-18,000	-13,500
Book value 31 Dec	35,000	40,000	31,500	36,000
Consolidation goodwill				
Acquisition cost 1 Jan	3,660	3,580		
Increases 1 Jan - 31 Dec	0	80		
Acquisition cost 31 Dec	3,660	3,660		
Accumulated depreciation 31 Dec	-1,732	-1,059		
Book value 31 Dec	1,928	2,601		
Consolidation reserve				
Acquisition cost 1 Jan	269	267		
Increases 1 Jan - 31 Dec	0	2		
Acquisition cost 31 Dec	269	269		
Accumulated depreciation 31 Dec	-269	-269		
Book value 31 Dec	0	0		
Other long-term liabilities				
Acquisition cost 1 Jan	2,341	2,341	66	2,339
Increases 1 Jan - 31 Dec	0	0	0	0
Decreases 1 Jan - 31 Dec	0	0	0	-2,273
Acquisition cost 31 Dec	2,341	2,341	66	66
Accumulated depreciation 31 Dec	-2,114	-1,919	-32	-27
Book value 31 Dec	227	422	34	39

NOTES TO THE FINANCIAL STATEMENTS

	(FIM 1,000)		Parent Company		
	Group 1.1.-31.12.1998		1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
Tangible assets					
Land and water					
Acquisition cost 1 Jan	0		0	0	0
Increases 1 Jan - 31 Dec	741		0	741	0
Book value 31 Dec	741		0	741	0
Buildings					
Acquisition cost 1 Jan	0		0	0	0
Increases 1 Jan - 31 Dec	1,501		0	1,501	0
Acquisition cost 31 Dec	1,501		0	1,501	0
Accumulated depreciation 31 Dec	-52		0	-52	0
Book value 31 Dec	1,449		0	1,449	0
Machinery and equipment					
Acquisition cost 1 Jan	94,115		81,100	69,287	61,471
Increases 1 Jan - 31 Dec	26,885		15,931	24,648	13,519
Decreases 1 Jan - 31 Dec	-2,857		-2,916	-2,822	-5,703
Acquisition cost 31 Dec	118,143		94,115	91,113	69,287
Accumulated depreciation 31 Dec	-58,716		-46,175	-37,806	-27,270
Book value 31 Dec	59,427		47,940	53,307	42,017
Other tangible assets					
Acquisition cost 1 Jan	71		71	65	65
Acquisition cost 31 Dec	71		71	65	65
Accumulated depreciation 31 Dec	0		0	0	0
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 depreciations.

	Quantity	Holding %	(FIM 1,000) Par Value	Book Value	Net profit/loss	Group's stake in equity
12. Parent company's shares in subsidiaries, 31 December 1998						
NCC-Puolimatka International Oy, Helsinki *)	4,085	99.15%	511	1,996	-101	2,343
Optiplan Oy, Turku	100	100%	1,000	1,825	1,330	3,022
PMA-palvelut Oy, Helsinki	100	100%	100	101	11	90
Puolimatkan LKV Oy, Vantaa	15	100%	15	15	0	73
Seinälevy Oy, Turku	1,000	100%	100	508	-373	578
Total shares in subsidiaries				4,445		

*) The Group's holdings total 100%.

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

	Quantity	Holding %	(FIM 1,000) Par Value	Book Value	Net profit/loss	Group's stake in equity
Shares in subsidiaries owned by a subsidiary, 31 December 1998						
ZAO Rapko (Rapco Ltd), Moscow, Russia	10	100%	RUR 100	1	-13,589	-14,280
ZAO NCC Projects, Moscow, Russia		100%	USD 5	22	0	33
ZAO NCC Puolimatka, Moscow, Russia	100	100%	RUR 10	9		
NCC-Puolimatka Eesti, Estonia	1	100%	EEK 10	4	0	4
UAB Optisaf, Lithuania	220	55%	LTN 220	102	0	60
AS Optiplan Eesti, Estonia	40	100%	EEK 200	76	-42	3
NCC-Puolimatka International Oy, Helsinki *)	35	0.85%	FIM 4	29		

*) The Group's holdings total 100%.

Shares in associated companies owned by a subsidiary, 31 December 1998

KP-Kaupunkiprojektien Kehitys Oy, Helsinki	5	33.30%	FIM 15	15	0	9
ZAO Eurolog Park Pulkov, Russia		29.00%	USD 4	19	0	14

Other shares held by Group companies, 31 December 1998

	Quantity	Book Value
Kiinteistö Oy Rukan Valkeisrinne	140	762
Kiinteistö Oy Kokkolan Isokatu 5	120	390
Golf Talma Oy	1	64
Oustroi Oy	17	58
Tampereen Teknologikeskus Oy	664	857
Telephone Company HPY	204	621
Helsinki Telephone Oyj	1900	105
Joensuu Telephone Company	17	40
Loviisa Telephone Company	4	12
Kymi Telephone Company	9	18
Kuopio Telephone Company	13	34
Päijät-Häme Telephone Company	17	48
Oulu Telephone Company	44	63
Kokkola Telephone Company	12	22
Tampere Telephone Company	38	92
South Satakunta Telephone Company	1	1
Forssa Area Telephone Company	10	26
Häme Telephone Company	4	11
Salo Area Telephone Company	6	15
Riihimäki Telephone Company	1	3
West Telephone Company	3	5
Vaasa Province Telephone Company	11	34
Central Finland Telephone Company	19	7
Total other shares		3,288

13. Machinery and plant 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

	(FIM 1,000)		Parent Company	
	Group		1.1.-31.12.1998	1.1.-31.12.1997
	1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
14. Shares and loans receivables included in long-term investments				
Group companies				
Shares	0	0	4,445	4,463
Associated companies				
Shares	34	34	0	0
15. The percentage of completion method affects the balance sheet items as follows:				
Assets				
Work in progress	907,890	661,203	854,091	610,159
Less percentage of completion income recognition	-891,048	-652,657	-837,300	-601,633
Work in progress	16,842	8,546	16,791	8,526
Liabilities				
Advance payments	1,034,459	794,588	967,632	694,722
Less percentage of completion income recognition	-957,246	-716,444	-901,041	-652,990
Advance payments	77,213	78,144	66,591	41,732
16. Other stocks				
Plot-owning companies and plots	192,555	152,640	192,555	152,640
Shares in companies under construction	131,298	22,718	131,298	22,718
Shares in completed companies	11,455	4,155	11,455	4,155
Other stocks	12	15	12	15
Total	335,320	179,528	335,320	179,528
17. Loan receivables and debts for housing associations and real estate holding companies				
Trade receivables	92	790	92	790
Loan receivables	51,503	14,080	51,503	14,080
Construction fund commitment	165,800	28,978	165,800	28,978
18. Orders (FIM million)	2,433.6	1,802.0	2,266.8	1,631.0
The orders comprise those projects for which there is an agreement or a decision to start has been made.				
19. Group receivables and liabilities				
Group receivables				
Trade receivables			1,103	370
Loan receivables			36,293	13,091
Prepaid expenses and accrued income			0	95
			37,396	13,556
Group liabilities				
Current				
Trade payables			4,070	2,543
Accrued liabilities and deferred income			9,900	26
			13,970	2,569

	(FIM 1,000)			
	Group		Parent Company	
	1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1.-31.12.1997
20. Changes in shareholders' equity				
RESTRICTED EQUITY				
Share capital 1 Jan	24,660	24,000	24,660	24,000
Registration of subscription issue 17 Feb	0	660	0	660
Share capital 31 Dec	24,660	24,660	24,660	24,660
Share issue 1 Jan	0	660	0	660
Registration of subscription issue 17 Feb	0	-660	0	-660
Share issue 31 Dec	0	0	0	0
Share premium account 1 Jan	99,735	99,735	99,735	99,735
Share premium account 31 Dec	99,735	99,735	99,735	99,735
NON-RESTRICTED EQUITY				
Accumulated profits/ losses from previous period 1 Jan17,207	6,369	11,002	3,208	
Conversion adjustment	0	17	0	0
Net profit for the year	6,670	10,821	7,952	7,794
Accumulated profits 31 Dec	23,877	17,207	18,954	11,002
DISTRIBUTABLE EQUITY				
Non-restricted equity	23,877	17,207		
Proportion of shareholders' equity in accumulated depreciation difference	-9,371	-5,487		
Distributable non-restricted equity	14,506	11,720		
Tax liabilities corresponding to voluntary reserves	3,645	2,134		
21. Obligatory reserves				
Related to long-term projects:				
Guarantee reserve	7,596	6,602	7,446	6,482
Contract loss reserve	262	510	262	510
Related to other business:				
Rental liability reserve	974	2,014	974	2,014
Other obligatory reserves	4,339	185	4,097	100
Total	13,171	9,311	12,779	9,106
22. Current liabilities				
Non-interest-bearing liabilities	519,654	330,127	492,889	278,021
Interest-bearing liabilities	150,141	63,311	145,045	60,055
Total	669,795	393,438	637,934	338,076

The currency exchange rate at
31.12.1998: FIM 5.0960 = USD 1

	(FIM 1,000)			
	Group 1.1.-31.12.1998	1.1.-31.12.1997	Parent Company 1.1.-31.12.1998	1.1.-31.12.1997
23. Tax values				
Land and water	774	0	774	0
Buildings	1,073	0	1,073	0
Shares				
- shares in subsidiaries	1,523	788	1,304	583
- shares in associated companies	29	32	0	0
- other shares	4,544	2,607	4,544	2,607
Book values have been used as tax values for other shares, as no confirmed tax values were available.				
24. Pledges given, mortgages as guarentees for loans and other liabilites				
Mortgages given				
For own liabilities	19,800	0	19,800	0
Pledges given				
Deposit given as pledges				
for own liabilities	20	3,256	20	0
for Group company`s liabilities			0	3,256
Other liabilities				
Counter-commitment liabilities				
for own liabilities	377,971	279,251	321,485	278,963
for subsidiary`s liabilities			56,486	288
Guarantees given by parent company				
NCCAB	141,306	0	17,101	0

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 23,877,247.81, of which FIM 9,371,681.29 consists of items transferred to shareholders` equity from the accumulated depreciation difference. The parent company`s non-restricted equity is FIM 18,953,878.30.

The parent company`s net profit for the financial year is FIM 7,952,249.72 and the Group`s net profit for the year is FIM 6,670,060.13.

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, 10 February 1999

Lars Wuopio
Chairman

Kenneth Orrgren

Kai Hietarinta

Magnus Mannesson

Markku Markkola
President

AUDITORS' 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, 25 February 1999

KPMG Wideri Oy Ab

Birger Haglund
Authorized Public Accountant

AUDITORS' REPORT

To the shareholder 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 1998. 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 6,670,060.12 in the consolidated income statement and a profit of FIM 7,952,249.72 in the parent company income statement, have

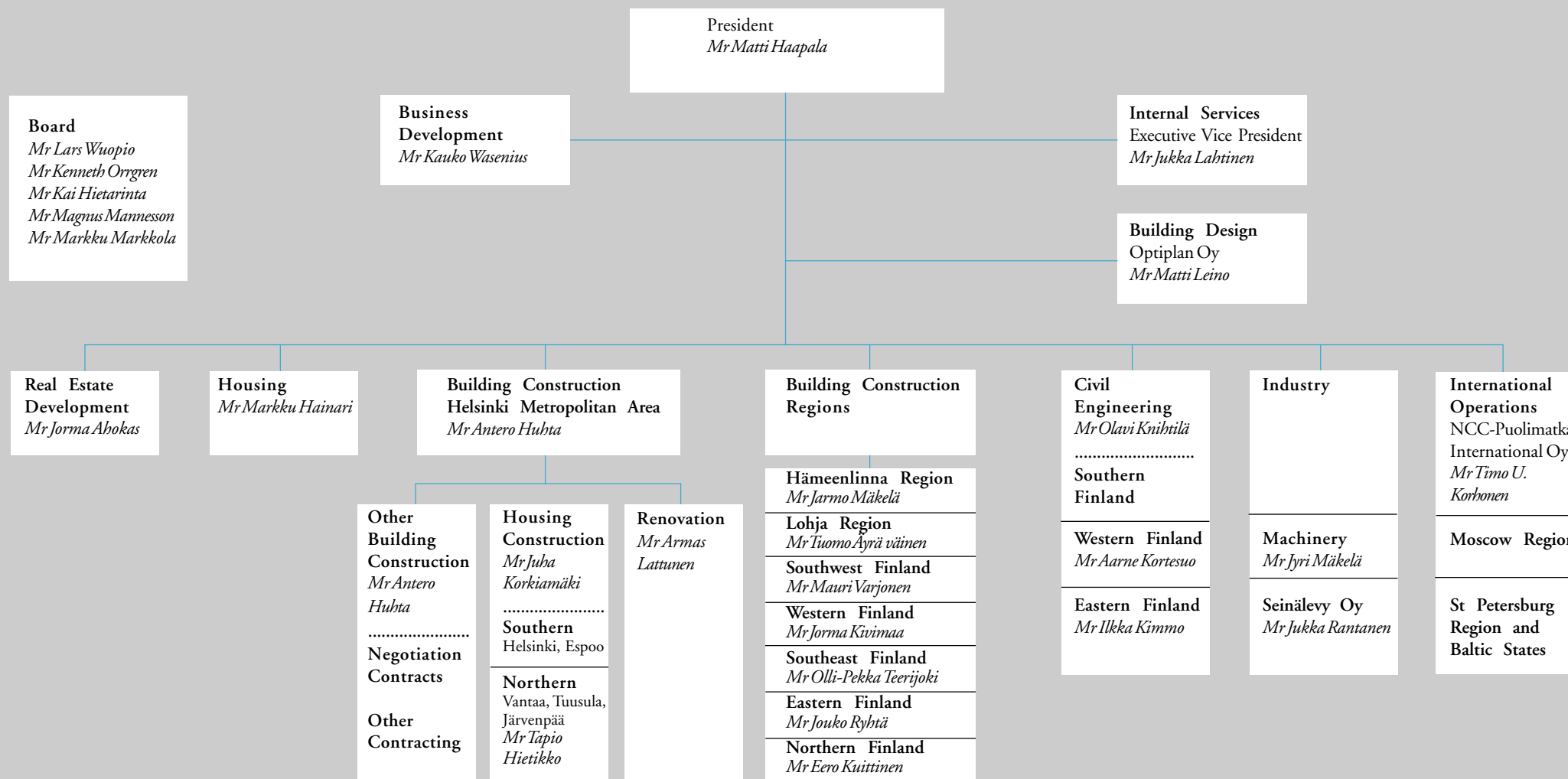
been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. 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 net profit for the year is in compliance with the Finnish Companies Act.

Vantaa, 25 February 1999

KPMG Wideri Oy Ab

Birger Haglund
Authorized Public Accountant in Finland

NCC PUOLIMATKA'S ORGANIZATION 1.4.1999



Matti Haapala,
M.Sc. (Eng.), M.Sc.(Econ.),
started as President of NCC
Puolimatka on 1 April 1999.

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