

# ANNUAL REPORT 1996



**LEMMINKÄINEN**

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*Timber apartment buildings. Viikki, Helsinki.*



## FINANCIAL REVIEWS

During 1997, Lemminkäinen Oy will publish a financial statement bulletin, an annual report, and an interim financial report on 27.8.1997 for the first two quarters.

The annual report is published in Finnish and English. Financial reviews are mailed to all registered shareholders. Orders may be placed to the company's information services, telephone +358 9 159 9522.



## CURRENCY

All monetary sums reported throughout this annual report are in Finnish marks and in units of 1000. Average exchange rates as quoted by the Bank of Finland on 31.12.1996 against some of the major currencies were as follows.

DEM (German marks)	2.99
USD (US dollars)	4.64
GBP (Pounds sterling)	7.87
SEK (Swedish crowns)	0.67
DKK (Danish crowns)	0.78



# LEMMINKÄINEN IN BRIEF

Lemminkäinen's operations encompass a wide range of construction activity; civil-engineering; building contracting and materials' manufacturing.

## FIELDS OF ACTIVITY

### PAVING AND MINERAL AGGREGATES DIVISION

The Division produces asphalt and lightweight paving, carries out resurfacing works, scarifying, road marking, water-proofing and quarrying and crushing contracting.

### BUILDING MATERIALS DIVISION

The Building Materials Division manufactures and imports various building materials and carries out products' related contracting.

The main product groups represented are bituminous roofing and both pre-cast concrete and natural stone.

### LEMMINKÄINEN CONSTRUCTION LTD.

Lemminkäinen Construction is a building and civil engineering contractor concentrating domestically on hard rock tunnelling and construction for industry. The nature of overseas contracts ranges from construction of offices and industrial premises to building refurbishment as well as projects demanding more specialized know-how such as tunnelling, sporting facilities and water treatment plants.

In addition to working domestically, the company is currently active in ten other countries with overseas operations accounting for over 60% of the company's invoicing.

### OY ALFRED A. PALMBERG AB

Oy Alfred A. Palmberg Ab, the parent company of the Palmberg Group, operates in Finland's metropolitan area and the south-west region of the country. The Palmberg Group comprises in addition ten subsidiary building contracting companies, each operating regionally under its own name.

The Group's business areas lie in competitive tender contracting of both new and refurbishment work and private sector housing, commercial and industrial developments.

## LEMMINKÄINEN GROUP

LEMMINKÄINEN OY	LEMMINKÄINEN CONSTRUCTION LTD	OY ALFRED A. PALMBERG AB
<b>PAVING AND MINERAL AGGREGATES DIVISION</b>	Civil Engineering	Metropolitan area
Paving	Overseas Operations	South-West Finland
Mineral aggregates	Baltic and NW Russia	Teollisuuden Rakennuspalvelu Oy
Road marking	Project Management	Palmberg-Urakoitsijat Oy
Central Laboratory		Rakennusliike S. Horttanainen Oy
		Oka Oy
<b>BUILDING MATERIALS DIVISION</b>		Rakennustoimisto Palmberg Oy
Roofing materials and contracting		Rakennus-Otava Oy
Concrete and natural stone products		Oy Konte Ab
Omni-Sica Oy		Byggnads Ab Forsström Rakennus Oy
		Palmberg-Rakennus Oy
		Savocon Oy

## ACCOUNTING PERIOD 1996

UPTURN IN DOMESTIC BUILDING DEMAND DURING LATTER HALF OF 1996.

NET SALES GREW 7% TO FIM 2,898 MILLION.

PRE-TAX PROFITS IMPROVED TO FIM 74 MILLION.

OVERSEAS SHARE OF NET SALES INCREASED TO ONE QUARTER EXPORT GROWTH CONCENTRATED IN THE BALTIC REGION.

THE BOARD OF DIRECTORS WILL PROPOSE A DIVIDEND PAYMENT OF FIM 1.50 PER SHARE FOR FINANCIAL YEAR 1996.

PREREQUISITES ARE SEEN TO EXIST FOR CONTINUED IMPROVEMENT IN PROFITS AND FURTHER GROWTH IN THE GROUP'S NET SALES.

## LETTER FROM THE MANAGING DIRECTOR

Two central and clearly discernible characteristic trends can be associated with the present state of Finland's construction market, one influencing demand and the other supply.

Regarding demand, there are signs that the construction industry's recovery out of recession, and in conformity with typical economic trends, the last in line of industrial sectors, is finally beginning.

The roughly ten-year cycle now concluding has been of exceptional length and magnitude.

The newly commencing economic cycle embarks from a starting point where the basic structures of both the building contracting industry and building materials manufacturing industry are substantially healthier than previously. The industries' prerequisites to effectively manage the ensuing growth in demand are correspondingly better than before.

A central development trend associated with demand is the Nordic ownership concentration in the industry. This process has in recent years progressed mainly by way of acquisitions by Swedish companies and has the same origins as integration in many other closed sector fields.

In Finland's construction market the effect of this development has in practice been beneficial for competition rather than distorting it. The opening of the Nordic markets has offered new possibilities for the Finnish construction industry. Lemminkäinen's net sales in the other Nordic countries all but doubled over the past accounting period to FIM 163 million. Over the broader Baltic Rim region but excluding domestic operations, net sales were approximately FIM 366 million. Lemminkäinen's growth in this market has until now been organic through project export and local establishment, and is based firmly on the company's core know-how.

For Lemminkäinen, 1996 was a year of stable development. The start to the Group's seasonal operations was delayed due to the late spring but this was compensated for by improvements in demand towards the end of the year. The Group's economic performance showed improvement on almost every financial indicator. The increase in net sales to FIM 2,898 million came from exports. The improvement in profits to FIM 74 million can under the circumstances be regarded as satisfactory though criteria set for healthy business operations have not been met as yet.

The Paving and Mineral Aggregates Division had to continue to adapt to ever reducing domestic road paving quantities. As the National Road Administration is preparing for privatisation and budget appropriations are increasingly being channelled away from road pavement maintenance, the volume of paving work from government contracts has reduced by 70% over the past five years. This trend will inevitably lead to a degrading of the road network, which by force of circumstances will necessitate increased budget appropriations in the future. Although Lemminkäinen's paving and quarrying overseas sales grew by 40% last year, the Division's overall sales fell short of the previous year's figure. The Division's profits were somewhat reduced but remained nevertheless very satisfactory.

The Building Materials Division began preparations in anticipation of a recovery in demand. The roofing materials sector invested in measures to raise the level of production automation. This, coupled with other development measures brought about appreciable increases in roofing manufacturing productivity figures. With a similar positive trend prevailing on the roofing contracting side, profitability for the business sector as a whole was pleasingly improved. The end of year acquisition of pre-cast stair manufacturing business from Partek Betonila Oy Ab was a step, albeit a relatively small one, towards a healthier business structure in the building materials industry. The Building Materials Division's overall result still remained marginally negative but the Division's future outlook is clearly more encouraging than before.

Lemminkäinen Construction's performance suffered as a result of diminished demand in both the Russian building market and the domestic civil engineering market. Although the situation has since improved, it did cause a discernible reduction in the company's business volume and profit. The successful establishment by Lemminkäinen Construction into Sweden's tunnelling market can be seen as a positive development step, and one whereby future resource utilisation fluctuations resulting from stagnant domestic demand can be levelled.

Oy Afred A Palmberg Ab's growth in net sales corresponded to the domestic building demand and remained modest. The share of production from competitively tendered residential production rose to 27%, whilst the share of the company's own housing developments remained



as low as 8%. There was a sustained improvement in profitability as the building market made a gradual recovery so that the pre-tax result was positive. The revival in building construction demand together with the creation of prerequisites for growth in the private housing sector suggest that Palmberg's encouraging trend will continue.

The construction industry's present outlook gives rise for optimism. The improving demand will positively influence most particularly those segments of Lemminkäinen's operations where present profitability is less than satisfactory.

I wish to thank all employees of the Group for their work contribution and all interest groups for their valued co-operation.

A handwritten signature in blue ink, which appears to read 'Juhani Sormaala'. The signature is fluid and cursive.

Juhani Sormaala

## PARENT COMPANY BOARD OF DIRECTORS



*Heikki Pentti*



*Paul Blomqvist*



*Arvo Kaksonen*



*Erkki J. Pentti*



*Juhani Sormaala*



*Katri Pentti*

### BOARD OF DIRECTORS

Heikki Pentti (50)

B.Sc. (Econ)

Chairman since 1994

Member of the board of directors since 1969

Company employee since 1973

Paul Blomqvist (65)

B.Sc. (Econ)

Vice-chairman since 1991

Member of the board of directors since 1968

Company employee 1960-1990

Arvo Kaksonen (61)

M.Sc. (Eng)

Member of the board of directors since 1989

Company employee 1961-1995

Erkki J. Pentti (48)

Graduate in business studies.

Member of the board of directors since 1975

Company employee 1973

Juhani Sormaala (47)

M.Sc. (Eng), B.Sc. (Econ)

Managing director since 1994

Member of the board of directors since 1989

Company employee since 1981

Katri Pentti (36)

LLB.

Secretary to the board of directors since 1994

Company employee since 1987

## BOARD OF DIRECTORS' REPORT FOR ACCOUNTING PERIOD

1st Jan.1996 - 31st Dec.1996

## CONSTRUCTION MARKETS

Domestic construction demand showed an upturn in the second half of 1996 such that growth for the whole year is estimated at approximately 10%.

Starts were made on approximately 24,000 new housing units, when the corresponding figure for 1995 was only 18,300. The volume of commercial and office building work remained at the exceptionally low previous year's level and industrial construction held at approximately 6 million cubic metres. Refurbishment work showed a steady and sustained 5-10% growth.

There was no significant change in civil engineering investment demand.

The number of building permits issued rose clearly towards the end of the year.

## NET SALES AND PROFIT

Earnings from construction projects have been recorded only upon completion and final handover to the customer, as has been the practice in previous years.

Net sales for the Group were FIM 2,898.0 million (2,718.7) and invoicing FIM 2,809.0 million (2 914.7). Net sales from overseas operations were FIM 711.8 million (475.3) representing a share of 24.6% (17.5). Operating profit was FIM 179.9 million (174.2), profit before extraordinary items and tax FIM 73.9 million (57.7), profit before taxes similarly FIM 73.9 million (57.7) and profit after tax FIM 52.7 million (26.6) corresponding to 1.8% (1.0) of net sales. Return on investment was 9.8% (9.9), return on equity 8.0% (6.6) and earnings per share FIM 2.70 (2.19). The aforementioned financial indicators are rectified and have been calculated by ignoring an FIM 8.9 million previous years' tax assessment, levied in 1995 and reimbursed in 1996.

## INVESTMENTS

The Group's gross investments over the accounting period were FIM 82.8 million (89.0). Net capital investments were FIM 74.1 million (74.1).

Machinery and equipment investments were replacement investments of asphalt batching, laying and transporting equipment for both home and overseas, quarrying, crushing and loading plant for aggregate production and building material manufacturing equipment. Investments include also quarrying and transport plant acquired from Hämeen Kuljetus Oy as well as pre-cast

stair manufacturing equipment purchased from Partek Betonila Oy Ab. Rock drilling and rock strengthening equipment was procured to meet the needs of the civil engineering activities.

Other investments were in the form of refurbishments carried out on rented premises.

## ORDER BOOK

As of 31.12.1996 the value of unbilled orders for the Group stood at FIM 1,370.8 million (1,160.6), of which overseas operations' orders accounted for FIM 455.9 million (371.8).

## FINANCING

Net financing costs were FIM 20.7 million (30.3), corresponding to 0.7% (1.1) of net sales.

Cash-flow according to the statement of source and application of funds was FIM 87.9 million (117.4). Net loan instalments were FIM 62.8 million (24.8).

The equity ratio was 39.5% (35.8). Balance sheet reserves were divided amongst unrestricted shareholders' equity and deferred tax liability. The deferred tax liability was FIM 122.2 million (131.3).

Interest-incurring current liabilities amounted to FIM 469.7 million (534.2), of which foreign currency loans amounted to FIM 6.2 million (12.5). The net value of interest-incurring liabilities was FIM 276.9 million (273.9).

## PERSONNEL

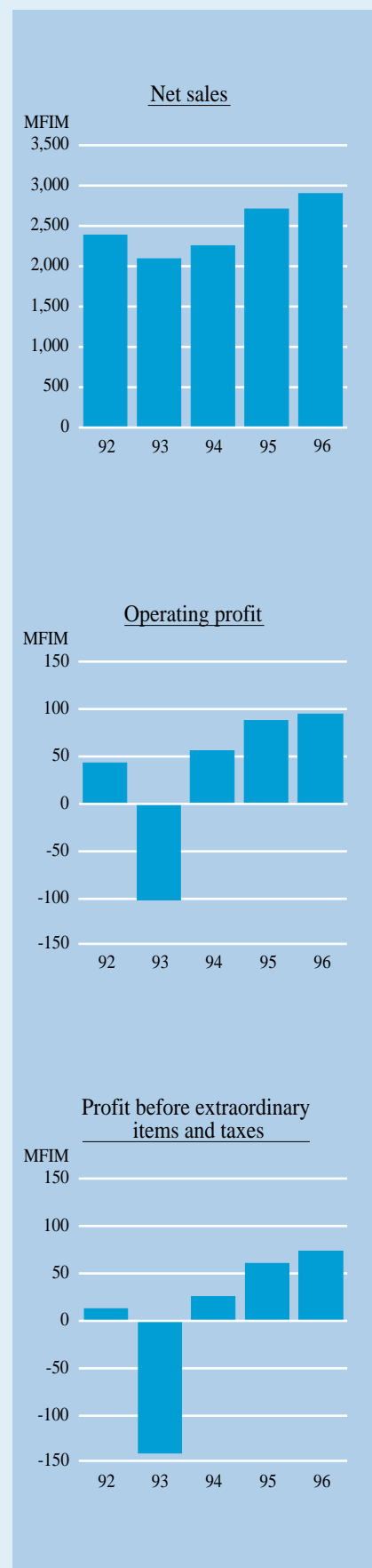
The Group employed on average 2,637 (2,662) persons during the past accounting period, of whom 974 (972) were salaried staff and 1,663 (1,690) hourly paid operatives.

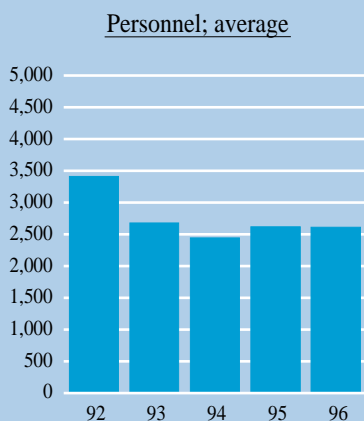
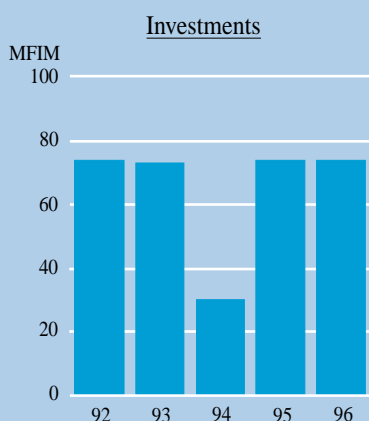
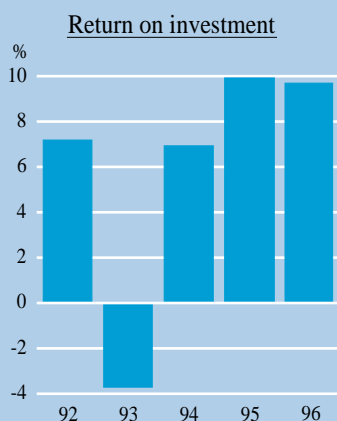
The number employed in the Group reached a maximum of 3,109 (3,263) and at the end of year was 2,192 (2,053).

Salaries, wages and emoluments amounted to FIM 426.5 million (426.4), of which the board members and managing director received FIM 8.4 million (7.8).

The parent company employed on average 1,316 (1,394), persons, of whom 422 (444) were salaried staff and 894 (950) operatives.

Salaries, wages and emoluments paid by the parent company totalled FIM 218.9 million (232.1), of which the board members and managing director received FIM 1.6 million (1.9).





Employee training took place predominantly through in-house courses and was directed for the greater part towards operatives and supervision. One of the main goals in the training was to enable responsibility to be carried at lower organisational levels than before, thereby reducing hierarchy.

#### RESEARCH AND DEVELOPMENT

Research and development was practised in all divisions of the Group as an integral part of business operations.

Lemminkäinen's Central Laboratory with its staff of twelve serves the whole of the Group in development work, quality assurance and testing.

Many of the Paving and Mineral Aggregates Division's development programs focus on international activities. The division launched two development projects both linked to environmental geo-technology, into motion and has received governmental grants for them. One project is to develop dense environment-protective asphalt structures for waste dumps, storage yards and industrial ponds, the other is to develop asphalt technology applications for binding soils contaminated by pollutants.

The Paving Unit developed new thin paving types and commenced production of the required rubberised bituminous emulsions. Tielinja Oy's development program resulted in new road marking thermo-mastics.

The Building Materials Division's Roofing Unit developed new water proofing membranes for bridge decks as well as new bituminous felt roofing shingle types. Investments made at the Lohja factory have contributed to improvements in both production efficiency and product quality. Development work at the Concrete Products Unit has focused on new products.

Lemminkäinen Construction Ltd. has continued to develop its environmental engineering services, many of which are specifically directed at overseas operations.

The Palmberg Group has continued its development work on timber framed multi-storey apartment buildings. The first pilot project has reached the topping out stage.

The use of the current quality assurance systems has been intensified and new ones are under development throughout the Group.

#### ENVIRONMENTAL PROTECTION

Lemminkäinen's goal is to provide environmentally friendly, safe and economic services and products which satisfy the requirements set by customers and society. The company's aim is to promote environmental protection, safety and employee well-being.

Throughout its operations Lemminkäinen evaluates the risk elements and attempts to eliminate them at source. Environmental matters are a part of every unit's and subsidiary's business operations. Employees of the Group are directed towards responsibility in environmental issues. The company's aim is to create the minimum of waste and pollution through its use of raw materials and energy. Recycleable materials are given precedence in production. The company's research and development operations support environmentally friendly processes and methods.

Lemminkäinen strictly adheres to national and international environmental regulations and laws.

#### GROUP STRUCTURE

During the accounting period, Maalausliike Sipiläinen Oy was merged into Lemminkäinen Oy and Rakennusliike Kasura Oy into Kasura Oy.

WPL-System Oy's domestic and overseas interests were transferred to Oy Alfred A. Palmberg Ab and Lemminkäinen Construction Ltd. respectively.

Omni-Sica Oy was renamed Sica Oy and the company's sports' construction related business interests were transferred to a newly established Omni-Sica Oy.

Lemminkäinen Construction Ltd. established a subsidiary in Poland. The company is named Lemcon Polska Sp.z o.o with industrial construction and water treatment as its main fields of business.

#### SHARE CAPITAL AND SHAREHOLDERS

##### Share capital

Company share capital is FIM 162,000,000. Under the Articles of Association the minimum share capital is FIM 54,000,000 and maximum share capital FIM 216,000,000. The share par value is FIM 10. There are 16,200,000 shares in the company and one share series.



Management share ownership and bonds with warrants

Board members and the managing director own in total 7,356,312 Lemminkäinen Oy shares, which represents a 45.4% share holding and conferred voting rights.

An issue of bonds with equity warrants offered to the Group management in 1994 has been subscribed the sum of FIM 1,875,000. The bonds mature on 23.5.1998. Each FIM 1,000 bond with warrants confers entitlement to 450 Lemminkäinen Oy shares. The company's share capital may be thus raised by FIM 8,437,500 based on the bond issue, which gives entitlement to a 5% shareholding and voting rights.

The board members and the managing director's ownership share per a 31.12.1996 warrant bond issue is 16%. Upon maturity they can subscribe to 135,000 shares, which represents a 0.8% ownership share with corresponding voting rights.

Share issue authorisation

The Board is not currently authorised to make a share issue; neither is it authorised to issue convertible promissory notes nor bonds with equity warrants

Place of trading

Company shares are traded on the Helsinki Stock Exchange.

The company has a brokerage agreement with Merita Pankkiiriliike Oy.

Share price and trading

The average price for Lemminkäinen Oy shares was FIM 38.29 (33.76) and the market capitalisation at the end of the period was FIM 641.5 million (437.4) when the market share price was FIM 39.60 (27.00).

In total 2,711,714 shares were traded during the accounting period.

The company shares are on a book-entry securities system.

No notifications under section 2 article 9 of the Securities Trading Act have been made during the accounting period.

Shareholder agreements

The company is not aware of any agreements between shareholders which might markedly influence voting behaviour at share holder meetings.

MANAGEMENT

Lemminkäinen Oy's annual general meeting was held on 10th April 1997.

The company's board of directors comprised Messrs. Heikki Pentti (chairman), Paul Blomqvist (deputy chairman), Arvo Kaksonen, Erkki J. Pentti, and Juhani Sormaala. Ms. Katri Pentti is secretary to the board.

Managing director of Lemminkäinen Oy is Mr. Juhani Sormaala.

Auditors for the company are Messrs. Joe Sundholm M.Sc. (Econ), and Jan Holmberg

B.Sc. (Econ). Deputy auditors are Authorised Public Accountants Oy Joe Sundholm & Co. Ab and authorised public accountant Mr Kim Karhu M.Sc. (Econ.).

OUTLOOK FOR 1997

There are many indications that the long awaited recovery of the domestic building industry is beginning. Demand for property and mortgages, low and stable interest levels, improved retail sales, the numbers of building permits and tender invitations, the increase of occupancy rates of business properties and the upward trend in property rents are all positive indicators. Based on the above and although the economic picture is still geographically very incoherent, there is reason to expect that the volume of construction business is now returning to that level appropriate for a healthy national economy.

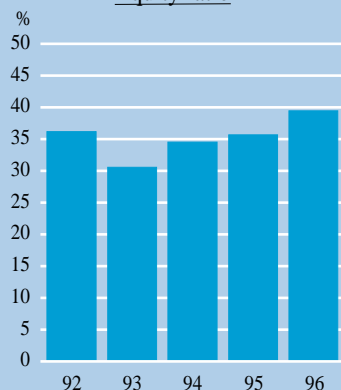
Of the business sectors within the Group, Palmberg and the Building Materials Division, both of which are dependant on the domestic building industry to a greater degree, will gain most from recovery. The civil engineering sector is expected to maintain at least its last year's level and since there has been no noticeable weakening in expectations from overseas operations, the premises for the ensuing year can be viewed as more promising for the Group than in recent years.

The construction market outlooks have improved and Lemminkäinen's order book is healthier than a year ago. Prerequisites are therefore seen to exist for both a growth in group turnover as well as improvement in earnings.

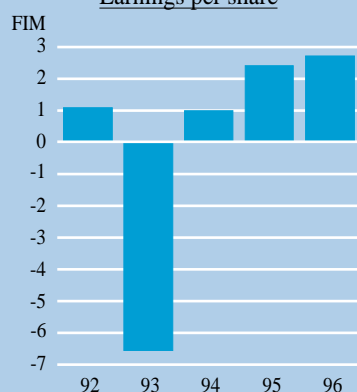
## KEY FIGURES BY BUSINESS SECTOR

FIM mill.	Net sales		Operating profit/loss		Net investments		Order book	
	1996	1995	1996	1995	1996	1995	1996	1995
Lemminkäinen Oy								
Paving and Mineral								
Aggregates Division	<b>888.3</b>	973.5	<b>73.4</b>	92.0	<b>37.4</b>	50.2	<b>225.2</b>	129.6
Building Materials								
Division	<b>308.4</b>	262.1	<b>-2.3</b>	-8.1	<b>8.6</b>	-0.8	<b>45.1</b>	28.2
Lemminkäinen								
Construction Ltd.	<b>807.5</b>	593.6	<b>10.4</b>	20.0	<b>2.8</b>	3.5	<b>541.2</b>	413.8
Oy Alfred A.Palmberg Ab	<b>947.0</b>	917.6	<b>20.5</b>	7.0	<b>22.8</b>	12.6	<b>559.3</b>	589.0

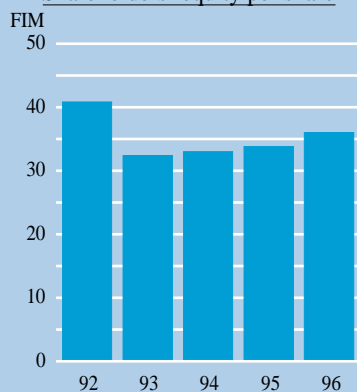
Equity ratio



Earnings per share



Shareholders' equity per share



## THE COMPANY'S MAJOR SHAREHOLDERS Dec. 31st. 1996

Shareholder	No. of Shares	% of total stock
Erkki J. Pentti	3,673,956	22.68
Heikki Pentti	3,673,956	22.68
Olavi Pentti	3,673,953	22.68
Pohjola Insurance	1,505,400	9.29
Merita Bank Ltd.	419,500	2.59
Municipal Pension Fund	201,800	1.24
Evli-Select Investment Fund	153,200	0.95
Palkkiyhtymä Oy	137,100	0.85
Investment Fund Presta	134,100	0.83
Life Insurance Salama	125,000	0.77
Total, 10 largest	13,697,965	84.56

## OWNER GROUPS Dec. 31st. 1996

	Number of shareholders	% of shareholders	Shares held (1,000's)	% of total stock
Individuals	1,477	84.07	11,892,659	73.41
Companies	214	12.18	692,000	4.27
Financial institutions	30	1.71	2,860,456	17.65
Public corporations	12	0.68	402,900	2.49
Non-profit organisations	22	1.25	88,750	0.55
Foreign owned or under foreign administrative control	2	0.11	234,850	1.45
Non-converted book-entry securities			28,385	0.18
Total	1,757	100.00	16,200,000	100.00

## SHARE OWNERSHIP DISTRIBUTION Dec. 31st. 1996

No. of Shares	No. of shareholders	% of shareholders	Shares held (1,000's)	% of total stock
1- 100	427	24.30	23,083	0.14
101- 1,000	1,021	58.11	356,560	2.20
1,001- 10,000	259	14.74	797,427	4.92
10,001- 100,000	40	2.28	1,062,480	6.55
100,001- 1,000,000	6	0.34	1,170,700	7.23
1,000,001- 10,000,000	4	0.23	12,527,265	77.33
Under administrative control			234,100	1.45
Non-converted book-entry securities			28,385	0.18
Total	1,757	100.00	16,200,000	100.00

# ECONOMIC TRENDS AND FINANCIAL INDICATORS

## ECONOMIC TRENDS

	1996	1995	1994 <sup>1)</sup>	1993	1992
Net sales, FIM million	<b>2,898.0</b>	2,718.7	2,267.9	2,097.1	2,392.6
Export and overseas operations FIM million	<b>711.8</b>	475.3	258.0	239.7	118.4
% of net sales	<b>24.6</b>	17.5	11.4	11.4	4.9
Operating profit, FIM million	<b>94.7</b>	88.0	55.2	-102.1	44.3
% of net sales	<b>3.3</b>	3.2	2.4	-4.9	1.9
Profit before extraordinary items and taxes, FIM million	<b>73.9</b>	57.7	23.5	-144.7	11.5
% of net sales	<b>2.6</b>	2.1	1.0	-6.9	0.5
Profit before taxes, FIM million	<b>73.9</b>	57.7	21.2	-156.7	20.1
% of net sales	<b>2.6</b>	2.1	0.9	-7.5	0.8
Fixed assets, FIM million	<b>682.9</b>	694.2	700.6	790.3	799.0
Inventories, FIM million	<b>1,132.7</b>	1,257.0	1,036.3	1,095.7	1,345.0
Current assets, FIM million	<b>493.4</b>	493.2	539.3	619.4	641.8
Shareholders' equity, FIM million	<b>581.6</b>	545.0	534.6	528.1	661.4
Liabilities at interest, FIM million	<b>469.7</b>	534.2	565.3	703.1	681.3
Liabilities, interest-free, FIM million	<b>1,252.6</b>	1,361.8	1,175.9	1,273.8	1,446.0
Balance sheet totals	<b>2,309.0</b>	2,444.4	2,276.2	2,505.4	2,785.8
Return on equity, %	<b>8.0<sup>3)</sup></b>	6.6 <sup>3)</sup>	2.2	-17.5	2.2
Return on investment %	<b>9.8</b>	9.9	6.9	-3.8	7.2
Equity ratio, %	<b>39.5</b>	35.8	34.3	30.7	36.0
Net liabilities at interest, FIM million	<b>276.9</b>	273.9	297.0	502.3	448.0
Gross investments, FIM million	<b>82.8</b>	89.0	49.7	89.3	73.6
% of net sales	<b>2.9</b>	3.3	2.2	4.3	3.1
Order book 31.12., FIM million	<b>1,370.8</b>	1,160.6	978.4	770.0	763.9
Employees	<b>2,637</b>	2,662	2,484	2,701	3,404

## SHARE-ISSUE ADJUSTED FINANCIAL INDICATORS

	1996	1995	1994	1993	1992
Earnings per share (EPS), FIM	<b>2.70<sup>3)</sup></b>	2.19 <sup>3)</sup>	0.96	-6.63	1.06
Shareholders' equity/share, FIM	<b>35.90</b>	33.64	33.00	32.60	40.83
Dividend /share, FIM	<b>1.50<sup>2)</sup></b>	1.00	1.00	0.33	0.33
Dividend /earnings, %	<b>55.5<sup>3)</sup></b>	45.6 <sup>3)</sup>	104.5	neg.	31.5
Effective dividend yield, %	<b>3.8</b>	3.7	2.6	2.0	4.0
P/E ratio	<b>14.6<sup>3)</sup></b>	12.3 <sup>3)</sup>	39.6	neg.	7.9
Share price trend					
mean rate, FIM	<b>38.29</b>	33.76	35.93	13.97	16.96
lowest, FIM	<b>27.00</b>	22.00	14.53	7.50	8.33
highest, FIM	<b>43.00</b>	36.00	48.33	19.33	23.33
at end of period, FIM	<b>39.60</b>	27.00	37.90	16.33	8.37
Market value of share capital at end of period, FIM million	<b>641.5</b>	437.4	614.0	264.6	135.5
Share trading trend					
1000 No.	<b>2,712</b>	749	2,435	676	318
% of total	<b>16.7</b>	4.6	15.0	4.2	2.0
Share issue adjusted					
during the accounting period, 1000 No.	<b>16,200</b>	16,200	16,200	16,200	16,200
end of accounting period, 1000 No.	<b>16,200</b>	16,200	16,200	16,200	16,200

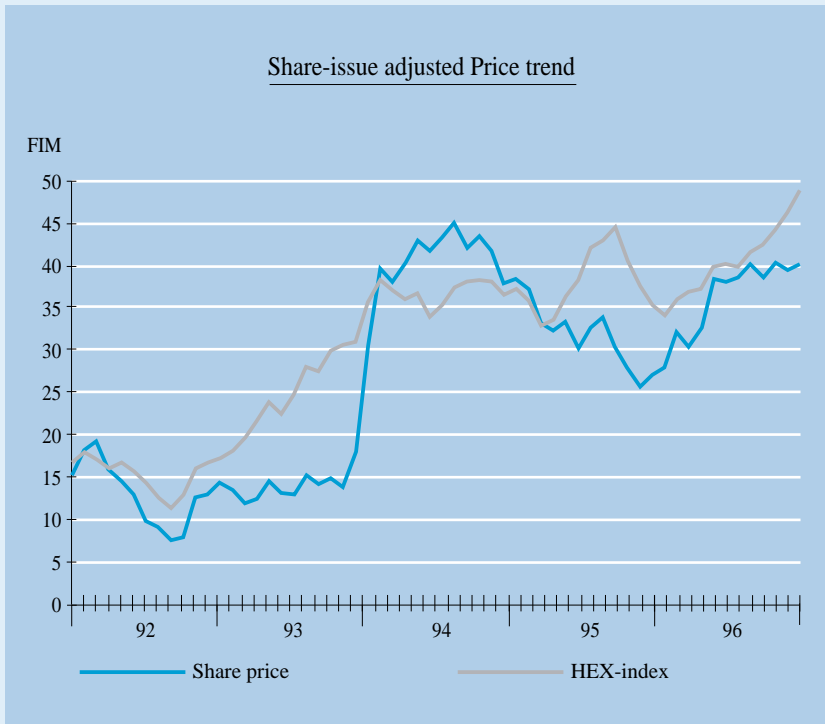
Formulae for calculation of financial indicators are given on page 10.

1) 16 month accounting period figures have been pro-rated to correspond to a 12 month period.

2) Board of directors' proposal.

3) Financial indicators have been calculated, ignoring an FIM 8.9 million tax assessment, levied in 1995 and reimbursed in 1996.

FINANCIAL INDICATOR  
CALCULATION FORMULAE



RETURN ON INVESTMENT -%

$$\frac{\text{Profit before extraordinary items + interest and other financing costs} \times 100}{\text{Balance sheet total less non-interest-incurring liabilities}}$$
  
(average for the accounting period)

RETURN ON EQUITY -%

$$\frac{\text{Profit before extraordinary items less taxes} \times 100}{\text{Shareholders' equity + minority interest}}$$
  
(average for the accounting period)

EQUITY RATIO, %

$$\frac{\text{Shareholders' equity + minority interest} \times 100}{\text{Balance sheet total less advances received}}$$

NET INTEREST INCURRING LIABILITIES

Interest incurring liabilities less interest incurring deposits and receivables

EMPLOYEES

$$\frac{\text{Sum of monthly employee totals}}{\text{Number of months in accounting period}}$$

EARNINGS PER SHARE

$$\frac{\text{Profit before extraordinary items less taxes less minority interest}}{\text{Share-issue adjusted average number of shares}}$$

EQUITY PER SHARE

$$\frac{\text{Shareholders equity}}{\text{Share-issue adjusted number of shares at end of period}}$$

DIVIDEND PER SHARE

$$\frac{\text{Dividend for accounting period}}{\text{Share-issue adjusted number of shares at end of period}}$$

DIVIDEND PER EARNINGS, %

$$\frac{\text{Dividend for accounting period} \times 100}{\text{Profit before extraordinary items less taxes interest less minority}}$$

EFFECTIVE DIVIDEND YIELD, %

$$\frac{\text{Dividend per share} \times 100}{\text{Final share quotation}}$$

P/E RATIO

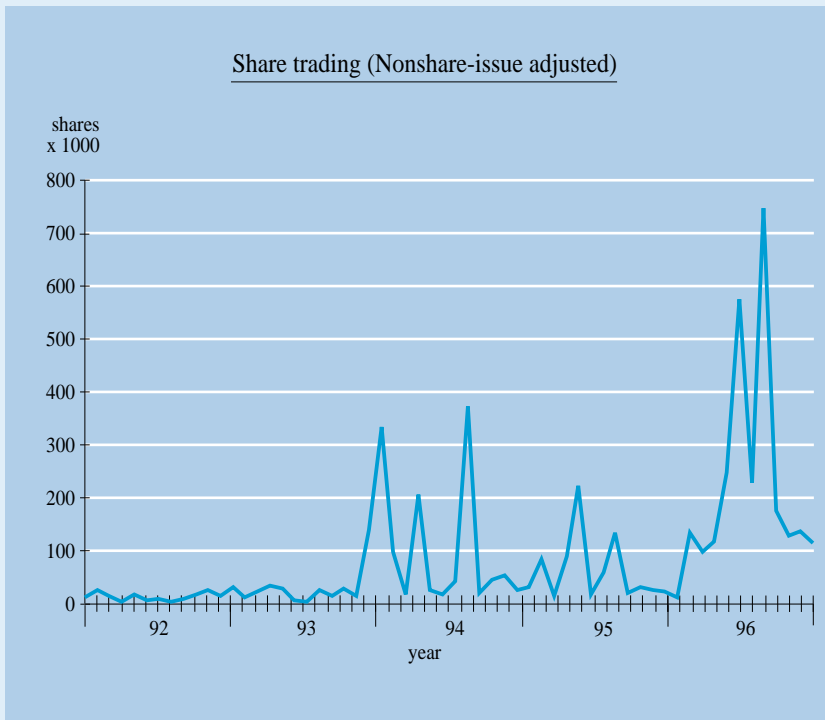
$$\frac{\text{Final share quotation}}{\text{Earnings per share}}$$

MEAN SHARE PRICE  
(share-issue adjusted)

$$\frac{\text{Trading value of total share turnover}}{\text{Share-issue adjusted number of shares traded during the period}}$$

MARKET VALUE OF SHARE CAPITAL

Number of shares x share price at end of accounting period



## CONSOLIDATED INCOME STATEMENT

	Note	1.1.1996 - 31.12.1996	1.1.1995 - 31.12.1995
NET SALES	1	2,898,009	2,718,735
Increase (+) or decrease (-) in stocks of finished products		- 134,931	168,908
Production for own use (+)		17,808	3,867
Share of net profits from affiliate companies		319	1,140
Other operating income		7,768	7,886
Variable and fixed costs			
Raw materials and consumables			
Purchases during the accounting period		768,096	943,510
Increase (-) or decrease (+) in inventories		- 10,725	- 13,654
External charges		1,012,943	925,810
Personnel costs	2	569,395	573,725
Rents		11,261	9,208
Other costs		258,125	287,689
Total costs		2,609,095	2,726,288
PROFIT FROM OPERATIONS BEFORE DEPRECIATION		179,878	174,248
Depreciation according to plan	3		
On fixed assets and other capitalized expenditure		68,089	69,454
On consolidated goodwill		17,129	16,780
Total Depreciation		85,218	86,234
OPERATING PROFIT	1	94,660	88,014
Financial income and expenses			
Dividend income		328	779
Interest income from short-term investments		6,353	18,308
Other financial income		1,904	1,285
Net exchange gains and losses		1,026	- 516
Interest expenses		- 28,319	- 46,105
Other financial expenses		- 2,041	- 4,022
Total financial income and expenses		- 20,749	- 30,271
PROFIT BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES		73,911	57,743
Extraordinary income and expenses			
Extraordinary income		0	0
Extraordinary expenses		0	0
Total extraordinary income and expenses		0	0
PROFIT BEFORE INCOME TAXES		73,911	57,743
Income taxes			
Income taxes, current period		- 37,883	- 29,988
Income taxes, previous periods		9,054	- 11,724
Change in deferred tax		9,022	10,626
Minority interest in the net income of the accounting period		- 1,389	- 55
PROFIT FOR THE ACCOUNTING PERIOD		52,715	26,602

## CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.1996	31.12.1995
<b>FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS</b>			
Intangible assets	5		
Intangible rights		2,972	738
Goodwill		2,206	3,713
Goodwill on consolidation		68,036	85,159
Other capitalised expenditure		2,702	2,818
Advance payments		1,133	3,500
Total		77,049	95,928
Tangible assets	5		
Land and water		41,751	41,960
Buildings		248,606	257,889
Machinery and equipment		216,088	213,127
Other tangible assets		36,776	22,956
Advance payments and construction in progress		1,073	
Total		544,294	535,932
Non-current financial assets			
Affiliate company shares and holdings	5, 15	4,924	4,773
Other shares and holdings	5, 15	47,403	48,158
Loan receivables		9,129	9,365
Other investments		62	79
Total		61,518	62,375
<b>CURRENT ASSETS</b>			
Inventories	8		
Raw materials and consumables		34,631	26,817
Land		155,159	152,958
Work in progress		710,378	794,402
Apartments and properties		170,012	213,783
Finished goods		62,565	68,990
Total		1,132,745	1,256,950
Receivables			
Accounts receivables		273,832	192,778
Loan receivables		14,919	28,680
Prepaid expenses and accrued income		23,002	20,427
Other receivables		3,625	7,111
Total		315,378	248,996
Marketable securities included in current assets			
Shares and holdings		5,000	5,000
Other securities		77,645	155,415
Total		82,645	160,415
Cash in hand and at bank		95,333	83,813
		2,308,962	2,444,409

<b>LIABILITIES</b>	Note	31.12.1996	31.12.1995
<b>SHAREHOLDERS' EQUITY</b>			
Restricted equity	10		
Share capital		162,000	162,000
Reserve fund		27,450	27,000
Revaluation reserve		1,484	1,484
Total		190,934	190,484
Unrestricted equity	10		
Retained earnings		337,940	327,888
Profit for the accounting period		52,715	26,602
Total		390,655	354,490
MINORITY INTEREST		5,116	3,393
PROVISIONS	11		
Obligatory provisions		6,985	4,377
<b>LIABILITIES</b>			
Non-current	12		
Loans from financial institutions		281,944	313,883
Pension fund loans		99,640	135,349
Deferred tax liability		122,249	131,271
Other non-current liabilities	13	7,744	7,184
Total		511,577	587,687
Current			
Loans from financial institutions		71,005	67,625
Pension loans		9,382	10,173
Advances received		822,523	911,266
Accounts payable		96,739	98,136
Accrued liabilities and deferred income		179,397	193,948
Other current liabilities		24,649	22,830
Total		1,203,695	1,303,978
		2,308,962	2,444,409

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>BUSINESS OPERATIONS</b>		
Income financing		
Profit from operations before depreciation	179,878	174,248
Financial income and expenses	- 20,749	- 30,272
Income taxes	- 28,829	- 41,712
<b>Total</b>	<b>130,300</b>	<b>102,264</b>
Change in working capital		
Increase (-) or decrease (+) in inventories	124,205	- 220,649
Increase (+) or decrease (-) in advance against work in progress	- 88,743	195,907
Increase (-) or decrease (+) in current receivables	- 66,382	42,612
Increase (+) or decrease (-) in interest-free current liabilities	- 11,522	- 2,731
<b>Total</b>	<b>- 42,442</b>	<b>15,139</b>
Cash-flow from business operations	87,858	117,403
<b>INVESTMENTS</b>		
Investments in fixed assets	- 82,805	- 88,974
Disposal of and changes in fixed assets	8,725	14,849
<b>Total</b>	<b>- 74,080</b>	<b>- 74,125</b>
Cash-flow before financing	13,778	43,278
<b>FINANCING</b>		
Increase (-) or decrease (+) in non-current loan receivables	236	- 5,712
Increase (+) or decrease (-) in non-current liabilities	- 65,364	- 33,357
Increase (+) or decrease (-) in current liabilities	2,589	8,596
Distribution of dividend	- 16,200	- 16,200
Profit from emission	450	
Reversal of revaluation	- 350	
<b>Financing cash-flow</b>	<b>- 78,639</b>	<b>- 46,673</b>
Change in liquid funds as per the statement	- 64,861	- 3,395
Adjustment items	- 1,389	- 55
<b>INCREASE (+) OR DECREASE (-) IN LIQUID FUNDS</b>	<b>- 66,250</b>	<b>- 3,450</b>



## PARENT COMPANY INCOME STATEMENT

	Note	1.1.1996 - 31.12.1996	1.1.1995 - 31.12.1995
NET SALES	1	1,044,678	1,232,487
Increase (+) or decrease (-) in stocks of finished products		29,656	836
Production for own use (+)			178
Other operating income		8,364	8,497
Variable and fixed costs			
Raw materials and consumables			
Purchases during the accounting period		328,163	371,135
Increase (-) or decrease (+) in inventories		- 1,086	1,847
External charges		242,219	307,608
Personnel costs	2	286,841	307,591
Rents		6,603	6,971
Other costs		108,172	121,683
Total costs		970,912	1,116,835
PROFIT FROM OPERATIONS BEFORE DEPRECIATION		111,786	125,163
Depreciation on fixed assets and other capitalised expenditure according to plan	3	42,635	40,926
OPERATING PROFIT	1	69,151	84,237
Financial income and expenses	4		
Dividend income		317	1,055
Interest income from short-term investments		5,622	11,167
Other financial income		1,757	1,137
Net exchange gains and losses		338	- 932
Interest expenses		- 18,462	- 25,973
Other financial expenses		- 865	- 2,676
Total financial income and expenses		- 11,293	- 16,222
PROFIT BEFORE EXTRAORDINARY ITEMS AND INCOME TAXES		57,858	68,015
Extraordinary income and expenses			
Extraordinary income		0	0
Extraordinary expenses		0	0
Total extraordinary income and expenses		0	0
PROFIT BEFORE RESERVES AND INCOME TAXES		57,858	68,015
Depreciation in excess of plan	3, 11	- 18,348	- 29,087
Increase [-] or decrease [+] in voluntary reserves	11	45,519	55,059
Income taxes			
Income taxes, accounting period		- 24,218	- 22,224
Income taxes, previous periods		- 100	- 2,318
PROFIT FOR THE ACCOUNTING PERIOD		60,711	69,445

## PARENT COMPANY BALANCE SHEET

ASSETS	Note	31.12.1996	31.12.1995
<b>FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS</b>			
Intangible assets	5		
Intangible rights		1,063	582
Goodwill		8,015	10,420
Other capitalised expenditure		139	156
Advance payments		1,050	1,876
<b>Total</b>		<b>10,267</b>	<b>13,034</b>
Tangible assets	5		
Land and water		37,551	37,400
Buildings		99,978	106,396
Machinery and equipment		153,115	140,707
Other tangible assets		18,958	20,363
Advance payments and construction in progress		88	
<b>Total</b>		<b>309,690</b>	<b>304,866</b>
Non-current financial assets			
Subsidiary company shares	5, 7, 15	512,435	518,716
Shares and holdings in affiliate companies	5, 7, 15	1,745	1,754
Other shares and holdings	5, 15	39,859	40,508
Loan receivables		2,808	3,008
<b>Total</b>		<b>556,847</b>	<b>563,986</b>
<b>CURRENT ASSETS</b>			
Inventories			
Raw materials and consumables		26,648	25,563
Work in progress		70,615	36,525
Finished goods		62,549	66,982
<b>Total</b>		<b>159,812</b>	<b>129,070</b>
Receivables	9		
Accounts receivables		88,440	62,154
Loan receivables		2,667	2,578
Prepaid expenses and accrued income		5,904	6,149
Other receivables		51,322	78,867
<b>Total</b>		<b>148,333</b>	<b>149,748</b>
Marketable securities included in current assets			
Shares and holdings		5,000	5,000
Other securities		77,645	155,416
<b>Total</b>		<b>82,645</b>	<b>160,416</b>
Cash in hand and at bank		8,578	15,829
		<b>1,276,172</b>	<b>1,336,949</b>

<b>LIABILITIES</b>	Note	31.12.1996	31.12.1995
<b>SHAREHOLDERS' EQUITY</b>			
Restricted equity	10		
Share capital		162,000	162,000
Reserve fund		27,000	27,000
Revaluation reserve		1,484	1,484
<b>Total</b>		<b>190,484</b>	<b>190,484</b>
Unrestricted equity	10		
Retained earnings		251,019	197,774
Profit for the accounting period		60,711	69,445
<b>Total</b>		<b>311,730</b>	<b>267,219</b>
<b>RESERVES</b>			
Accumulated depreciation in excess of plan	11	175,104	156,757
Voluntary reserves			
Transition reserve		34,762	77,598
<b>Total</b>		<b>34,762</b>	<b>77,598</b>
<b>LIABILITIES</b>			
Non-current	9		
Loans from financial institutions	12	110,140	141,772
Pension fund loans		97,138	104,450
Other non-current liabilities	13	1,875	1,925
<b>Total</b>		<b>209,153</b>	<b>248,147</b>
Current			
Loans from financial institutions		31,008	29,424
Pension fund loans		7,311	7,862
Advances received		84,610	44,293
Accounts payable		27,757	34,276
Accrued liabilities and deferred income		72,583	82,223
Other current liabilities		131,670	198,666
<b>Total</b>		<b>354,939</b>	<b>396,744</b>
		<b>1,276,172</b>	<b>1,336,949</b>

## PARENT COMPANY STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1.1.1996 - 31.12.1996	1.1.1995 - 31.12.1995
<b>BUSINESS OPERATIONS</b>		
Income financing		
Profit from operations before depreciation	111,787	125,163
Financial income and expenses	- 11,293	- 16,223
Income taxes	- 24,319	- 24,541
<b>Total</b>	<b>76,175</b>	<b>84,399</b>
Change in working capital		
Increase [-] or decrease [+] in inventories	- 30,742	1,010
Increase [+] or decrease [-] in advances against work in progress	40,318	- 16,118
Increase [-] or decrease [+] in current receivables	1,414	- 9,636
Increase [+] or decrease [-] in interest-free current liabilities	- 17,159	- 12,808
<b>Total</b>	<b>- 6,169</b>	<b>- 37,552</b>
<b>Cash-flow from business operations</b>	<b>70,006</b>	<b>46,847</b>
<b>INVESTMENTS</b>		
Increases in fixed assets	- 49,511	- 63,175
Disposal of and changes in fixed assets	11,758	17,611
<b>Total</b>	<b>- 37,753</b>	<b>- 45,564</b>
<b>Cash-flow before financing</b>	<b>32,253</b>	<b>1,283</b>
<b>FINANCING</b>		
Increase (-) or decrease (+) in non-current loan receivables	200	578
Increase (+) or decrease (-) in non-current liabilities	- 39,044	- 39,959
Increase (+) or decrease (-) in current liabilities	- 64,914	53,566
Distribution of dividend	- 16,200	- 16,200
<b>Financing cash-flow</b>	<b>- 119,958</b>	<b>- 2,015</b>
<b>Change in liquid funds as per the statement</b>	<b>- 87,705</b>	<b>- 732</b>
<b>Adjustment item</b>	<b>2,683</b>	<b>2,903</b>
<b>INCREASE (+) OR DECREASE (-) IN LIQUID FUNDS</b>	<b>- 85,022</b>	<b>2,171</b>

## CONSOLIDATION PRINCIPLES AND METHODS

### Scope of Consolidated financial statements

The final accounts of all the Group's subsidiary and affiliated companies have been included in the final accounts of the Group. Detailed information concerning subsidiary and affiliated companies of the Group is given in the notes to the financial statements, section "Group, subsidiary and other companies".

### Consolidation principles

#### Inter-group interests

Inter-group share-holdings have been eliminated using the past equity method, whereby the cost of shares in subsidiaries has been eliminated against shareholders' equity at the time of acquisition. Subsidiary company's reserves at the time of acquisition less deferred tax liability are contained in shareholders' equity. Where the cost of share acquisitions in subsidiaries exceeds the value of equivalent shareholder equity, the excess is assigned to fixed assets and/or goodwill. Goodwill accrued prior to 1.9.1993 is written off over 10 years and after that date over 5 years.

#### Untaxed reserves

The change in untaxed reserves of the Group companies is shown in the consolidated income statement as a change in deferred tax and as profit for the accounting period. In the consolidated balance sheet the untaxed reserves are divided between deferred tax liability and unrestricted equity. The deferred tax liability is computed using a 28% tax rate.

#### Inter-group transactions and internal margin

Inter-group transactions and the internal margin contained in inventories have been eliminated in the consolidated income statement, as have inter-group receivables and liabilities, and likewise inter-group dividend payments.

#### Minority interest

Minority interest has been separated out from the Group's profit and shareholders' equity and entered as its own item in both the Group income statement and balance sheet.

#### Translation difference

Figures from the final accounts of foreign subsidiaries have been converted into Finnish markka at the exchange rate quoted by the Bank of Finland on the date of closure of the books.

Currency exchange differences stemming from elimination of the foreign subsidiaries' shareholders' equity have been entered in the unrestricted equity.

#### Affiliated companies

The books of affiliated companies have been consolidated using the equity method. The Group's share of earnings from affiliated companies according to share-ownership is entered in the income statement as a separate item above profit from operations before depreciation.

## VALUATION AND PERIODISING OF FIXED ASSETS

Fixed assets are shown in the balance sheet at original acquisition costs less accumulated annual planned depreciation. In addition the values of land, buildings and stocks include revaluation increases made in previous years.

Depreciation according to plan is computed using the straight-line method and is based on the economic lifetimes of the assets.

Depreciation periods are as follows:

Immaterial goods	
- goodwill	5 or 10 years
- others	5 or 10 years
Office buildings	40 years
Other buildings	15 – 25 years
Machinery and equipment	4 – 10 years
Other material goods	
- mineral deposits	depreciation for decrease of substance
- others	10 year

## VALUATION OF INVENTORIES

Inventories have been valued according to the FIFO principle at the immediate acquisition cost, lower new acquisition price or probable selling price. The value of inventories includes the variable expenditure related to acquisition and production.

## MARKETABLE SECURITIES INCLUDED IN CURRENT ASSETS

Marketable securities included in current assets have been valued at their acquisition cost or at their market value if lower.

## FOREIGN CURRENCY ITEMS

Receivables and liabilities denominated in foreign currency have been valued at the average rate of exchange as quoted by the Bank of Finland on the last day of the accounting period. A cautionary stand has been taken in respect of foreign currency loans in so far that non-realised foreign exchange losses have been deducted from earnings whereas profits have not been added.

Foreign currency receivables and liabilities protected by forward exchange contracts are valued at the forward rate and the forward interest share is periodised on the accrual basis.

If the incoming or outgoing cash-flow is covered by forward exchange contracts, the effect on earnings is entered only upon their maturity.

## PENSION LIABILITY

Pension security for employees of the Group, inclusive of additional benefits, is covered through policies with pension insurance companies.

## REVENUE FROM CONSTRUCTION PROJECTS

Revenue from construction projects is recorded upon final completion and handing over to the client. In the event that a loss is expected from a project in progress, this is entered in total as expenditure.

## RESEARCH AND DEVELOPMENT COSTS

R&D costs are entered as an annual expenditure.

## NOTES TO THE INCOME STATEMENT

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>1. DISTRIBUTION OF NET SALES AND OPERATING PROFIT</b>				
<b>Net sales by business area</b>				
Paving and Mineral Aggregates Division	888,329	973,500	765,630	947,845
Building Materials Division	308,417	262,086	271,540	262,086
Lemminkäinen Construction Ltd.	807,535	593,639		
Oy Alfred A. Palmberg Ab	947,033	917,624		
Intragroup sales / others	- 53,305	- 28,114	7,508	22,556
<b>Total</b>	<b>2,898,009</b>	<b>2,718,735</b>	<b>1,044,678</b>	<b>1,232,487</b>
<b>Net sales by market area</b>				
Domestic	2,186,225	2,243,439	938,863	1,043,340
Nordic area	162,586	94,925	36,522	75,082
Eastern Europe	327,692	322,348	63,153	113,494
Western Europe	146,115	20,151	1,954	431
Asia	72,070	27,756	3,706	140
Africa	3,321	10,116	480	
<b>Total</b>	<b>2,898,009</b>	<b>2,718,735</b>	<b>1,044,678</b>	<b>1,232,487</b>
<b>Operating profit by business area</b>				
Paving and Mineral Aggregates Division	73,395	92,032	72,631	90,509
Building Materials Division	- 2,346	- 8,057	- 3,912	- 7,529
Lemminkäinen Construction Ltd.	10,423	19,999		
Oy Alfred A. Palmberg Ab	20,459	7,001		
Group eliminations / others	- 7,271	- 22,961	430	1,257
<b>Total</b>	<b>94,660</b>	<b>88,014</b>	<b>69,151</b>	<b>84,237</b>
<b>2. PERSONNEL EXPENSES, MANAGEMENT PENSION COMMITMENTS AND NUMBERS OF PERSONNEL</b>				
Salaries and wages	427,736	427,819	218,311	228,019
Pension fund payments	73,605	75,626	37,519	41,061
Other personnel related expenses	68,054	70,280	31,011	38,511
Personnel expenses in income statement	569,395	573,725	286,841	307,591
Fringe benefits	7,891	7,811	3,386	3,522
<b>Total</b>	<b>577,286</b>	<b>581,536</b>	<b>290,227</b>	<b>311,113</b>
Salaries of Board members and managing director	7,643	8,361	1,610	1,901
Total salaries and wages	426,454	426,405	218,928	232,100
The retirement age for the managing directors of Lemminkäinen Oy, Oy Alfred A. Palmberg Ab and Lemminkäinen Construction Ltd. is 60.				
Retirement age for the managing directors of other companies of the Group is statutory under Finnish labour law.				
<b>Employees on average by business sector</b>				
Paving and Mineral Aggregates Division	941	994	871	949
Building Materials Division	472	462	445	445
Lemminkäinen Construction Ltd	422	480		
Oy Alfred A. Palmberg Ab	802	726		
<b>Total</b>	<b>2,637</b>	<b>2,662</b>	<b>1,316</b>	<b>1,394</b>

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>3. DEPRECIATION</b>				
According to plan				
Intangible rights	890	411	373	350
Goodwill	1,507	2,110	2,405	2,405
Other capitalised expenditure	177	318	17	17
Buildings	14,152	14,600	6,606	6,634
Machinery and equipment	49,830	50,598	31,933	30,222
Other tangible assets	1,533	1,417	1,301	1,298
<b>Total</b>	<b>68,089</b>	<b>69,454</b>	<b>42,635</b>	<b>40,926</b>
Goodwill on consolidation	17,129	16,780		
<b>Total</b>	<b>85,218</b>	<b>86,234</b>		
Change in excess depreciation				
Intangible rights	754	- 10	684	
Buildings	7,294	- 11,630	- 1,336	- 1,364
Machinery and equipment	15,952	33,395	19,000	33,451
Subsidiary company shares				- 3,000
Other tangible assets	1,986	6		
Other capitalised expenditure	- 326	458		
<b>Total</b>	<b>25,660</b>	<b>22,219</b>	<b>18,348</b>	<b>29,087</b>
<b>4. INTRA-GROUP FINANCIAL INCOME AND EXPENSES</b>				
Financial income received from Group companies				
Dividend income				920
Interest income from short-term investments			1,878	3,398
<b>Total</b>			<b>1,878</b>	<b>4,318</b>
Financial expenses paid to Group companies				
Interest expenses			3,254	5,013

## NOTES TO THE BALANCE SHEET

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>5. FIXED ASSETS AND OTHER CAPITALISED EXPENDITURE AND ACCUMULATED DEPRECIATION</b>				
<b>Intangible rights</b>				
Acquisition cost at start of accounting period	5,771	6,941	5,442	6,500
Increases during accounting period	3,090	452	854	285
Decreases during accounting period	- 3,165	- 1,622	- 3,241	- 1,343
Acquisition cost at end of accounting period	5,696	5,771	3,055	5,442
Accumulated depreciation according to plan at end of accounting period	- 2,724	- 5,033	- 1,992	- 4,860
Book value at end of period	2,972	738	1,063	582
Accumulated depreciation in excess of plan at start of period	- 10			
Increase in excess depreciation during the period	754		684	
Decrease in excess depreciation during the period		- 10		
Accumulated depreciation in excess of plan at end of period	744	- 10	684	
<b>Goodwill</b>				
Acquisition cost at start of accounting period	15,988	15,788	20,576	16,801
Increases during accounting period		200		3,775
Decreases during accounting period	- 5,428		- 2,410	
Acquisition cost at end of accounting period	10,560	15,988	18,166	20,576
Accumulated depreciation according to plan at end of accounting period	- 8,354	- 12,275	- 10,151	- 10,156
Book value at end of period	2,206	3,713	8,015	10,420
<b>Consolidated goodwill</b>				
Acquisition cost at start of accounting period	163,492	169,388		
Increases during accounting period	6			
Decreases during accounting period		- 5,896		
Acquisition cost at end of accounting period	163,498	163,492		
Accumulated depreciation according to plan at end of period	- 95,462	- 78,333		
Book value at end of period	68,036	85,159		
<b>Other long-term expenses</b>				
Acquisition cost at start of accounting period	4,046	4,515	173	
Increases during accounting period		191		173
Decreases during accounting period	- 399	- 660		
Acquisition cost at end of accounting period	3,647	4,046	173	173
Accumulated depreciation according to plan at end of period	- 945	- 1,228	- 34	- 17
Book value at end of accounting period	2,702	2,818	139	156
Accumulated depreciation in excess of plan at start of period	367	- 91		
Increase in excess depreciation during the period	2	458		
Decrease in excess depreciation during the period	- 328			
Accumulated depreciation in excess of plan at end of period	41	367		



	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>Advance payments</b>				
Acquisition cost at start of accounting period	3,500		1,876	
Increases during accounting period	733	3,500	650	1,876
Decreases during accounting period	- 3,100		- 1,476	
Book value at end of accounting period	1,133	3 500	1,050	1,876
<b>Land</b>				
Acquisition cost at start of accounting period	41,960	41,711	37,400	36,569
Increases during accounting period	403	605	403	1,186
Decreases during accounting period	- 612	- 356	- 252	- 355
Book value at end of accounting period	41,751	41,960	37,551	37,400
Revaluation increases included in acquisition cost of land at start of accounting period	14,854	14,504	14,504	14,504
Increases during accounting period		350		
Decreases during accounting period	- 350			
Revaluation increases included in acquisition cost of land at end of accounting period	14,504	14,854	14,504	14,504
<b>Buildings</b>				
Acquisition cost at start of accounting period	390,715	388,526	162,098	161,693
Increases during accounting period	5,261	2,984	571	405
Decreases during accounting period	- 18,092	- 795	- 382	
Acquisition cost at end of accounting period	377,884	390,715	162,287	162,098
Accumulated depreciation according to plan at end of period	- 129,278	- 132,826	- 63,309	- 55,702
Book value at end of accounting period	248,606	257,889	99,978	106,396
Accumulated depreciation in excess of plan at start of period	30,186	41,816	20,090	21,454
Increase in excess depreciation during the period	8,630	121		
Decrease in excess depreciation during the period	- 1,336	- 11,751	- 1,336	- 1,364
Accumulated depreciation in excess of plan at end of period	37,480	30,186	18,754	20,090
Revaluation increases included in acquisition cost of buildings at start of period	15,460	15,460	15,460	15,460
Revaluation increases included in acquisition cost of buildings at end of period	15,460	15,460	15,460	15,460
<b>Machinery and equipment</b>				
Acquisition cost at start of accounting period	442,796	415,316	291,803	260,867
Increases during accounting the accounting period	55,795	73,560	46,018	64,055
Decreases during accounting the accounting period	- 56,197	- 46,080	- 37,252	- 33,119
Acquisition cost at end of accounting period	442,394	442,796	300,569	291,803
Accumulated depreciation according to plan at end of accounting period	- 226,306	- 229,669	- 147,454	- 151,096
Book value at end of accounting period	216,088	213,127	153,115	140,707

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
Accumulated depreciation in excess of plan at start of period	172,020	138,625	125,187	91,736
Increase in excess depreciation during the period	24,264	41,471	19,000	33,451
Decrease in excess depreciation during the period	- 8,311	- 8,076		
Accumulated depreciation in excess of plan at end of period	187,973	172,020	144,187	125,187
<b>Other tangible assets</b>				
Acquisition cost at start of accounting period	35,753	33,681	32,818	30,109
Increases during accounting period	15,573	2,418	261	3,309
Decreases during accounting period	- 1,345	- 346	- 1,284	- 600
Acquisition cost at end of accounting period	49,981	35,753	31,795	32,818
Accumulated depreciation according to plan at end of accounting period	- 13,205	- 12,797	- 12,837	- 12,455
Book value at end of accounting period	36,776	22,956	18,958	20,363
Accumulated depreciation in excess of plan at start of period	- 4	- 10		
Increase in excess depreciation during the period	1,986	6		
Accumulated depreciation in excess of plan at end of period	1,982	- 4		
<b>Advance payments and construction in progress</b>				
Acquisition cost at start of accounting period				
Increases during accounting period	1,073		88	
Book value at end of accounting period	1,073		88	
<b>Subsidiary company shares</b>				
Acquisition cost at start of accounting period			518,716	536,020
Increases during accounting period			276	159
Decreases during accounting period			- 6,557	- 17,463
Book value at end of accounting period			512,435	518,716
Accumulated depreciation in excess of plan at start of period			11,480	14,480
Decrease in excess depreciation during the accounting period				- 3,000
Accumulated depreciation in excess of plan at end of period			11,480	11,480
<b>Affiliate company shares and holdings</b>				
Acquisition cost at start of accounting period	4,773	3,633	1,754	1,754
Increases during accounting period	160	1,140		
Decreases during accounting period	- 9		- 9	
Book value at end of accounting period	4,924	4,773	1,745	1,754

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>Other shares and holdings</b>				
Acquisition cost at start of accounting period	<b>48,158</b>	45,323	<b>40,508</b>	38,005
Increases during accounting period	<b>711</b>	3,925	<b>395</b>	3,205
Decreases during accounting period	<b>- 1,466</b>	- 1,090	<b>- 1,044</b>	- 702
Book value at end of accounting period	<b>47,403</b>	48,158	<b>39,859</b>	40,508
Revaluation increases of other shares included in the acquisition cost at the start of period	<b>2,355</b>	2,355	<b>2,355</b>	2,355
Decreases during period	<b>- 74</b>		<b>- 74</b>	
Revaluation increases of other shares included in the acquisition cost at the end of period	<b>2,281</b>	2,355	<b>2,281</b>	2,355

#### 6. TAXABLE VALUE OF FIXED ASSETS

Land	<b>31,872</b>	30,117	<b>29,408</b>	28,589
Buildings	<b>108,870</b>	117,482	<b>58,135</b>	61,674
Subsidiary company shares			<b>316,209</b>	244,148
Shares and holdings	<b>67,846</b>	63,635	<b>27,987</b>	24,733

#### 7. PARENT COMPANY'S LONG-TERM INVESTMENTS IN GROUP AND AFFILIATE COMPANIES

Subsidiary company shares			<b>512,435</b>	518,715
Affiliate company shares			<b>1,745</b>	1,754

#### 8. MARKET VALUE OF SECURITIES CONTAINED IN INVENTORIES

Shares in inventories

Total market value	<b>170,011</b>	213,783
Corresponding book value	<b>170,011</b>	213,783
Difference	<b>0</b>	0

Total asking price of residential apartments has been taken for their market value.

#### 9. RECEIVABLES AND LIABILITIES / GROUP AND AFFILIATED COMPANIES

Receivables

Accounts receivable / Group subsidiaries			<b>7,283</b>	4,162
Accounts receivable / Affiliated companies			<b>706</b>	1,196
Other receivables / Group subsidiaries			<b>51,421</b>	75,822
Total			<b>59,410</b>	81,180

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>Liabilities</b>				
Advances received / Group subsidiaries				7,002
Accounts payable / Group subsidiaries			2,193	3,253
Accounts payable / Group subsidiaries			600	592
Other current liabilities / Group subsidiaries			131,073	197,940
Total			133,866	208,787
<b>10. CHANGES IN SHAREHOLDERS' EQUITY</b>				
<b>Restricted equity</b>				
Share capital at start of accounting period	162,000	162,000	162,000	162,000
Share capital at end of accounting period	162,000	162,000	162,000	162,000
Reserve fund at start of accounting period	27,000	27,000	27,000	27,000
Profit from emission	450			
Reserve fund at end of accounting period	27,450	27,000	27,000	27,000
Revaluation reserve at start of accounting period	1,484	1,484	1,484	1,484
Revaluation reserve at end of accounting period	1,484	1,484	1,484	1,484
Restricted equity at end of accounting period	190,934	190,484	190,484	190,484
<b>Unrestricted equity</b>				
Unrestricted equity at start of accounting period	354,490	344,088	267,219	213,974
Distribution of dividend	- 16,200	- 16,200	-16,200	- 16,200
Reversal of valuation gain	- 350			
Profit for accounting period	52,715	26,602	60,711	69,445
Unrestricted equity at end of period	390,655	354,490	311,730	267,219
Equity share of untaxed reserves at end of accounting period	88,765	109,742		
Distributable unrestricted equity	301,890	244,748		

The equity portion of untaxed reserves of subsidiaries at the time of acquisition has been eliminated from the Group's unrestricted equity.

#### 11. CHANGES IN EXCESS DEPRECIATION AND UNTAXED RESERVES

##### Depreciation in excess of plan and voluntary reserves

##### Accumulated depreciation in excess of plan

Balance sheet value at start of accounting period		156,757	127,670
Increases during the period		18,347	29,087
Balance sheet value at end of accounting period		175,104	156,757

##### Replacement reserve

Balance sheet value at start of accounting period			9,982
Decreases during the period			- 9,982
Balance sheet value at end of accounting period			0

##### Transition reserve

Balance sheet value at start of accounting period		77,598	119,771
Increases during the period		2,683	2,903
Decreases during the period		- 45,519	- 45,076
Balance sheet value at end of accounting period		34,762	77,598

	CONSOLIDATED		PARENT COMPANY	
	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995	1.1.1996- 31.12.1996	1.1.1995- 31.12.1995
<b>Accumulated depreciation in excess of plan and untaxed reserves in the financial statements of the individual companies of the Group:</b>				
Accumulated depreciation in excess of plan	<b>229,701</b>	206,004		
Untaxed reserves	<b>206,902</b>	262,821		
<b>Total</b>	<b>436,603</b>	468,825		
Deferred tax on untaxed reserves	<b>122,249</b>	131,271		
Equity share of untaxed reserves	<b>314,354</b>	337,554		
Portion of equity share eliminated at time of acquisition	<b>225,589</b>	227,812		
Portion of equity share included in unrestricted equity	<b>88,765</b>	109,742		
Obligatory reserves				
Guarantee reserves				
Balance sheet value at start of accounting period	<b>4,377</b>	2,479		
Increases during the period	<b>3,744</b>	1,898		
Decreases during the period	<b>- 1,136</b>			
Balance sheet value at end of accounting period	<b>6,985</b>	4,377		
12. LIABILITIES DUE AFTER 5 YEARS OR LATER				
Loans from financial institutions	<b>142,728</b>	132,457	<b>13,890</b>	37,333
Pension fund loans	<b>74,536</b>	104,676	<b>72,665</b>	78,134
Other non-current liabilities	<b>500</b>	500		
<b>Total</b>	<b>217,764</b>	237,633	<b>86,555</b>	115,467
13. WARRANT BONDS				
	<b>1,875</b>	1,925	<b>1,875</b>	1,925
Warrant bond issue offered to management:				
- The warrant bond issue was FIM 1,875,000, which has been subscribed in full				
- The issue matures in four years				
- Interest will be 1% below the Bank of Finland's base rate				
- Subscription price is FIM 57.41 per share				
- Subscription period which commenced 2.1.1995 is annually 2. Jan - 30. Nov., expiring on 23. May 1998				
- With every FIM 1,000 of warrant bonds comes a certificate conferring the holder entitlement to subscribe to 450 Lemminkäinen Oy shares at the above mentioned subscription price				
- Through the bond issue the capital stock may be increased by a maximum of FIM 8,437,500, which gives entitlement to a 5.0 % shareholding and voting rights in the company				
- New shares give entitlement to receive dividend once during the accounting period in which the shares were subscribed				
- Other share-ownership rights transfer to the holder once the increase in equity is entered into the trade register.				
14. CONTINGENT LIABILITIES				
Specified securities, mortgages, guarantees and liabilities				
Own liability				
Bonds pledged as security	<b>130,108</b>	140,246	<b>10,972</b>	11,018
Mortgaged bearer bonds	<b>525,613</b>	482,823	<b>274,775</b>	274,775
On behalf of subsidiary companies				
Guarantees given			<b>385,748</b>	346,641
On behalf of others				
Guarantees given	<b>113</b>	7,379	<b>113</b>	159
Other own contingent liabilities				
Pension liabilities	<b>216</b>	210		

No pledges or contingent liabilities have been given in favour of management, shareholders or affiliated companies. Likewise the company has no liabilities stemming from derivatives' trading agreements.

15. SHARES AND HOLDINGS OF THE GROUP AND PARENT COMPANY

SHAREHOLDINGS IN SUBSIDIARY COMPANIES, 31st Dec. 1996

COMPANY	CONSOLIDATED			PARENT COMPANY			Book-value of share holding in other companies of the Group	Operating profit/loss in last balance sheet
	Share of ownership (%)	Voting rights (%)	Share of stockholder's equity	Share of ownership (%)	Shares owned (No.)	Nominal value of share holding		
Oy Finnasfalt Ab	100.0	100.0	30	100.0	60	15	23	- 1
Kainuun Murske Oy	54.2	54.2	- 64	54.2	13	65	885	- 9
Lemminkäinen Construction Ltd	100.0	100.0	41,894	100.0	100	10,000	10,000	9,608
Sica Oy	100.0	100.0	208,294	100.0	1,003	10,030	332,639	7,992
Oy Alfred A. Palmberg Ab	100.0	100.0	78,975	52.0	2,551	2,551	166,242	9,839
Tielinja Oy	100.0	100.0	8,385	100.0	75	1,500	1,835	565
Lemcon Company S.A.	100.0	100.0		100.0	1,605		182	232
Lemcon Baumanagement GmbH	100.0	100.0	1,048	100.0	100		122	680
Lemminkäinen Svenska Ab	100.0	100.0	10	100.0	5	36	36	
Lemminkäinen A/S (Denmark)	100.0	100.0	- 2,166	100.0	200	157	400	- 2,559
Lemcon (U.K.) Ltd.	100.0	100.0	1	100.0	100	1	1	
Lemminkäinen Eesti AS	100.0	100.0	2,344	100.0	144	15	15	2,676
Omni-Sica Oy	100.0	100.0	1,038	100.0	300	50	55	948
Asfalttikeskus Oy	100.0	100.0	- 1					1
EKA-Asfaltti Oy	100.0	100.0	- 1					1
Takuuasfaltti Oy	100.0	100.0	- 1					1
As Rajar TI	58.0	58.0	212					27
WPL-System Oy	100.0	100.0	3,496					249
Neccos Oy	100.0	100.0	15					15
ZAO Lemminkäinen /St. Petersburg	100.0	100.0	4					4
ZAO Rakennus Lemminkäinen/Moscow	100.0	100.0						
Lemcon Latvija SIA	100.0	100.0	20					20
Lemcon Vilnius UAB	100.0	100.0	11					11
Rocca Al Mare Kaubanduskeskuse AS	100.0	100.0	1,677					2,285
Lemcon Polska Sp.z o.o	100.0	100.0	- 9					150
Kiinteistö Oy Esterinportti 2	100.0	100.0	44,363					135,657
Rakennustoimisto Palmberg Oy	100.0	100.0	- 701					4,855
Teollisuuden Rakennuspalvelu Oy	100.0	100.0	238					17,681
Oy Konte Ab	100.0	100.0	1,343					1,000
Palmberg-Rakennus Oy	100.0	100.0	1,906					1,000
Rakennusliike S. Horttanainen Oy	100.0	100.0	327					18,215
Byggnads Ab Forsström Rakennus Oy	90.0	90.0	4,001					900
Savocon Oy A-shares	92.0	92.0						1,829
Savocon Oy B-shares	100.0	100.0	1,427					315
Palmberg-Ürakkoitsijat Oy	90.0	90.0	308					270
AAP-Insinöörit Oy	100.0	100.0	15					15
Rakennus-Otava Oy	100.0	100.0	42					3,542
Oka Oy	70.0	70.0	2,258					14,645
Total							512,435	264,476

SHARES AND HOLDINGS IN ASSOCIATED COMPANIES, 31st Dec. 1996

COMPANY	CONSOLIDATED			PARENT COMPANY			Book-value of share holding in other companies of the Group	Operating profit/loss in last balance sheet	Closing date of accounts/ duration of financial period date/months
	Share of ownership (%)	Voting rights (%)	Share of shareholders' equity	Share of ownership (%)	Shares owned (No.)	Nominal value of share holding			
Pointti-Talo Oy	45.0	45.0	1,326	45.0	27	27	1,745	- 18	31.03.96/12
Oy Jakobe Ab	33.2	33.2	2,240					2,040	31.12.96/12
Oy Kokkobe Ab	26.4	26.4	117					117	30.06.96/12
Oy Tara-Element Ab	48.9	48.9	1,021					1,021	31.10.96/12
Total							1,745	3,178	

OTHER SHARES AND HOLDINGS, 31st Dec. 1996

COMPANY	Share of ownership %	Number of shares held	Nominal value of share holding	Book value
Aamulehti-Yhtymä Oy	0.5	1,296	13	191
Helsingin Puhelin Oy		284		484
Helsingin Arvopaperipörssi Oy	0.6	20,000		150
Kohdematkat Oy	9.3	50	50	250
Merita Pankki Oy		443,532	4,441	9,198
Oy Nordgolf Ab	6.0	69	1,125	1,320
Oulun Teknologia Oy		1,200	60	102
Sampo Vakuutus Oy		4,423	93	792
Scandinavian Link Finska Oy	7.7	100	100	100
Suomen Arvopaperikeskus Oy		2	140	140
Oy Talentum Ab A		11,700	59	1,426
Oy Talentum Ab B		35,100	176	
Tennis Tapiola Oy	3.1	509		323
Thomesto Trading Yhtiöt Oy		80,000	800	2,000
Vaasan Toripysäköinti Oy		3		240
Vierumäen Kuntokylä Oy	3.4	2,640	264	817
Property company shares				11,676
Residential company shares				16,111
Other shares and holdings				2,083
Total				47,403

## BOARD'S PROPOSAL FOR DISTRIBUTION OF PARENT COMPANY PROFIT

Unrestricted shareholders' equity of the Group is FIM 390,655,885.26, of which distributable retained profit FIM 301,890,731.29. Retained earnings from the previous year are FIM 251,019,506.94 and accounting period profit FIM 60,710,716.48, thus giving the parent company an unrestricted shareholders' equity of FIM 311,730,223.42. The Board of Directors will propose to the annual general meeting that a dividend of FIM 24,300,000.00 be distributed, after which retained earnings will stand at FIM 287,430,223.42.

Helsinki, 28th February 1997

Heikki Pentti

Paul Blomqvist

Juhani Sormaala

Erkki J. Pentti

Arvo Kaksonen

## AUDITORS' REPORT

To Lemminkäinen Oy shareholders,

We have audited the accounting records, the financial statements and the administration of Lemminkäinen Oy for the accounting period Jan. 1st 1996 - Dec.31st 1996. The financial statements prepared by the Board of Directors and the Managing Director comprise the board of directors report, consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with recognised accountancy principles. Accordingly we have inspected the accounting records and the accounting principles, contents and format of the financial statements in sufficient scope and have ascertained that the financial statement is free of any substantial error or shortcoming. In our inspection of the administration, we have assured ourselves that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's business result and financial position. The financial statements may be adopted and the members of the Board of Directors and the Managing Director of the parent company be discharged from liability for the accounting period audited by us. The appropriation of profits proposal by the Board of Directors is in compliance with the Companies' Act.

We have reviewed the interim report published during the accounting period. The interim report has been prepared in accordance with applicable regulations.

Helsinki, 11th March 1997

Joe Sundholm

Jan Holmberg

Authorised Public Accountant

Authorised Public Accountant

## PAVING AND MINERAL AGGREGATES DIVISION



Head of Paving and Mineral Aggregates Division,  
Mr. Matti Kokko B.Sc.

The Paving and Mineral Aggregates Division produces asphalt, re-cycled asphalt macadam and specialist paving. It carries out contracting in the fields of road paving, scarifying and road marking as well as quarrying and crushing. The division also produces mineral aggregates for sale.

Domestic production levels slumped in all sectors as demand fell for yet another consecutive year. This was caused mainly by reduced government funding and deviations from accustomed allocations together with the Finnish National Road Administration's own growth in the paving and road-marking contracting field.

In spite of growth in overseas operations exceeding 50%, the division's net sales fell 4%. The share of the division's net sales from overseas operations was 23% (14)

The low order book level at the end of the year is typical of the industry. Due to overseas work the order book level of FIM 225 million is considerably greater than previously.

FIM mill.	1996	1995
Net sales	<b>888.3</b>	973.5
Operating profit	<b>73.4</b>	92.0
Net investments	<b>37.4</b>	50.2
Employees	<b>941</b>	994

## Invoicing by business area

	1996 FIM mill.	1995 FIM mill.
Asphalt Paving	<b>801.9</b>	801.0
Mineral Aggregates	<b>161.2</b>	181.0
Tielinja Oy	<b>18.9</b>	22.4
Internal invoicing	<b>-46.5</b>	-28.1
<b>Total</b>	<b>935.5</b>	976.3

In Russia the Krim motorway paving contracts were completed as well as the first stage of the Vaalimaa to St. Petersburg highway contract. The second stage of the Vaalimaa to St. Petersburg highway and the Minsk highway contract are due for completion in 1997. Works also continue on the Lada car test track in Togliatti. In St. Petersburg the Unit is producing asphalt for sale and its own contracting use.

Contracts have been carried out in Estonia for the national Road Administration, the municipality of Tallinn and the private sector. On many contracts bitumen stabilisation was carried out to increase load-bearing capacities.

Lemminkäinen's asphalt business operations in Denmark grew, attaining a market share of 11%. A large motorway resurfacing contract in northern Jutland awarded late last year was completed on schedule in November.

At the end of the year a FIM 160 million contract was signed for upgrading of a highway north of Zambia's capital Lusaka. The project which is financed by the Danish foreign ministry's development aid department DANIDA is being implemented in a joint venture between Lemminkäinen Oy's subsidiary Lemminkäinen A/S and the Danish company Højgaard & Schultz A/S.

A total work-force of 701 (718) on average, were employed last year by the Paving Unit. The unit is headed by Mr. Matti Kokko.

## MINERAL AGGREGATES

Quarrying and crushing contracting demand was marginally down over the previous year. Domestically, the figure was roughly half that of demand at the beginning of this decade. Crushed aggregate's long lasting downward demand trend appears to be ending.

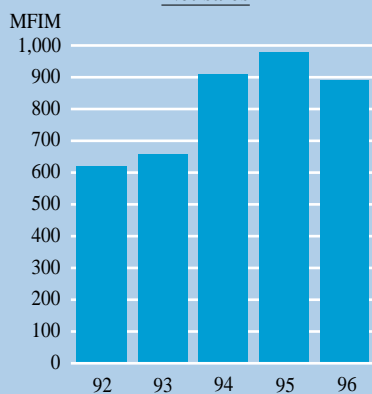
Widespread over-capacity in the quarrying industry kept margins keen.

Aggregate production for the year was 7.1 million tons (8.9). Lemminkäinen's market share of quarrying contracting fell but its share of aggregate sales conversely increased.

Invoicing for the Mineral Aggregates Unit was FIM 161.2 million. (181.0).

Important domestic contracts during the year were rail track ballast deliveries and quarrying and crushing in the first stage extension to the Ämmässuo municipal waste dump.

## Net sales



## ASPHALT PAVING

The domestic decline in demand continued. The value of work for the National Road Administration fell by 25%. The volumes of work from local authorities and the private sector remained at the previous year's levels.

The company produced 2.9 million tons (3.4) of asphalt and retained its position as Finland's leading producer. Domestic production reduced more than a fifth. Production overseas conversely increased by more than 40%.

The Paving Unit recorded a total invoicing of FIM 801.9 million (801.0) of which the overseas' business share was 25% (19).



Overseas, road stone deliveries for the Vaalimaa - St Petersburg highway resurfacing in Russia and rail-track ballast deliveries in Sweden were important contracts

The quarrying business interests and associated capital asset of Hämeen Kuljetus Oy were acquired on 30.9.1996.

Mineral Aggregates' operations employed a workforce of 134 (159) on average. The Senior manager of the Unit is Mr Juhani Innanen.

#### TIELINJA OY

Tielinja Oy carried out a total of 273,000 m<sup>2</sup> (934,000) of road markings in paint and a further 215,000 m<sup>2</sup> (295,000) in thermo-mastic. The company produced a combined 1,900,000 kg of marking mastic and dry packed building repair and facade renders.

The entry of the National Road Administration onto the municipal contracting scene and its increased presence in the road lining sector reduced the contracting market volume.

The company's invoicing was FIM 18.9 million (22.4).

Significant overseas road marking contracts were carried out in Estonia jointly with subsidiary AS Rajar TL for the Estonian National Road Administration and Tartu municipality. In Russia the company contracted lining works in conjunction with the Paving Unit in Moscow and Tosno.

At the year's end, both the Company's offices and production were there in new premises at Tervakoski.

Tielinja Oy employed a staff of 28 (20) on average for the period.

The managing director of the company is Mr. Risto Vento.

#### RESEARCH AND DEVELOPMENT

Lemminkäinen's Central Laboratory situated in Tuusula serves the whole Group's interests in development work, quality assurance and testing as well as undertaking technical assignments for the business units and their clients. In addition the laboratory carries out quality audits on the asphalt field laboratories both at home and abroad.

The laboratory has a staff of 12 (12) and is headed by Mr. Lars Forstén.



*Spray applied road marking.*



*Lemminkäinen holds an 11% market share of the asphalt business in Denmark. A company asphalt plant at Hjørring in Northern Jutland.*



*A transportable crushing plant.*



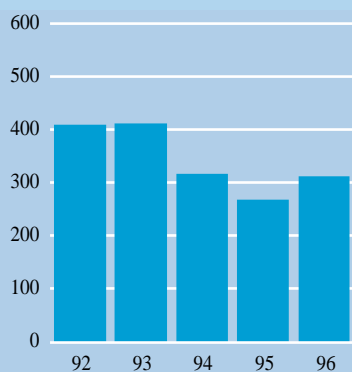
*Pavement re-surfacing at Kauhava airport.*

## BUILDING MATERIALS DIVISION



Head of Building Materials  
Division, Mr. Ari Junttila M.Sc.

FIM mill.	1996	1995
Net sales	<b>308.4</b>	262.1
Operating profit	<b>- 2.3</b>	- 8.1
Net investments	<b>8.6</b>	- 0.8
Employees	<b>472</b>	462



The Building Materials Division's operations comprise building product manufacturing and importing as well as product-related contracting. Primary product groups are bitumen-based roofing materials and concrete and natural stone products.

The past financial year has seen the substantial conclusion of rationalisation and reorganisation measures within the Division which have continued over several years and taxed the Division's results. During this same period, however, production efficiency and quality assurance systems have been systematically developed. The cost burden from sold-off and terminated business operations is lightening.

The Building Material Division's profit trend was favourable during 1996. This was helped by modest stimulation in the market during the summer and autumn coupled with end of year weather favourable to contracting. Government and building industry joint measures to combat the so-called grey economy aided recovery in the contracting market.

## Invoicing by business area

	1996 FIM mill.	1995 FIM mill.
Roofing	<b>213.5</b>	180.0
Concrete products	<b>76.6</b>	68.7
Omni Sica Oy	<b>36.2</b>	17.4
Other	<b>0.2</b>	22.8
Internal invoicing	<b>- 1.0</b>	- 1.7
<b>Total</b>	<b>325.5</b>	287.2

## ROOFING MATERIALS PRODUCTION AND ROOFING CONTRACTING

Lemminkäinen is the country's leading bituminous roofing manufacturer and contractor. The Roofing Unit's sales and profitability showed a positive trend over the financial period with noticeable growth from the roofing contracting field and material export where growth came from new export countries.

The Roofing invoicing was FIM 213.5 million (180.0).

The second phase of the Lohja roofing felt factory investment program was completed in February 1996. This program included renewal of the entire felt finishing system, installation of automatic thickness measurement equipment and increasing the level of production automation. The third phase of the investment program is scheduled for implementation in summer 1997.

Training and implementation stage was achieved in development of the roofing contracting quality system. The whole work-force has participated in developing the quality assurance scheme. A significant result of the work has been the publishing of the Roofers Handbook, a compilation of all the fundamental information a roofer could need.

The average number of employees was 287 (267). The senior manager is Mr. Ari Junttila.

## CONCRETE PRODUCTS AND URBAN ENVIRONMENT CONSTRUCTION

After a quiet start to the year, demand for pre-cast concrete stairs climbed from last year's level. Of the stone paving and accessories product range, demand for granite products was brisk whereas concrete remained at last year's level. Terrazzo flooring and urban environment contracting maintained their previous levels.

Invoicing for the Concrete Products was FIM 76.6 million (68.7).

Contracts during the accounting period worthy of mention are the Vuosaari shopping precinct, where the Concrete Products Unit supplied stair units, terrazzo flooring and external stone paving, the town-centre paving in Lammi and the pedestrian thoroughfare paving in Kerava, which was awarded the 1996 Best Urban Environment award.

Towards the end of the year an agreement was signed for the purchase of Partek-Betonila's pre-cast stair manufacturing business, which has factories at Lohja and Hämeenlinna. Partek-Betonila's stair production net sales figure for 1996 was c. FIM 13 million compared with FIM 15 million for Lemminkäinen's equivalent business operations. The aim of this rationalisation measure is to bring production capacity in line with the prevailing low demand.

Average personnel for the period was 120 (128). Concrete Products is headed by Mr. Juhani Uljas.

#### OMNI-SICA OY

Omni-Sica Oy is engaged in the import of building products and installation contracting of sporting facilities' floor coverings and water proofing. The main product lines are Cape building boards, Mondo floor coverings, Audience spectator stands and various sports field coverings.

Recovery in the sports-related building sector last year increased the volume of contracting business carried out by the company. Important projects were the track renewals in sports stadiums at Kauniainen and Kouvola and the spectator seating deliveries for Helsinki's new ice stadium. Abroad the company renewed the sports track surfacing at the University of Tartu in Estonia.

The company's invoicing was FIM 36.2 million (17.4). The average number of employees was 26 (17). Omni Sica's managing director is Mr. Erkki J. Pentti.

*Roofing material exports grew as a result of inroads into new markets. The company exported roofing shingles to South Korea.*



*Demand for granite products was brisk.*



*Lemminkäinen is Finland's leading producer of bituminous roofing products.*



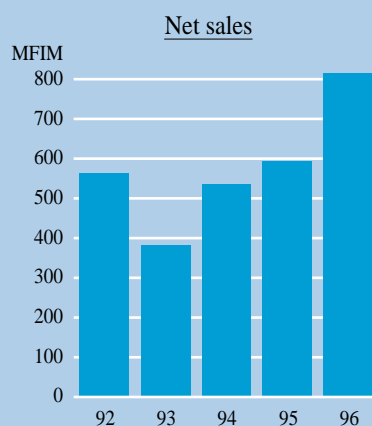
*Omni-Sica Oy re-surfaced the Kauniainen sports track with Novotan rubberised asphalt.*

## LEMMINKÄINEN CONSTRUCTION LTD.



Managing director,  
Mr. Matti A. Mantere M.Sc.

FIM mill.	1996	1995
Net sales	<b>807.5</b>	593.6
Operating profit	<b>10.4</b>	20.0
Net investments	<b>2.8</b>	3.5
Employees	<b>422</b>	480



Lemminkäinen Construction Ltd. operated in ten countries in addition to its domestic interests. International operations represented roughly 60% of total business volume. In Finland the company concentrated on civil engineering and project management contracting.

The unstable situation in Russia affected the company's operations there. On the Finnish market, demand was weak, which was reflected in both net sales and profitability. The order book showed improvements in the last quarter and at the end of year stood at FIM 541 million (413). This creates an improved forecast for the current financial period. Lemminkäinen Construction Ltd.'s profitability weakened over the previous year's and was FIM 10.4 million (20.5).

## Invoicing by business area

	1996 FIM mill.	1995 FIM mill.
Civil Engineering	<b>221.4</b>	255.7
Overseas Operations	<b>264.0</b>	261.4
Project Management	<b>102.4</b>	174.4
WPL System Oy	<b>29.9</b>	55.2
Internal invoicing	<b>-17.9</b>	<b>-9.9</b>
Total	<b>599.8</b>	736.8

## CIVIL ENGINEERING

Civil Engineering invoicing was FIM 221.4 million (255.7).

Demand in the tunneling sector weakened temporarily to a considerable extent. The most significant project was on the rapid transit commuter rail link in eastern Helsinki where three contracts have been implemented over FIM 100 million in value. The last of these, for the station at Puotila, will be handed over in the spring of 1997. The most technically demanding work carried out last year was the connecting tunnel between the Stockmann department store and the Forum underground parking cavern in the centre of Helsinki's shopping district. Construction works continued on hydro-electric power stations at Myllykoski and Kyröskoski.

Contracts with the national rail track operator Oy VR-Rata Ab on the fourth track to the main line out of Helsinki continued. Work commenced on a FIM 100 million flyover and interchange contract. In Sweden the Strängnäs rail tunnel was completed and in the autumn of

1996, ground was broken on what will be Sweden's longest railway tunnel at Norrala near Söderhamn.

The average number of personnel employed was 229 (226).

Civil Engineering operations are headed by Mr. Erkki Holopainen

## OVERSEAS OPERATIONS

Total invoicing for the period from overseas projects but excluding project management contracting was FIM 264.0 million (261.4), of which over half was generated from the St Petersburg and Baltic state areas.

Operations were again strongly focused on Russia. The more significant markets were St Petersburg and western Siberia. Several refurbishment and new building contracts were under way in St Petersburg, the most notable of which being for the Hermitage Arts Repository, the Russian Federation Savings Bank and the Moscow Industrial Bank. Projects successfully completed were Vena Brewery bottling plant and a production plant for electronics enterprise GD Lomo. Contracts were signed with new clients, amongst others: Aeroflot, the Russian Academy of Science and October Railways.

The company's largest overseas project was a residential art school and cultural centre being built in Khanti-Mansiisk in western Siberia. In the same region building works commenced on a TV and radio centre. Several smallish refurbishment contracts were carried out in Moscow. Near to the end of the year a contract was signed with a French haulage and forwarding enterprise for construction of a logistics centre on the outskirts of Moscow. The project value is about FIM 90 million.

The company's operations in the Baltic region expanded into all three Baltic states. In Tallinn, Estonia, the Finnish embassy building, an exacting refurbishment project, was handed over to the client and works commenced on construction of the southern ring road. The emphasis in the Baltic region was predominantly on water treatment. Four projects are currently under way in this category, the most noteworthy being the waste-water treatment plant for the city of Klaipeda in Lithuania.

The company's operations continue also in China and Sri Lanka. Opportunities in other South-East Asian countries, centred mainly around the environmental sector, are currently

being explored. A subsidiary company was established in Poland.

Overseas operations are split into two profit centres, viz. Overseas Operations headed by Mr Osmo S Härkönen and Baltic & NW Russia Unit headed by Mr Timo U Korhonen. These jointly employed 146 (153) in total.

#### PROJECT MANAGEMENT CONTRACTING

Project management contracting invoicing was FIM 102.4 million (174.4).

As in 1995 operations centred on Germany in addition to domestic activities. During the financial period operations expanded geographically, encompassing both Russia and the Baltic states.

At Bochum in Germany work reached completion on a distribution centre and service building for Nokia Mobile Phones Produktionsgesellschaft GmbH and building works started on a mobile phone factory for the same client. Pre-construction design work was completed for an ice stadium in the town of Regensburg with preparations getting under way at the end of the year following the town's go-ahead decision for the project.

On the domestic scene, noteworthy projects were the Nokia Telecommunications' Telekara R&D building in Espoo, which was handed over to the client ahead of schedule, and the Espoo Bay ice stadium, where work got under way during the summer. A consultancy brief was undertaken on the Akonniemi sewerage treatment plant for Varkaus municipality.

Project management contracting had on average 30 (53) personnel and was headed by Mr. Juha Nummi.



*Lemminkäinen Construction's largest overseas project was an art school and cultural centre at Khanti-Mansiisk in Siberia.*



*The demanding refurbishment of the Finnish embassy building in Tallinn was completed.*



*Commuter railway site at Puotila in Helsinki.*



*The "Telekara" R&D building in Espoo, a project management contract for Nokia Telecommunications, reached completion.*

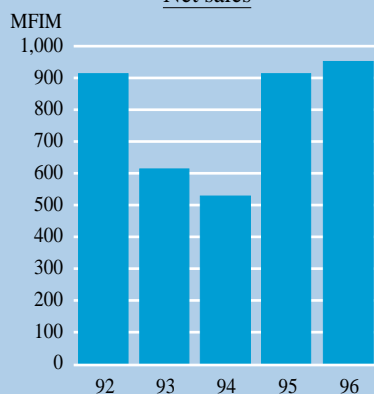
## OY ALFRED A. PALMBERG AB



Managing director,  
Risto Bono M.Sc, M.A.

FIM mill.	1996	1995
Net sales	<b>947.0</b>	917.6
Operating profit	<b>20.5</b>	7.0
Net investments	<b>22.8</b>	12.6
Employees	<b>802</b>	726

Net sales



The Palmberg affiliated group of companies comprises the parent company Oy Alfred A. Palmberg Ab and its ten operating subsidiaries.

The Group's business area is both new and reconstruction work as well as privately financed residential, commercial and industrial property development.

Measured against invoicing the Palmberg group's business volume increased by 5.8%. Net sales inclusive of rental earnings was FIM 947.0 million. The end of year total order book value stood at FIM 559 million (589).

The Group's operating profit improved over last year to FIM 20.5 million (7.0).

The number of own residential development apartments completed by the group was 192 (351). At the closure of the financial period, 113 (154) own development apartments were under construction and completed but unsold apartments numbered 40 (144). New apartments completed under competitive tender contracting totalled 781 (729), and 919 (596) apartments were under construction at closure of the financial period.

During the accounting period Oy Alfred A. Palmberg Ab's wholly owned subsidiary Rakennusliike Kasura Oy was merged into Oka Oy, of which Oy Alfred A. Palmberg Ab owns a controlling interest.

The Group employed an average of 802 (726) persons, of whom 262 (243) were salaried staff.

Value of production for the group by business sector

	1996 FIM mill.	1995 FIM mill.
Competitive tender contracting		
Housing	<b>240.2</b>	160.8
Other new building work	<b>380.4</b>	287.0
Renovation	<b>140.9</b>	104.8
Developments		
Housing	<b>74.4</b>	180.8
Commercial and industrial buildings	<b>52.8</b>	4.4
<b>Total</b>	<b>888.7</b>	737.8

## PARENT COMPANY

Oy Alfred A. Palmberg Ab's turnover was FIM 182.6 million (264.2).

Projects being implemented by the metropolitan area regional office were situated in Helsinki, Espoo and Vantaa. The value of new building and refurbishment work was FIM 220.9 million, of which competitively tendered work accounted for FIM 192.5 million and private developments the remaining FIM 28.4 million.

The regional office is headed by Mr. Hannu Sohlberg.

Projects of the Southwest Finland regional office's projects have been in and around Turku. The total value of work was FIM 52.1 million which came entirely from competitively tendered contracts.

The regional office manager is Mr. Raimo Salo.

Oy Alfred A. Palmberg Ab's order book stood at FIM 145 million (255). The company employed on average for the accounting period 69 (65) salaried staff and 108 (80) operatives.



Palmberg's show piece project was the Hartwall Arena in Helsinki.



Residential building "Ainolanportti", Oulu. Palmberg-Rakennus Oy.



Ice rink and swimming baths Lippumäki, Kuopio. Savocon Oy.

## SUBSIDIARIES

Subsidiary	Operating region	Net Sales M FIM	Invoicing M FIM	Order Book	Employees	Managing Director
Teollisuuden Rakennuspalvelu Oy	Metropolitan area	2.7 (0.9)	1.8 (1.9)		1 (1)	Mr. Hannu Sohlberg
Palmberg-Urakoitsijat Oy	Western Uusimaa	47.1 (18.9)	42.3 (43.5)	42.1 (22.7)	15 (16)	Mr. Ahti Kara
Rakennusliike S. Horttanainen Oy	Eastern Uusimaa	25.4 (42.1)	46.8 (36.6)	60.5 (34.7)	38 (40)	Mr. Ahti Kara
Oka Oy <sup>1)</sup>	Kymenlaakso	156.7 (98.6)	124.2 (100.1)	84.2 (66.2)	113 (113)	Mr. Juhani Pousi
Rakennustoimisto Palmberg Oy	Häme Province	140.9 (83.7)	131.0 (119.5)	48.9 (45.9)	126 (107)	Mr. Jukka Vahila
Rakennus- Otava Oy	Jyväskylä & neighbouring communities	45.2 (41.4)	28.8 (53.9)	11.9 (24.3)	24 (27)	Mr. Jussi Kari
Oy Konte Ab	Vaasa Province & Satakunta Västerbotten, Sweden	136.4 (146.1)	161.2 (157.0)	82.3 (49.1)	137 (110)	Mr. Göran Pellfolk
Byggnads Ab Forsström Rakennus Oy	Kokkola, Pietarsaari & rural regions	44.6 (52.5)	56.9 (62.8)	33.4 (16.9)	78 (78)	Mr. Peter Forsström
Palmberg-Rakennus Oy	Provinces of Oulu & Lapland	130.8 (151.3)	93.7 (160.4)	42.6 (56.5)	70 (104)	Mr. Ahti Heikka
Savocon Oy	Kuopio & surrounding areas	37.1 (21.7)	26.2 (34.6)	8.7 (18.2)	26 (31)	Mr. Martti Kankkunen

<sup>1)</sup> Includes figures from Rakennusliike Kasura Oy, which was merged into OKA Oy during the accounting period.

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